GENISYS
CREDIT UNION

February 17, 2011

RE: Durbin Amendment, Docket No. 1-404, Section 1075 of the Dodd Frank Act

Dear Federal Reserve Board:

Genisys Credit Union appreciates the opportunity to comment on the portion of the Dodd-Frank Act that amends the Electronic Funds Transfer Act (Durbin Amendment). Genisys Credit Union is $1.3 billion in assets, has 123,000 members and has branches in Michigan, Minnesota and Pennsylvania.

We feel that the Durbin amendment is clearly not in the best interest of our members or consumers. As a consumer, and manager of the card program at Genisys Credit Union, I don't feel that it's reasonable to expect that a financial institution should take the sole burden of funding a program that does benefit consumers and merchants alike. Payments made using the plastic card network are immediately transferred to the business cutting down on collection costs and resulting in guaranteed funds. Moving to another model would not benefit the consumer as it would increase the time spent in line at the retailer and it would not benefit the merchant as it would increase book keeping and collection costs. Asking that financial institutions support this cost by limiting the fee we could collect to 12 cents in the best case scenario will clearly limit the growth of our program.

Financial institutions support this payment network and operate fraud prevention methods that do not come without cost. Merchants benefit from this payment networks zero liability, and in most cases approved transactions are guaranteed funds. To remain profitable the credit union would be forced to raise fees in other areas to cover this program. Essentially you're asking the consumer to cover the cost of running the debit card program and allowing the merchants a free pass. In this amendment you fail to take into consideration that merchants don't want cash or checks either, the system as it is today works in every way. It's safe, functional, allows for quick money movement which helps with merchant cash flow, and it allows for satisfied customers both those of the financial institution and those of the merchant.

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I challenge you to reconsider your decision on this amendment. If left as currently worded with interchange fee caps, exclusivity rules, routing rules and no provision for enforcing the $10 billion and under exemption consumers will experience higher fees/costs, programs in place today could be eliminated, and many institutions may not be able to offer a competitive debit card program.

While financial institutions pay the cost of fraud on two fronts, both in prevention and then in the actual loss of funds when a fraud situation occurs merchants have been the cause of several major card breaches that have cost the financial industry millions of dollars in losses and card replacement costs. These types of costs occur weekly for a large issuer and despite regulations small and large merchant networks and/or their processors continue to be compromised. Merchants in most of these situations are not reimbursing a fraction of the true cost of card reissues, monitoring, or prevention expenses. This continued disregard for security damages the card issuer's reputation rather than the merchant's reputation in many cases.

Genisys is very concerned with the Federal Reserve Board's December 16, 2010 proposed regulations that would limit debit card interchange fees to a 7 to 12 cent range, or a cap of 12 cents. Based on our personal experience with our card program, and those of peers, this cap is neither reasonable nor proportional. This cap does not begin to cover the costs of operating our debit card program. Costs to operate a program include network fees, processor fees, fraud losses, fraud prevention tools, plastics, postage, activation costs, telecommunication costs, PIN management, program insurance, compliance and audits, network security, marketing, support staff costs, reward costs (if offered), and the many other costs involved in administering a debit card program.

As with most programs that benefit multiple segments the market has regulated and will continue to regulate itself on fees charged for this service. If fees were not reasonable merchants would choose not to accept plastic cards and if the cost to issue cards were not recovered most institutions would choose not to offer debit cards. Consumers demand convenient, reasonably priced services and the market produces such services. By limiting income from this type of program you are also determining that new advancements will not be created. In just a few short years new market segments are now served, low income households are served with pre paid cards, all households with payroll cards, government cards, reloadable gift cards, travel cards, etc. If income from this type of program is reduced or caped innovation will also stop. You will not find many processors or issuers that will want to be first to market with a product that they are guaranteed to lose money offering.

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In reviewing this decision it would benefit all involved if the Federal Reserve would consider all costs of operating a debit card program if there is a need to set price ceilings on issuers. Genisys would be very happy to provide this information to the appropriate group for review.

The Federal Reserve Board has also asked for comments related to the proposed routing rules. Alternative A proposes that each issuer have at least one signature debit network and one non-affiliated PIN network. Alternative B calls for each issuer to have two of each type of network. We urge the Federal Reserve Board to adopt "Alternative A," which would only require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks would add substantial costs to Genisys Credit Union and all financial institutions.

Based on all of the information that we've received on this we would like to request that the Senate Banking Committee also hold hearings on these issues. Our goal would be to show that it would be in everyone's best interest to ask Congress to repeal the Durbin Amendment. If repeal is not possible the effective date of this amendment should be delayed to allow for it to be studied in greater detail before changes that could affect institutions and consumers are implemented. We would also seek to remove the price ceiling portion of the amendment as well as the routing rules and exclusivity provision.

Thank you again for allowing Genisys Credit Union to submit our comments.

Respectfully submitted,

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