

From: Mercy-City-Lehigh Family Credit Union, John Sherrick  
Subject: Reg I I - Debit card Interchange

---

Comments:

Date: Feb 09, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing  
Document ID: R-1404  
Document Version: 1  
Release Date: 12/16/2010  
Name: John Sherrick  
Affiliation: Mercy-City-Lehigh Family Credit Union  
Category of Affiliation:  
Address:

City:  
State:  
Country:  
Zip:  
PostalCode:

Comments:

Docket No. R-1404-The proposed Debit Interchange Fee and Routing Regulations might have been a good idea if the proper research and data collection had taken place including all affected parties. There are a number a subjective items in this proposal that will end up costing the small issuers (credit unions) and consumers in a number of documented ways. 1. Specifically, there is a lack of an enforcement mechanism that will make sure exemptions are adhered to by networks being mandated to provide a two tiered network as congress intended. 2. Reducing interchange income at this time will force financial institutions to pass on their costs to the consumer. This could be the end of no charge checking. Is this fair to the consumer? 3. When you calculate all of the costs associated with debit cards there is little if any profit for small issuers. Have the merchants promised to lower their prices with the proposed savings on debit card transactions? If there are insufficient funds in the checking account when the debit card transaction is presented for payment, will the financial institution be able to charge back the transaction like a NSF check? 4. Is now the time to increase small bank/credit union debit card expenses with current FDIC/NCUA assessment/premiums being paid? Credit Unions are Not-for-profit, and unfortunately this proposed change will cause many credit unions to operate at a loss. Will this help their members and a recovering economy? 5. Why punish credit unions since they have fewer fees? 5. Fraud prevention costs continue to increase as criminals become more sophisticated in their attempts to defraud credit union members. The money and time spent dealing with these daily occurrences was not taken into consideration when this proposal was established. Fraud usually originates with the merchant, but the credit union is left with issuing new cards and the expenses associated with these issues. This is a current and ongoing problem that Fed should deal

with now, not in the future since this is a real expense for credit unions now, not the future. 6. What safeguards have been put into place to avoid discrimination within a payment card network? The proposed Debit Card Interchange Fee and Routing Regulations is an issue that could be dealt with objectively if the Fed, banks, credit unions, and clearing and settlement companies worked together for a common goal and slow down. If the proposed regulations are put into place without correction/modification, the consumer will pay a higher price for a checking account with or without a debit card. I do not believe this was the intention of the proposal.