

From: James D. Holt
Subject: Reg I I - Debit card Interchange

Comments:

December 23, 2010

Federal Reserve Board

Dear Federal Reserve Board:

I am the President and CEO of a relatively small credit union, Mid American (MACU). We have approximately 22,000 members most of whom are blue collar workers here in the heart land of America.

MACU is very concerned with the Federal Reserve Board's (FRB) recently proposed regulation for regulating debit card interchange fees and routing. The legislative exemption for smaller issuers to seems to contemplate exempting our members and others similarly situation from unreasonably low interchange fees.

The proposal as written does not include provisions to ensure the small issuer exemption. Please use your authority to ensure that there is some way of enforcing what Congress intended.

Without some work on the part of the FRB, smaller institutions will be at the mercy of a system set up to serve and protect large issuers who have a whole different scale of efficiencies that may accomodate lower fees. While it may not be required to do so immediately, financial institutions our size need to have the FRB consider all costs of operating a debit interchange system especially including all fraud prevention and protection. For example, every time there is possible compromise of our member information by a retailer, we are stuck with the costs of notifying our members and reissuing their cards. If we did not do this, members could get blind sided by a fraudulent users and our losses could be in the seven figure area.

Another concern is how we may be treated if the provisions on routing and exclusivity tallow merchants to choose how debit card transactions are processed in a way that does not allow ease of use of our cards.

I am usging the Governors of the FRB to adopt routing "Alternative A," which would only require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks would place an unreasonable regulatory burden on our credit union that could negatively impact service to our members. We might even have to consider discontinuing the use of these card.

Sincerely,

James D Holt