

From: First State Community Bank, Donald L Hogan
Subject: Reg II - Debit card Interchange

Comments:

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

Proposal: Regulation II-Debit Card Interchange and Fee Routing Document: R-1404

I thank you for this opportunity to comment on the proposed regulation to limit debit card interchange fees and the network exclusivity and transaction routing. I am an officer of a community bank with \$1.2 billion in total assets. I am aware that the proposed fee limitations are intended for financial institutions with \$10 billion or more in assets. However, I believe that market place pressures will eliminate that advantage for community banks. Eventually, merchants that have an economic incentive will drive debit card transactions to the lowest cost provider. At which time, our bank like other community banks that desire to continue providing this actively utilized service to our customers will be required to accept lower fees. This new fee structure will not cover the total cost our bank incurs for issuing, processing, maintaining our service or debit card fraud activity. By fixing the price of debit card transactions on a very popular consumer product our bank will be required to review all other sources of bank revenue for possible fee increases. These fee increases will affect the very consumer that this proposal purports to help. Our bank along with the entire banking industry has spent many years, along with the major card processing companies, developing and refining a very cost efficient and effective payment system. The implementation of this new structure should be delayed until Congressional hearings can be held to determine what is "fair" pricing. The Durbin Amendment was originally pushed through the U.S. Senate without any hearings or a vote in the U.S. House of Representatives. This hardly is right in a representative form of government. I appreciate the opportunity to comment on the proposal of regulatory change to the debit card fee system and I ask that implementation of this regulation be delayed until proper hearings can be held by the House of Representatives.