

From: NE PA Community Federal Credit Union, Mark T. Filbert
Subject: Reg I I - Debit card Interchange

Comments:

February 1, 2011

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

Dear Ms. Johnson,

I am writing to you on behalf of the membership of the NE PA Community Federal Credit Union, an \$82 million credit union serving the financial needs of approximately 11,000 citizens in Monroe and Pike Counties, Pennsylvania. Since 1996, our credit union has offered a Visa Check Card (debit card) to enable our members to conveniently and safely access their funds on deposit with the credit union. We have offered the debit card to our members with no annual, monthly, or transaction fees for point-of-sale purchases. Approximately 75% of our members with share draft/checking accounts are enrolled in this service. As you are aware, a credit union's primary business focus is to serve the financial needs of its members, not to focus exclusively upon generating profit. In the current business environment, our credit union generates sufficient income through the debit card program to assist our members in buying groceries, fueling their automobiles, and making everyday purchases. Based upon the Federal Reserve Board's recent proposal pertaining to the regulation of debit card interchange income and routing, and the potentially catastrophic loss of income that may result, our credit union's ability to continue to offer this service to our members is in serious jeopardy.

Our credit union is aware that the law included an exemption for financial institutions with assets less than \$10 billion, and yet in practical terms it is clear that there are no guarantees that our institution will not be adversely affected by its provisions. As the regulation is currently written, there are no specific directives to enforce the small issuer exemption. We respectfully urge the Federal Reserve Board to use its authority to reinforce the small issuer exemption so that Congress' intent of protecting small institutions is maintained. Additionally, we believe that the Federal Reserve Board should consider all of the costs associated with the operations of a debit card program, including all fraud prevention costs, which ultimately protects the member, the merchant, and the financial institution. Lastly, we urge the Federal Reserve Board to carefully consider the effects upon small issuers if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly.

The purpose of the law was to create greater savings and protections for consumers. Unfortunately, the reality will be much different. If small issuers, including credit unions, are held to the same debit interchange income

rules as institutions above \$10 billion, members will either be exposed to prohibitive fees on their debit card accounts, or will suffer the elimination of these programs by their credit unions. Consumers will ultimately pay more for their financial services due to less choice in the marketplace, and will be paying additional profits to the merchants, which we do not believe is in the spirit of what Congress had intended.

Sincerely,

Mark T. Filbert
President/CEO