

From: Osage Federal Bank, Mark S. White  
Subject: Reg I I - Debit card Interchange

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Comments:

January 31, 2011

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

Dear Jennifer Johnson:

Thank you for the opportunity to comment on the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing" rule.

I'm the President of a \$150 million savings bank in Oklahoma. We provide financial services to approximately 8,000 customers, with a total of 3,500 checking accounts. We offer debit cards for our customers and the bank receives an interchange fee on each transaction. Large retailers have convinced Congress to pass legislation allowing the Fed to set fees at cost only, with no regard to fraud, losses, profits, etc.

We oppose this rule because we cannot offer services below cost. If forced to do so, we will need to raise fees on other products and quit offering free products. If free checking is dropped, the marginal customers could be forced from the banking system and revert to check cashing or small loan firms. Quite an unintended consequence!

Another concern is the setting of price controls by the Fed. What is next? Setting rates for car loans. The market should determine these rates, and the merchants are now protected in most instances from fraud.

The carve out for smaller institutions will be worthless. Merchants will accept the large bank fees, and the smaller ones will have to match to compete. Our bank will raise fees to offset, and the marginal customers will pay.

For the reasons stated above we are opposed to capping interchange fees at 7 or 12 cents. It will have a significant impact on our bank, our customers and our operations.

Sincerely,

Mark S. White  
President/CEO  
Osage Federal Bank