

From: Jay Curtis  
Subject: Reg II - Debit card Interchange

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Comments:

December 21, 2010

Federal Reserve Board

Dear Federal Reserve Board:

My credit union is extremely alarmed and concerned with the Federal Reserve Board's recently proposed regulation that would regulate debit card interchange fees and routing. The Fed should implement reasonable interchange regulations that will allow small issuers to continue to be protected from lower interchange fees.

The proposed debit interchange rates also concern us, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The Fed should consider all costs, direct and indirect, of operating a debit interchange system to the maximum extent allowable by law, including all fraud prevention costs such as the cost of new technology that reduces potential fraud.

There is no guarantee that the merchant's will pass any savings on to the consumer. As an institution, we have to maintain expensive servicing and fraud monitoring infrastructure, hire quality specialized personnel, and absorb increasing fraud losses and fraud and security monitoring. The proposed caps are unduly unfair and shortsighted into operational costs and services. Our institution is by no means enriching itself through interchange and there may be unintended consequences from this regulation forcing us to eliminate that method of payment service to our membership or modify its convenience to our members the consumers.

The timing of implementing this legislation with so much economic uncertainty existing already does not bode well to support and sustain economic growth, forcing us to implement other revenue streams and/or curtail services.

Sincerely,

Jay Curtis