STATE BANK OF CROSS PLAINS

March 1, 2011

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

RE: **OUR OPPOSTION** to the Durbin-Amendment to Dodd-Frank Bill; Docket Number R-1404

Dear Ms. Johnson:

Much has already been written concerning the negative impact of this legislation on banks, communities and customers. The State Bank of Cross Plains will be impacted in all of the ways already presented - negative pressure on earnings forcing us to either raise other fees, develop new fees or cut services. None of these options will be a positive for our customers. Anyone that believes merchants will use their lower cost for processing transactions to reduce cost to consumers is living in a fantasy world. Our politicians have looked at billion dollar income amounts that banks receive from interchange fees and decided banks are making too much from this service. It appears very little attention has been paid to the cost of providing these services in the real world.

Most banks, other than large regional or national banks, find that the most efficient way to acquire the expertise and access to card networks is through a third party processor. The State Bank of Cross Plains uses such a processor to drive our ATM network and process/settle for card transactions. We pay for our customers using other ATMs and we receive fees when non-State Bank of Cross Plains customers use our ATMs. We pay for the cost to process transactions our customers conduct at merchants and we receive interchange income to help reimburse our bank for all the costs associated with this process.

Perhaps it will be beneficial to break this down to the impact on a single institution. The State Bank of Cross Plains has assets of slightly under $800 million and has served communities around Madison Wisconsin for over 100 years. We are a for-profit institution and if regulations such as the Durbin Amendment place unrealistic caps on a reasonable source of income, we will be forced to raise fees in other areas or cut back on services. To illustrate, provided below are a few key statistics for 2010 to illustrate how limiting interchange fees will impact our bank:

- Gross interchange fees as a % of total revenue = .95%
- Gross interchange fees as a % of net revenue = 9.55%
- Gross interchange fees as a % of total non-interest income = 5.78%

- Per transaction cost paid to processor by the bank for a signature based transaction = $ .07
- Fraud losses from debit card operations for our bank in 2009 were $7,800. Losses in 2010 were $11,000. There is no reason to believe these losses will not continue to grow, especially since the majority of the burden for card fraud is placed on the issuing bank with merchants having very little responsibility for trying to reduce fraud.

I would like to share a few statistics with you. We expect a 32% reduction in our interchange fees, which will reduce our income by 3.1% . That, coupled with the reduction in NSF fee income and increased interest expense due to Reg Q, we anticipate a substantial reduction of net income. Given this scenario, this equates to a potential loss that cannot be made up in the local economy. Community banks like ours only increase Equity Capital through retained net income. If net income is reduced, so is our capital growth. That leads to less lending by banks. While we are a healthy bank, there will be a far greater impact on banks that are not as healthy as we are. Banks will have to ration capital, which will lead to an unintended capitals crunch. Is this what the Federal Reserve, Congress and Regulators really wanted?

Please stop implementation of this Amendment.

There appears to be little evidence of how this Amendment will positively impact the banking industry, customers or the economy. Sources of income cannot be taken away from any business segment without weakening that segment or forcing other sources of income to be developed. In summary, I urge you to stop the far-reaching negative implications for the banking industry, consumers and the economy at large.

Sincerely,

Jan Patrick Hogan

Jan Patrick Hogan
President & CEO

cc: American Bankers Association
Wisconsin Bankers Association
Congressman Tammy Baldwin
Congressman Ron Johnson
Congressman Herbert H. Kohl
Federal Reserve Chairman, Ben Bernanke