From: Heartland Bank, Kevin M. Black

Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Comments:

I am writing on behalf of Heartland Bank to express our grave concerns about the debit card provisions of the Dodd-Frank Act (Section 1075), which have resulted in the Federal Reserve Board (FRB) fixing prices for debit cards to no one's benefit. This legislation is fundamentally bad policy and requires thorough review and amendment before implementation. We believe the debit provisions are inconsistent with basic American free-enterprise principles and will have severe unintended consequences that may harm consumers, threaten data security, and stifle payments innovation. Our organization serves 3,300 consumers and employs twenty people in the Webster and Calhoun Counties of Iowa. I believe the debit provisions will harm my business and affect the services I am able to offer my customers. We are a community bank serving rural Iowa. We estimate that once the debit card provisions are fully enacted, the bank's non-interest income will be reduced by over 10%. The FRB has proposed artificially low caps on debit interchange that do not reflect the true costs of running a secure, reliable, and efficient debit network. This will force financial institutions such as ours, to raise consumer fees or reduce debit services. The proposed rule also does not guarantee protection of the small issuer. All costs to issuers and economic value to the merchants were not considered within the proposed rule. Community financial institution margins will be disproportionately penalized in comparison to larger institutions due to their low-cost structures and economies of scale. Consumer costs for bank services will ultimately rise to replace the loss of revenue anticipated. The proposal will result in a cost shift to consumers and not a savings. The debit provisions adopted by the 111th Congress were never subject to public debate, hearings, or independent review. We hope the 112th Congress will not be as rash in its approach. Changes of the magnitude required, such as government-supported price fixing and payments market structure changes, should not be imposed without serious debate, analysis, and study. Because of the many issues related to consumer harm and basic fairness, we urge the FRB to formulate and adopt regulations that will not harm community banking institutions that are already burdened with increasing costs. By doing so, you would help ensure the continued viability of community financial institutions. Sincerely, Kevin M. Black President/CEO