From: Julie Kirsch

Subject: Reg I I - Debit card Interchange

Comments:

Julie Kirsch

January 12, 2011

Dear Federal Reserve Board:

"Lawmakers are having second thoughts on a provision creating price controls on debit card interchange they easily approved during last year's debate on the Dodd-Frank Financial Reform Act.

A bipartisan group of members of the Senate, which approved the provision without any debate, is concerned with provision that will replace a market-based system with government controls that could slash fees as much as 70%. "We should all agree that having the government fix prices in almost any venue is a bad idea," said the senators (in a joint letter to the Fed)".CU Journal-

This is just ill-advised legislation because:
a) there is no mandate for merchants to pass savings onto the consumer;
2) there is no provision to consider the full cost of providing this payment channel to consumers such as overhead, third party provider costs, fraud prevention and fraud write offs. 3) consumers will ultimately pay through eliminated services such as reward cards and free checking.

Debit card interchange is a payment system that merchants participate in for a cost--much like paying a toll charge .Other than the cost to drive across, one (the merchant) does not pay for maintenance or infrastructure or safety.

The FRB is tasked to determine what the toll should be. I sincerely hope that factored in are the true costs and risks associated with providing this payment method to consumers understanding that there are variable and fixed costs that don't just disappear because the cap is fixed. Also understanding that the merchants will continue to receive the benefit of crossing the toll at a significant lower cost the savings of which will not be shared with their customer.

Sincerely,

Julie Kirsch