From: Bank Of Mead, Scott Selko

Subject: Reg I I - Debit card Interchange

Comments:

Date: Feb 02, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
Name: Scott N Selko
Affiliation: Bank of Mead
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
RE: Regulation II - Debit Card Interchange Fees and Routing [R-1404] February 2, 2011 Dear Federal Reserve Board: I operate a small community bank in Nebraska with total assets under $25 million. We have issued approximately 600 debit cards to our customers. The proposed debit interchange rates concern us, as market conditions will not allow a two-tiered pricing structure to operate as intended in the regulation. The Fed must consider all costs with regards to operating a debit interchange system, including both direct fraud costs and indirect costs to reduce potential fraud. We project that the effect of the debit interchange regulation will impact the revenue of our debit card program by -$20240 annually or 10% of our annual net income. This is equal to the salary of one teller at our institution. Our total fraud costs amount on average to $3500 annually with the debit card program. Basically, our debit card program will become an unprofitable program unless we pass along these costs to the customer or eliminate a teller position to offset the lost revenue. There is no guarantee that the "big box" stores will pass any savings on to the consumer, so I feel this regulation in its current proposed form is bad for the consumer and bad for community banking.

Sincerely,

Scott N. Selko
Bank of Mead