



\$344,860,968 in Assets
Serving 39,777 Members

January 21, 2011

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Interchange Proposal

Dear Mr. Bernanke:

Credit unions such as ours really aren't "carved out" of the interchange proposal. Without enforcement, the carve-out will likely prove meaningless. We will be forced to match interchange fees and network options leading to a competitive disadvantage.

In addition, surcharge costs for members that use our debit card will be passed on at the retail site. That gives retailers the power to drive our member's financial choice. Members may gravitate toward big bank cards to reduce their own transaction costs.

Of great concern is the fact that the proposed cost structure does not cover the cost of maintaining a debit card program. It takes direct costs into consideration, but it does not consider the costs of fraud, insurance, operations, maintenance, and yes, *profit margin*.

The multiple options that merchants could have to direct the routing of transactions means that the merchant could discriminate based on network. Our credit union uses the Co-Op network of which all members are less than 10 billion in assets.

Our credit union does not want to charge more fees. But the result of losing interchange fee income will have a significant impact on our ability to make profit enough to cover the costs of our debit card program. This will cause us to find other ways to recoup our lost revenue. *The member will be left to pay for this bonanza to merchants.* This is *not* what Congress intended!

I understand that the Board has been given an extremely difficult task of having to develop regulations to implement the proposal. However, please consider measures that will directly protect small issuers - as Congress intended.

Sincerely,

A handwritten signature in cursive script that reads 'Karen Frilseth'.

Karen Frilseth
Vice President Compliance

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