



New England Federal Credit Union

June 15, 2011

Eric S. Rosengren
President
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02210

Dear Eric,

As a member of the Community Depository Institution Advisory Council I am taking the opportunity to write to you regarding the Federal Reserve's pending Interchange rule making. Clearly the interchange rules are a significant topic within the credit union industry and of economic importance to the credit unions in the Boston Fed district.

Specifically, I would respectfully request that you make the following points to the board:

- Congress directed the Board to consider **costs** to large debit card issuers but intended the **income** to small issuers be protected through the exemption provided for debit card issuers with assets under \$10 billion.
- The Board should make the exemption for small issuers, provided by the interchange statute, work by requiring the networks to report to the Board that they have developed a two-tiered system that will provide higher fee income for small issuers than the Board allows for large issuers.
- The Board should require ongoing reporting from the networks on fees to small issuers, to ensure the two-tiered system remains effective.
- The Board should in turn report that information to Congress on a periodic basis, preferably at least annually.
- This monitoring approach, that in essence allows the Board to oversee the two-tiered system, will help ensure such a system is provided and maintained.
- It will also provide evidence that Congress would need to step in should the system not be functioning as well as it should in order to protect small issuers' debit card fee income.

Administrative Office:
Mailing Address:
Phone Number:
Branch Offices:

141 Harvest Lane, Williston, Vermont 05495
P.O. Box 527, Williston, Vermont 05495-0527
802-879-8790 or 800-400-8790
74 Pearl Street, Essex Junction, Vermont
141 Harvest Lane, Williston, Vermont
IBM Building 969, Essex Junction, Vermont
IBM Building 862, Williston, Vermont
FAHC, MCHV Campus, Engineering 405, Burlington, Vermont
1000 Shelburne Road, South Burlington, Vermont
172 South Main Street, St. Albans, Vermont

nefcu.com

Loan Center:

- As the Board has acknowledged, the fee ceiling may ultimately impact all issuers. In light of this, the Board should include all allowable costs in the fee ceiling for large issuers.
- With additional flexibility under the interchange statute for merchants to determine how debit card transactions are routed, the ceiling must be as high as the statute will allow in order to lessen the difference between fees for large and small issuers.
- This will help minimize incentives for merchants to want to direct transactions to large issuers and for networks to lower fees paid to small issuers.
- The Board should exempt small issuers from the routing and exclusivity provisions that provide latitude to merchants on the routing of transactions and require issuers to belong to at least two networks.

Credit union participation in the CDIAC is important for the industry and the effective function of the Federal Reserve System. Our goal is to not only assist you as we discussed at our meeting in March, but to also inform you when there are industry concerns. It is my intent to provide this communication and look forward to our next meeting on August 1, 2011.

Sincerely,



John J. Dwyer, Jr.
President & CEO