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Subject: Reg II - Debit card Interchange

Comments:

Date: Feb 17, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
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Comments:

I want to add one additional viewpoint on the issue of interchange fees. I do work at a small family owned national bank and see first hand the exposure for fraudulent use of debit cards that we issue on a daily basis. State and Federal regulations require that the card issuer reimburses the consumer for any fraudulent activity that occurs. Many individuals who are commenting to the Fed on this issue and who believe that Banks make too much money from interchange fees do not understand the business or costs involved in being the issuer of debit cards. Nearly on a weekly basis, one of our customers experiences the theft of their card information, typically when they use their card in a everyday purchase. The merchant employee swipes their card in a separate device capturing the magnetic strip information which they sell or use to create a new card in their name and proceed to make purchases, which in many cases are gift cards that cannot be traced. We subscribe to a FRAUD detection service which will block the card after the initial suspicious transactions, but it does not stop all of them. Just this week, it happened where they used a fraudulent copied card and purchased \$420 worth of gift cards at a Walgreen's in Texas on a Sunday night at 9 pm within 90 seconds before we could make the block. It was behavior by our card holder who did not secure their card resulting in this loss, but we the card issuer must bear the loss of \$420, and not the consumer. This is a big part of the reason that card issuers need the interchange income to cover this liability exposure. If consumers want to start assuming this risk then we could discuss a lower interchange rate. Also, you should know that all consumers who use any Banking services are going to see a large increase in fees to cover the loss in revenue from interchange fees. It is this income that allows us to offer free checking to many consumers who would likely not have a checking account if there was a service cost for an account. This Durbin Amendment was ill planned and needs to be reviewed more before being put in place. Sincerely, William G. Goepferd