



February 14, 2011

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

**RE: Proposed New Regulation II, Debit Card Interchange Fees and Routing
Docket No. R-1404**

Dear Ms. Johnson:

I am writing to you today to convey my grave concerns about the Board's proposal to regulate debit interchange fees and debit card routing. The Dodd-Frank Act passed last summer has placed the FRB in the difficult position of implementing the necessary rules mandated by the Act. We appreciate this challenge but more importantly for our credit union, we are highly concerned about the effect these rules will have on Altura if they go into effect.

It concerns us that the proposed rules do not accurately reflect the intent of Congress to exempt small financial institutions like Altura, and that it threatens to substantially affect our ability to deliver competitive products and pricing to our Members. As a result, we do not support the proposal in its current form and strongly urge the Board to suspend any action on implementation until further study and discussion can be conducted by all stakeholders.

Having watched the legislative process from afar, it was apparent with the passage of the Dodd-Frank Act, that Congress devoted little time to discussing the alleged benefits or the impact such Interchange regulations would have on consumers. Indeed, the House Financial Services Committee held only one hearing on the subject of interchange over the past two years. And as for the "routing" of transactions - it held none!

As a small financial institution, we have absolutely no protection from the Act's treatment of Interchange Fees and the routing of such transactions. Merchants on the other hand, have secured the incentives they desired and now have incentive to steer customers away from small institutions like ours in favor of the large issuers of such cards.

There is absolutely no evidence that this was the intent of Congress!

Without sufficient enforcement of the small issuer exemption the proposed pricing cap would reduce our average interchange fee of 44 cents per

transaction by an estimated 73%. For Altura, this would mean a revenue reduction of approximately \$4.5 million annually. This amounts to 7% of our total revenue and more than 200% of our 2010 Net Income! (*Yes, that's right, 200%!*)

Yours is a tough job and we respect that but for a small issuer, such a dramatic loss of interchange revenue, combined with the additional costs to belong to more than one network, is simply too much.

In anticipation of such changes, we already have contingency plans in place to pass on what charges we can to our Members. This is not what we want to do but with the many charges we're already facing we feel we have no choice.

I'm not at all sure this is what Congress intended but it's what Congress' action has wrought.

I appreciate your thoughtful consideration of our views and humbly request what assistance you can offer to avert this action.

Most sincerely,



Mark Hawkins
President/CEO
Altura Credit Union

cc: **Congressman Joe Baca**
Congressman Ken Calvert
Congresswoman Mary Bono Mack
Congressman Darrell Issa