From: Florence Savings Bank, John Heaps

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:

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

As CEO of Florence Savings Bank, a banking institution in Florence, MA with $1.0 Billion in total assets, I am writing to express my opposition to the proposed rule.

All of the major players - financial institutions, cardholders and merchants benefit from the payments system structure as it stands today. Financial institutions benefit through increased loyal account holders, decreased commercial cash and check volume in the lobbies, and by earning enough income from the current pricing structure to successfully run bank operations and allow for inevitable card fraud losses that occur with every debit card program. Cardholders benefit simply through the convenience, widespread acceptance and security the card offers them over other payment choices. The merchants benefit the most. By choosing to accept cards as a form of payment, they:

1.improve transaction speed and efficiency at their place of business 2.reduce cash in their registers, thereby decreasing their potential for robbery and increasing their safety 3.eliminate multiple trips to the bank to deposit cash and checks into their account 4.avoid check fraud and reduce the time and money spent on collections, billing and other administrative costs tied to accepting checks 5.compete on equal terms with larger department stores 6.can partake in efficient electronic commerce, allowing them to reduce overhead costs while engaging in low-cost, around-the-clock internet sales.

The benefits the merchants receive by choosing to engage in a card payments program far outweigh any interchange costs they are paying today.

If run as proposed, the system could make community bank cards more expensive for a merchant to accept. Merchants will undoubtedly find ways to route transactions to maximize their savings and may refuse to accept community bank cards altogether. Consumers will grow tired of card acceptance confusion and will most likely abandon community banks, as the alternative to return to cash and checks will be unappealing to them at the least. If the exemption fails and community banks get lumped in with big banks at a $.12 cap per transaction, it will destroy any card programs offered by community banks, and therefore our ability to compete in the industry. We will become a nation of national and super-regional financial institutions.

Community banks are important to the financial services industry. In my area, they are vital to our economy. There are dozens of community banks within my area, many of them averaging about 150 years in the business. These proposed changes, if left as they are, will drastically alter our financial landscape in Western Massachusetts in a negative way. The residents of our towns and villages depend on us to provide personal service through products and services that compete with the big banks. Up until now, we have managed to do that and do it well. I feel that if these changes are implemented as proposed, community banks will suffer a tremendous blow and the intent of this regulation will not be achieved.

Sincerely,

John Heaps
CEO
Florence Savings Bank