

From: Brian D. Mino
Subject: Reg I I - Debit card Interchange

Comments:

February 10, 2011

Jennifer J Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

Dear Jennifer Johnson:

The following text is a letter I drafted to my Congressmen and Senators from Iowa. This letter covers more than the proposal for the Fed to set interchange levels rather than let the free market dictate the appropriate interchange earned, but it does fit here as well. Please review and consider the position I am in as a small bank, not as a large bank with thousands of customers and ATM's deployed on every corner. What revenue we do earn, does not cover the cost of the charges incurred through Shazam. This may result in new or larger fees being charged to the consumer eventually.

The text of my letter follows, but I was unable to attach the attachment that was sent with my initial letter. The attachment basically said that the Ashton State Bank is currently earning \$1,370 per month in interchange, but after the Durbin amendment is effective my monthly earnings will be approximately \$434 per month. The resulting decrease of \$935 per month or \$11,223 per year would certainly have a huge effect on how these services are priced in the future. I will now close and thank you for your time and hope that you see merit in my letter as follows.

Sincerely,

Brian D. Mino
President / CEO

ATTACHMENT STARTS BELOW

February 5, 2011

To: All U.S. Senators & House of Representative Members from Iowa

From: Brian D. Mino, President of Ashton State Bank

Re: Regulatory Reform

I am contacting all of you today to illustrate how your vote on legislation affects my institution, The Ashton State Bank, a \$35,000,000, rural Iowa commercial bank.

First, I would like to discuss the financial regulatory reform bill passed to address the mortgage crisis and increased regulations governing the

financial sector to prevent another meltdown as we have experienced over the last several years.

I have recently started the process of registering myself and my other two lending officers to become "Registered Mortgage Loan Originators". I started this process on Tuesday, February 1, 2011 by attending a seminar sponsored by the Conference of State Bank Supervision at a cost of \$35.00. I then proceeded to set up the control account for the Ashton State Bank at a cost of \$100.00. I have to have two administrators for this account that require "Second Factor Authentication" at a cost of \$55.00 per administrator through Verisign, or a total of \$110.00. I then registered myself and my other two lenders with the Nationwide Mortgage Licensing System at a cost of \$60.00 per applicant of \$180.00 total. In addition to this, each applicant is required to be fingerprinted. We are located in rural Iowa and could either travel to Sioux Falls, SD (50+ miles away) and be fingerprinted for free or pay to have a paper fingerprint kit delivered to us at a surcharge of \$10.00 per kit or a total of \$30.00. In addition to this, the Osceola County Sheriff's office will charge \$5.00 per person to fingerprint each of us, a total of \$15.00. The fingerprints are then submitted to Fieldprint Services so they can complete and FBI background check on each of us at a cost of \$39.00 per applicant, or a total of \$117.00. All of these items total \$587.00 plus my time over the last 4 days (not full-time, but still substantial) as well as my other two officers to verify and register themselves when notified via e-mail.

As the above illustrates, regulation costs! It costs money. It costs time. It also costs privacy. Personally, I have been in the banking industry since January of 1986. Over those years, I have helped a lot of people; young and old, any sex, race or other identifying item that we are required to collect information on; to achieve the "American Dream" of owning a home. In this twenty-five year time period, I know of only one loan that I have written which resulted in foreclosure. I am not different than the majority of the other bankers that I affiliate with that are in the business to help our customers achieve their financial goals. With the above regulation and the requirement to submit to a criminal background check and to be fingerprinted, I feel as though my career, and what I view as a successful record, has been minimized as a result of this legislation. I know that you will say that the regulation, like many other, is written to protect the consumer from the few that were the bad apples in the mortgage market. Anyway, I still feel that my image has been tarnished and my privacy invaded as I have never been arrested nor fingerprinted for any reason.

I would also like to provide some information to you concerning the "Durbin Amendment" to this legislation. The Ashton State Bank does offer "Debit" cards to our customers as a convenience for them to pay for items. We do earn interchange for our customers utilizing their cards to help defray a portion of our expenses associated with offering the cards, but this has never been a profit center for our Bank. I have worked for banks in the past where there was enough activity for a profit to occur, but for the majority of Community Banks located in rural America, it is a service that is provided at a break-even at best. The Durbin Amendment and the associated reduction in income associated with it, takes money directly from my Bank's bottom line and makes the product less attractive, which may result in less service being provided to the consumer over time. Was

this the intent of the amendment? I doubt it, but once again the small bank is the beneficiary (?) of the legislation. I know that there is an exemption for small banks to not have to comply with this, but is this a reality? I doubt it as the "Big Box" stores have encouraged this on behalf of the consumer and they will continue to mandate lower interchange and in time, it may get to a point where they won't accept my cards if the interchange is too high. Am I right, I don't know, but I have seen a progression this way. The attachment illustrates what is projected to happen to my income with the Durbin Amendment. This information was sent via e-mail to me by Shazam based upon historical information. It was totally unsolicited by me, only provided as a courtesy and I'm sure an educational item on Shazam's part as they provide switching and interchange services for many small institutions in Iowa and surrounding states. The big players drive their own networks.

The second item I would like to briefly discuss is the 1099 clause contained in the health care bill. I know at this point the Senate has overwhelmingly approved the stripping of this requirement from the previously passed legislation and there is similar legislation in process in the House. I encourage all of you to support the repeal of this reporting requirement. It is not consumer friendly, business friendly nor environmental friendly based upon the amount of additional paper that would be used for a law that is unnecessary.

In closing, Thank You all for your continued service to the State of Iowa. I may not agree with the way each of you votes every time, but we all enjoy the benefits that are provided by living in the State of Iowa and the United States of America and you certainly serve a vital role in this process.

Sincerely,

Brian D. Mino
President / CEO

BDM/bdm
Attachment

Cc: T.J. Sexton, Mark J. Sexton, Iowa Bankers Association, Shazam