From: Matthew Logan

Subject: Reg I I - Debit card Interchange

Comments:

February 1, 2011

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

Dear Federal Reserve Board:

I am very concerned as a citiizen, consumer, credit union member, and credit union employee with the interchange rate regulations that are being considered. Below I list numerous reasons this interchange fee regulation does not make sense.

It is concerning that retailers/ merchants are getting a break on a service that millions of Americans rely on for convenient shopping (debit transactions), yet the retailers/merchants are not required to pass this break onto the public that keeps them in business. I thought the financial reform was to help the public and not a large business group. How is this fair? I do not believe that any retailer/merchant had to ever close a business because of interchange fees.

Interchange fees pay for the debit card services offered by financial institutions, which includes fraud prevention. This fee allows financial institutions to offer a service. Look at any other service you recieve (i.e. trash collection, cable, electricity/utilities), would it make sense to not pay for these services or cut the charge to a point that the company offering the service was losing money?

Currently, merchants are still not being held accountable for fraud protection. If you are going to cut the fees that include fraud protection, why don't you put some of the fraud resolution on the merchant and not the financial institution? The merchant is the first line of defense on fraud because they should be checking for a signature on a debit card and matching info on a persons ID.

An implementation of new interchange fees could cause some financial insitutions to close or merge which could mean thousands of lost jobs. In Addition, it could mean higher or new fees on other financial products offered by financial institutions. So now there is a chance that the general public will be hurt on two fronts. First they won't see a price cut on goods from merchants and they will have to pay higher fees from their financial institution. How does this regulation help the common man at all?

From a credit union stand point, it does not make sense to me to hurt credit unions when they are not-for-profit and use the interchange fee to provide a service, and any revenue left over is giving back to the member in the form of lower loan rates/fees and higher dividend rates.

It looks like the interchange rate fee regulation is going to happen, and I appreciate the consideration of small issuers, but this needs be done right. Smaller institutes need to be protected from lower interchange fees.

I am concerned that the proposal does not include provisions to enforce the small issuer exemption. We urge the Fed to use its authority to reinforce the small issuer exemption and ensure that it works as Congress intended. If the Fed can not enforce this interchange regulation to the fullest then these regulations should be done away with completely.

The proposed debit interchange rates also concern me, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The Fed should consider all costs of operating a debit interchange system to the maximum extent allowable by law, including all fraud prevention costs such as the cost of new technology that reduces potential fraud.

So I ask that you please consider all aspects and areas that will be affected with this new regulation. Make sure it is fair and not just favorable to one business group (retailers/merchants) that would still be able to operate if there was no change.

Sincerely,

Matthew Logan