Credit Union 24

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It's Your Network.

February 22, 2011

Via Telefax. To: (202) 452-3819

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

Regulation II – Debit Card Interchange Fees and Routing
Docket No. R-1404
RIN No. 7100 AD63

Members of the Board of Governors of the Federal Reserve System:

I am submitting these comments for Credit Union 24, Incorporated ("Credit Union 24"), a credit union electronic funds transfer ("EFT") network cooperative and the owner and operator of the Credit Union 24 Network, the Member Access Network, and their respective subnetworks, which provides EFT network and related services to nearly 500 credit union network participants. We are encouraged that the Board of Governors of the Federal Reserve System ("Board") and a number of members of Congress appear to recognize that delaying implementation of Sec. 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") (Pub. L. No. 111-203) governing debit card interchange rates and network exclusivity is prudent and warranted.

Credit unions stand to lose a substantial portion of their revenue at the worst possible time, as a result of the "unintended consequences" of this law and its proposed regulations. While Congress exercised due care in Sec. 1075 of the Dodd-Frank Act to ensure that financial institutions of less than $10 billion in assets were to be exempt from the new interchange fee restrictions in new Section 920 of the Electronic Fund Transfer Act, it has become very clear since the passage of the Dodd-Frank Act that the practical aspects of implementation of this exemption as crafted would render the exemption meaningless for most, if not all, of the small financial institutions and their affiliates it was designed to protect. The contemplated "two-tiered" fee schedule would serve no purpose and, in fact, further harm the credit unions at this time by adding an additional cost of compliance and service support in light of the complexities and timing under the proposed regulations.

Said another way, the interchange restrictions were enacted only to apply to financial institutions larger than $10 billion in assets; yet, the contemplated interchange fee regulations under 12 CFR Part 235

would, as a practical matter, extend these restrictions to sectors of the industry where it was clearly not intended and where the financial and other consequences of compliance have not been anticipated or calculated. Through what rationale is one aspect of the law to be implemented, while tacitly laying aside the clearly contemplated protections guaranteed in another?

The burdens and costs of definition, development, implementation, monitoring, support and reporting would place all those EFT networks, processors and issuers and other support organizations at a distinct disadvantage – necessitated only by their need to defend an exemption granted under the law, but which in practice may be impracticable due to the realities of the marketplace. This appears to us to be both counter-productive and undeservedly punitive.

If the Board, without a clearer and more comprehensive understanding of the effects of implementation of these regulations, were to proceed, those of us in the industry who will bear the burden and responsibility of supporting our credit unions' protections under the law will find it impossible to understand even where to begin until long after market forces have swept away the exemption that the law fully intended to apply.

In the case of Credit Union 24 – the nation's largest credit union owned ATM and POS network – we would have to develop and extend clear definitions and specifications, processing requirements and a full menu of attendant technical and operational support components to a series of third-party providers to effect our financial institution participants' rightful service support. In order to protect their interests specifically provided for under the law, they would be subject to the timing, capabilities, resource availability, understanding and, in no small measure, significant added costs of technical suppliers over whom we and they have little direct control.

We support the growing concern with implementation and urge the Board to re-consider, at a minimum, the implementation timeline and approach until the issues become clearer in a far more pragmatic way. We believe the Board should exercise this responsibility to delay implementation until such time as a better understanding of the implications are clear, rather than be complicit in poor implementation of an ill-conceived policy.

At Credit Union 24 we have always maintained an excellent relationship with the retail community, based on our philosophy of a common customer. We have sought the difficult balance of providing the lowest cost to retailers, while also providing the highest possible income opportunity and value to our financial institution participants. This requires a combination of managing competitive interchange fees along with low network fees. I believe both our participants and retailers would agree that we have been largely successful, while continuing to provide a high quality of service. The new regulations clearly threaten that balance, and our ability to support our participants' rightful expectations under the new regulations.

Simply put, we are owned and operated by credit unions. Our participant credit unions' mission is to help their members. Rushing into this regulation in haste would hurt consumers, credit unions and their EFT network, and ultimately retailers, if we are unable to continue to serve all of these communities.

Sincerely,

James H. Park

James H. Park
President/CEO
Credit Union 24, Incorporated