

From: Patrick Hagedorn
Subject: Reg I I - Debit card Interchange

Comments:

Patrick Hagedorn

January 15, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

Our credit union is very concerned with the Federal Reserve Board's recently proposed regulation that would place a monetary cap on debit card interchange fees. While the regulation itself provides for exemptions for financial institutions in our asset category both the Dodd Frank Act and the Federal Reserve's proposal do not provide for protections to insure this vital income stream is not disrupted for our institution and ultimately for our members.

The economic downturn that our nation has experienced in the past two plus years has placed a demanding burden on the nations financial institutions. Our credit union is no exception. Increased loan losses, historically low investment returns and increased regulatory demands have stretched our resources to their limit. Our regulator, the NCUA, has also implemented share insurance premiums for the past two years equal to approximately twenty five basis points. The result of all of these factors has reduced our bottom line to between ten and fifteen basis points.

We have historically maintained a very conservative and efficient cost structure, a significant level of reserves, and a conservative loan portfolio that has limited the high level of real estate losses experienced by our peers. Despite our best efforts to control costs and reduce our returns to our members in the form of meager dividends on their savings we are under significant financial pressure. We calculate that the proposal in it's current form will eliminate the majority if not all of our remaining bottom line.

Because our operating cost structure, maintained for many years at less than two hundred and twenty five basis points, has no further room for adjustment without affecting our employment base (seventy plus people) we will be forced to implement fees on our member's to recoup any further reductions in our income. So far we have resisted this strategy because our member's have also experienced economic difficulties as the result of the recession and for the most part and in no position to pay higher fees for basic financial services.

We therefore are requesting that the Federal Reserve Board implement provisions in the final regulation providing for the mandates in the Dodd Frank Act that require institutions less than ten billion dollars in

assets be exempt from this legislation to insure the current level of interchange received by our credit union remains at the current level.

Sincerely,

Patrick Hagedorn