

From: Michael Allen
Subject: Reg I I - Debit card Interchange

Comments:

February 16, 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:

I am a community banker and have been for close to 25 years. The advances in technology have been amazing to watch. The regulatory changes, on the other hand, have not. The newly proposed limitation on debit interchange is nothing short of government controlled price-fixing. Agree or not, when you set a limit, you're fixing prices. And the proposed limits do not consider the all of the costs associated with the operation of a debit interchange system. We, unlike the government, cannot just print money and deflate our currency, when money is needed to shore up a short fall. We actually have to make a profit first, which is getting harder and harder to do thanks to the Dodd-Frank Act and the subsequent Durbin Amendment.

Although the proposal supposedly carves out a niche for bank under \$10 billion, it would be greatly naïve to think that this will not affect ALL banks, regardless of asset size. The ability of the merchant to choose routing, will in and of itself create market pricing pressure that will trickle through the systems available for debit interchange. No one will remain untouched by this proposal. It is even more naïve to think that merchants will pass on this savings to consumers. Prices will NOT come down, and the consumers will end up paying more at the store and at their banks.

Customer usage of debit cards continues to grow. This takes the pressure off of traditional check processing methods which lowers operating costs for the bank and allows the bank to offer products and services to our community at low or no costs. If the proposed changes are allowed to take place, all banks will have to attempt to replace lost income by discontinuing free checking and charging for services that have been supported by the interchange revenue.

In the event the Federal Reserve decides to proceed with the issuance of a final rule, I urge you to establish the standards for assessing that is required by statute rather than explicit pricing caps. The allowable costs should be broadened to include all costs associated with debit card programs and to permit the banks to earn a reasonable profit margin.

Please consider a more comprehensive study before finalizing the rule. If implemented in its current form, I fear the impact it will have to the banks income and consumer prices.

Thank you for your time.

Sincerely,

Michael Allen