

From: Northwest Credit Union Association , John Annaloro
Subject: Reg I I - Debit card Interchange

Comments:

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Vice Chairman Yellen, As the trade association representing the approximately 200 credit unions serving communities throughout the Northwest, we have grave concerns about the impact of the proposed cap on interchange income being issued under the Durbin Amendment of the Dodd-Frank Wall Street Reform and Consumer Protection Act. While the proposal is aimed at institutions over \$10 billion in assets, the application of the action is likely to apply to all financial services providers, regardless of size. Furthermore, this implementation of the Durbin Amendment in the Dodd-Frank Act appears to constitute a redistribution of business earnings, by stealing money from the banks and credit unions-that issue the cards, intermediate the transactions, carry the fraud risks, and float the consumer purchases-to retailers who have already profited on the sale of goods and services. The financial impact may be destabilizing. All of American business is hurt, as are working families, when the credit unions that represent the backbone of the United States consumer financial services are potentially jeopardized in a reckless manner. Even before this lengthy regulation is put out for commentary in February 2011, I urge the Federal Reserve to engage to use all available time and resources to acquire appropriate academic modeling of the potential harm this initiative will have on small financial institutions. The current path suggests loss of necessary income required to operate a viable debit card program. Equally, the potential for merchants to steer transactions away from small card issuers appears to be a concern expressed even by Fed staff. The initiative regulates debit card issuers as public utilities, something they are not. The law is already the subject of lawsuits because it possibly crosses the constitutional line as well as appears to take an approach contrary to past Supreme Court decisions, and certainly presents itself as a form of direct and indirect price controls. If appropriate detailed study shows that indeed, there will be no impact to institutions under \$10 billion in assets, then the lawyers at the Federal Reserve who have proffered this rule may have done a good job. If, however, the stability and business model for ongoing operations of small financial institutions cannot be guaranteed, then withdrawal of this proposal in its entirety is warranted. Our nation deserves a Federal Reserve capable of doing its job without threatening the future of an important segment of our sovereign financial system. Cordially, John Annaloro, CEO Northwest Credit Union Association