

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

March 31, 2010

RE: Comment Call 10-3

Dear Ms. Johnson,

Thank you for allowing us to reply on this matter.

In our opinion the proposed rule discourages credit unions like ours from operating in an environment that helps the consumer be responsible. We do not authorize ATM or one-time debit transactions if the member does not have sufficient funds in their account at the time of authorization. When such a transaction is made we hold the funds to ensure that the funds will be available when the transaction posts to the account. Members still go negative due to other items, such as checks and ACH transactions clearing before the one-time debit card transaction posts to the account. This places our credit union at risk with no off set to mitigate some of the risk. Our whole membership loses in these cases.

So even though we do not permit our members to have a transaction authorized for an ATM or one-time debit card transaction if funds are not available, the new rule significantly penalizes our credit union and will ultimately have a negative impact on our members.

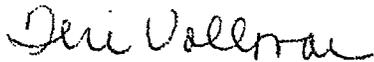
While it may be possible for the financial industry to influence the way that transactions are authorized, there is no way that can happen by July 2010. Our software vendor is currently struggling to make the changes necessary to offer options for the opt-in at the account level that would allow the members to select which overdraft services they want to use. We cannot make the changes on our own to fix this situation. Our software vendor and those of our peers are currently not able to differentiate between one-time debit card transactions and re-occurring transactions.

In analyzing the current technology environment, the authorization process with VISA and MasterCard would need to be altered in order to appropriately authorize a given transaction. We are not sure what types of software changes would be required at the point of authorization to implement such a change. We have contacted MasterCard to see what is currently planned. We are still waiting for the return call. In discussing the current pin based transactions, the funds are authorized for an amount greater than the purchase (\$75 for gas) even if the member is only purchasing \$10. If this same process worked on the debit card side, the consumer may not be able to purchase gas or may have a hold placed on funds that were used to authorize the transaction without having the benefit of the funds during the processing time. We cannot limit how the member selects to use their debit card, as debit or credit to limit these types of transactions. This may create more of a financial burden on the members. More checks would bounce because the funds would not be available, which would cause more fees. Putting pressure on MasterCard and VISA may change the environment for these transactions, but requiring a change by July 2011 would be difficult to achieve.

When a financial institution is making business decisions that are in the best interest of the consumers it serves, it seems the regulators would be encouraging such behavior in this environment instead of punishing the financial institutions and implementing new rules that are extremely costly and in the end will not provide the

changes that you are intending. It seems like there should be a condition, when you are making the right decisions for the consumer and encouraging good financial behavior, that the fee should be permitted. No financial institution should be forced to clear debit transactions when it takes an account negative, without some compensation for assuming the risk of the negative balance. Effectively that is the position that many financial institutions have been placed in.

Sincerely,



Teri Vollmar
Compliance Manager
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cc: **Veronica Madsen**
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