

February 8, 2011

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
Washington DC 20551

Re: Proposed Rule on Debit Card Interchange Fees and Routing

Dear Chairman Bernanke:

Having the Federal Reserve fix prices in almost any venue save inter-institutional interest rates, is a bad idea. There are any number of products and services in America where the “reasonable and proportional” transactional costs are not the sole basis for pricing. The same should be said of debit card interchange. Here at CommonWealth One Federal Credit Union our member’s average 92.88 debit card signature purchases annually. At the proposed interchange cap of \$.12 per transaction, our gross return per member will only be \$11.15 per year. Direct expenses for our debit program are \$1.38 annually for the plastic, \$5.889 in processor fees and an average of \$4.585 per year for fraud. This amounts to a net loss of \$.69 per card prior to recognizing our overhead and salary expenses. CommonWealth One cannot sustain our current debit card program at \$.12 per transaction.

Although the credit union is a not-for-profit member-owned organization, we cannot survive at an operating loss. We are already looking at ways to reduce our debit card expense to include eliminating our debit rewards program, implementing relationship based transactional fees, and reducing transaction limits to reduce fraud risk. We recognize that these or other actions we must take to maintain our debit card program will not be favorable to the consumer.

I have reviewed several of the comments made by merchants. I have not read a single letter that details a merchant’s intent to pass interchange fee savings on to consumers in the form of reduced prices. The merchants are for profit; CommonWealth One is not.

I recognize that CommonWealth One qualifies under the \$10 billion small institution exemption from interchange fee price fixing; however, most authorities agree that reducing interchange fees for large financial institutions will cause a decrease in interchange fees for smaller financial institutions. The proposed Rule does nothing to stabilize or assure interchange fees for smaller institutions. In fact, proposed

recommendations require all institutions have multiple networks to provide the merchant with a least-cost selection for network routing. This will further hasten the convergence of fee structure between exempted small institutions and large institutions.

It is my recommendation that the small institution exemption for institutions less than \$10 billion must be applied to the entire Rule. At the very least, it is my sincere hope that the Federal Reserve consider postponing implementation of this Rule until you take the time to sufficiently analyze the full impact of the Rule on smaller institutions and the consumers we serve.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis C Gulliford', with a long horizontal flourish extending to the right.

Dennis C Gulliford  
Operational Accounting Manager  
CommonWealth One Federal Credit Union  
Alexandria, Virginia