

From: Home Federal, Darryl Akers
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:

We appreciate the opportunity to comment on the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing" rule. Home Federal is local community bank with 6 offices, assets of about \$290 million serving customers within a 30 mile or so radius of Ashland KY. Our 50+ employees have been engaged in development of core deposit accounts for some time. We recently unveiled a Reward Program to assist us in that process and give something back to the customers who have allowed Home Federal to serve them since 1889. Home Federal offer FREE checking and customers are well aware that this product plus the rewards program are available to them because of debit card usage and the related interchange fees. It is a simple mathematical fact that without the interchange at present levels, the Rewards program will disappear as will FREE checking. We oppose the proposed rule for this reason and the fact that the market will push our fees out of existence under the safe harbor. Customers will be steered to the cheaper interchange by merchants and they will lose their FREE checking as well as our REWARD program without any change in merchant prices. This is a lose, lose for the customer and community banks trying to compete in an ever more competitive market. We have two persons now dedicated to debit card transactions and the fraud and error resolution processes that are needed and we now pay for additional fraud prevention services to protect the customer and the bank. Speaking of fraud, the debit card rules protect merchants from loss when a card is present and place all the loss on the issuing bank. If they have to go back to checks, they will be dealing with the losses that are related to them. Debit cards have provided a level of account access the average person never experienced before and being in a low to moderate income area we realize the benefits these folks receive and appreciate from them. Adding back costs to these products will push many of them back to checks or simply take them out of the traditional bank experience all together. Again the customer loses and so does the transaction system. With all of this and the routing issue Alternative B basically adds more costs.

Sincerely,

Darryl Akers
President/CEO
Home Federal