

From: Ent Federal Credit Union, Randy Bernstein
Subject: Reg II - Debit card Interchange

Comments:

February 9, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

I am writing this letter on behalf of Ent Federal Credit Union, a \$3 Billion Credit Union located in Colorado Springs, CO. Recognizing that you have already received thousands of letters regarding the proposed Interchange regulation, our comments will focus on specific costs associated with the operation of Ent's debit card program, as well as the possible impact this regulation may have on our organization and our member-owners.

In 2010, Ent's 113,000 debit card holders processed approximately 44 Million debit card transactions. The following is a breakdown of the income and expenses associated with this program:

Card Interchange Income	\$10,145,146
Card Expenses	\$ 3,708,613
Net Income(Loss)	\$ 6,436,533

These numbers represent the actual cost of processing to include: fraud prevention, VISA processing fees, card issuance, and network switch fees. The net income of \$6,436,533 represents 35% of our projected 2011 net income.

Based upon the proposed interchange caps, the annual financial impact to Ent is projected as follows:

Card Interchange Income	\$ 2,536,287
Card Expenses	\$ 3,708,613
Net Income (Loss)	\$(1,172,326)

As a member - owned financial cooperative, we pride ourselves in providing financial services at minimal cost (fees); however, the \$7.6 million reduction in interchange income, at the same time as program expenses continue to increase, could have the unintended consequence of eliminating our free debit card program. Possible impacts to our members could be an annual fee in excess of \$65 per cardholder, or, as an alternative, a per transaction fee.

Realistically, as our peers have repeatedly stated, a regulation that is supposed to protect consumers will end up hurting them in the long run. As proposed, the regulation will shift the burden of cost from the merchant to the consumer. We do not believe that our elected officials clearly understood the impact this ill conceived and poorly communicated proposal

would have on the American public.

We are requesting that the Federal Reserve delay implementation of the interchange regulation until such time as all costs associated with this program are identified, considered, and presented clearly to Congress.

Absent the possibility of delaying this regulation as proposed, our response to the Board's request for specific comments relating to the form of the final rule follows:

1. Interchange Fees - we urge the Board to adopt "Alternative Two", allowing a cap of \$.12 per debit transaction. In addition, we believe, based upon the information presented in this letter, that \$.12 per transaction is too low for any financial institution, regardless of size.
2. Transaction Routing - "Alternative A" is the only option that would avoid significant additional costs to issuers. In addition, the other alternative would be confusing to consumers, financial institution employees, as well as merchant employees.

We appreciate the opportunity to share our concerns with the Federal Reserve Board.

Sincerely,

Randy Bernstein
Ent Federal Credit Union