

From: Peoples National Bank of Mora, Doyle Jelsing
Subject: Reg I I - Debit card Interchange

Comments:

February 14, 2011

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

Dear Jennifer Johnson:

As President of Peoples National Bank of Mora, NA], a community bank in Mora, MN with \$165,MM in total assets, Our branches serve five communities in central Minnesota.

I am writing to express my opposition to the proposed rule.

Debit card provide a cost effective alternative to the traditional check. However there are significant differences in who bears the risk of fragulant activity. Last year over a long weekend, our bank incurred a \$23,000 loss from a customer's card that was compromised while the customer was in route to Arizonia. The stolen card number was broadcast to a number of individuals who went on a shopping spree at numerous retail stores. Under the current agreements the bank bears the loss.

This loss was one third of our interchange income for the year.

Why would a bank continue to offer a product that only breaks even on cost and has no return for risk taken. The bank will look for card agreements where the merchant bears the responsibility for dealing with the criminal. as is the case with check activity. However; It is highly unlikely the merchants will accept their responsibility or liability. Then the only party left to share risk is the customer.

To reduce exposure debit card activity will be restricted i.e. limiting transactions to in state merchants only.

Fees for debit cards or increase service charges for accounts with cards are a likely result.

Finally, the two tiered system will not work. Today, rural merchants limit card acceptance which is clearly in violation of current card agreements. This legislation does nothing to change current merchant behavior.

I believe the determination of the fee proposed did not take into account the true cost of the debit card system and will have negative consequences.

Sincerely,

Doyle Jelsing
President
Peoples National Bank of Mora