

**February 8, 2011**

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

**RE: Docket No. R-1404**

Dear Ms. Johnson,

My name is Chris Danvers and I am the Vice President of Payments and Remote Delivery at Delta Community Credit Union. We're almost \$4 billion in assets and are the largest credit union in the state of Georgia. I'm writing to you as a concerned consumer of financial products and as a financial services professional. I have some serious concerns about the unintended impact that the proposed Debit Interchange and Routing Regulations will have on consumers like me and issuers like Delta Community with assets below \$10B if enacted as set forth in the first draft.

While we as an issuer with less than \$10B in assets may not be subject to the interchange caps in the proposed Debit Interchange and Routing Regulations, the proposed network routing provisions and the lack of oversight at merchants to ensure smaller issuer's cards aren't discriminated against at point of sale by a merchant are troubling.

We're also concerned about limiting the application of interchange income to just the cost of transaction processing. While our average interchange earned per transaction was \$0.43 and in line with your study, our minimum expense incurred to offer a debit card product was \$0.125. However, we disagree with your definition of 'reasonable and proportional' in the sense that you cannot realistically cap interchange income to cover just the cost of transaction processing. The reality is the non-processing and processing fees we pay, and the cost of maintaining a back-office support staff are fixed expenses that are required to offer a very basic debit card product offering.

We've further endeavored to illustrate in the table on the 2<sup>nd</sup> page how we as a not-for-profit financial services company reinvest our debit card interchange income to provide benefits that offer great value to our cardholders. As you can see, your proposed cap of \$0.12 on all debit card interchange puts at risk the feasibility of us offering cardholder benefits consumers expect, like debit rewards and \$0 liability for the cardholder when unauthorized transactions occur.



Additionally, it's important to recognize that a debit card is really a part of your overall checking account product offering, so there are checking account benefits that are also at risk if interchange income is capped at \$0.12. For example, we are one of a small number of financial institutions that still pay a monthly dividend on checking accounts regardless of balance. This benefit is partly made possible due to interchange income we earn which is used to cover the expense of this benefit.

### Application of Interchange Income

\$0.01 - \$0.12			\$0.13 - \$0.22			\$0.23 - \$0.43	
Proposed Interchange Cap			At-Risk Card Benefits			At-Risk Checking Benefits	
A	B	C	D	E	F	G	H

#### Proposed Interchange Cap

A = Processing Fees	\$0.015
B = Non-Processing Fees	\$0.07
C = Card Services Department Administration	\$0.04

#### At-Risk Card Benefits

D = Fraud Prevention (Cardholder \$0 Liability)	\$0.01
E = Fraud Loss (Cardholder \$0 Liability)	\$0.02
F = Debit Card Rewards Program	\$0.07

#### At-Risk Checking Benefits

G = Checking Account Dividends	\$0.07
H = Checking benefits offered at no cost*	\$0.155

\*(ATM network participations, 24/7 call center, online banking products and technology systems, etc.)

The interchange cap as proposed will most likely have an intended impact on consumers in the form of reduced debit card and checking account benefits, as well as potentially new or higher fees for benefits that are maintained. The cost of managing a card product won't change with this regulation, but the income used to provide the cardholder and checking account benefits consumers expect from us and other issuers will. We urge the Federal Reserve Board to revisit the proposed interchange cap to ensure the cost of offering these benefits which consumers expect are also taken into consideration when capping interchange income.

If you have additional questions regarding my concerns or how interchange income affects Delta Community Credit Union, please contact me at 404-677-4719.

Regards,



Chris Danvers

Vice President of Payments and Remote Delivery



**NCUA**  
This credit union is federally  
insured by the National Credit  
Union Administration.