From: Luzerne Bank, Robert C. Snyder

Subject: Reg I I - Debit card Interchange

Comments:

February 1, 2011

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

Dear Jennifer Johnson:

First of all, I am grateful for the opportunity to comment on the Fed's recent interchange rule. I am the CEO of a seven branch, $280 million asset community bank in Northeast Pennsylvania. Although we fall under the "carve-out" provisions, I do not believe such a carve-out will be effective. We will either lose our customers to the larger institutions or the industry will adopt one interchange rate. I think the latter will become the rule. Presently, we earn about $138 thousand net income from debit card interchange, approximately 5.5% of the net income of the entire bank. This does not include losses for fraud. The Fed's proposal will place our bank in a net loss on debit card interchange of about $36 thousand. Obviously, we have to make up some $174 thousand in after tax income, just to stay even. This places our bank, which is a pillar of commercial lending to small business in our market, at a distinct disadvantage. Shall we place fees on debit card? Shall we place fees on what is now free checking? Regardless of what we do, it will hurt the bank, its customers, employees and shareholders. Adoption of the rule, obviously, needs delay so that the Fed can gather information such as I have pointed out.

Again, thank you for the opportunity to make this case.

Sincerely,

Robert C. Snyder
Luzerne Bank