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Subject: Reg I I - Debit card Interchange

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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing  
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To begin, I do not represent an institution above \$10B. We are in fact, a community bank under \$1B in assets and theoretically would feel no impact from the Durbin amendment. I do not believe that will be true within a very short time though as the card companies will likely have to make changes that will ultimately impact the entire industry. However, my primary concern with this amendment has to do with what I perceive as a fundamental interference in commerce that has nothing to do with consumer protection. When did capitalism become derogatory? Visa and Mastercard have spent millions of dollars to develop a network and product that is desirable to consumers and merchants alike. Why does practically every merchant in the country prefer to have a credit/debit card machine versus taking personal checks? If they felt the costs for offering this service were too high, could they not convert to cash or check only? Of course they could, but they won't. Why not? Because Visa and MC have built a reliable system that removes much of the risk from transactions. It is fast, there is fraud protection, it is reliable, and according to spending data, cards are now preferred by consumers over paper checks and cash. Are we naive enough to think that merchants do not pass on the costs of these transactions in the price of their goods and services? I for one expect that they would do so and do not have a problem with that. I am more than happy to pay a small percentage of my purchase to know that I can pay with a card that is fast, secure and protects me against fraud or loss. Is there an 1-800 number I can call if my wallet is stolen to get my cash back? Of course not. My debit card has this protection and while it may cost me a few cents more as a consumer, I choose this option because the benefits outweigh the costs. As for the contention that the 'reasonable and proportional' costs of each transaction are very minimal and we need governmental assistance to ensure consumers are not being harmed, why don't we expand this to all 'for profit' businesses? I am pretty sure that the popcorn and soda I pay \$7.00 and \$3.00 for at the movie theater have an incremental cost of about

twenty six and eleven cents. Why should the theater get to take into account the cost of their building, the popcorn popper, the soda machine, the studio fees etc.? Following the logic of the Durbin ammendment, they shouldn't. Apparently, there is no value in any infrastructure, technology or other capital investment necessary to provide a product or service? This entire proposal is disturbing in the precedence that it will set. The Retailer's Lobby has evidently benefited from the perfect time to take advantage of an 'anti-bank' environment and used it to influence Mr. Durbin with their promises of 'more jobs!' and other phantom benefits- 'if only they didn't have to pay those darn interchange fees.' You can rest assured, the costs to consumers that will be paid for products and services (now being provided by banks for free thanks to interchange income) if the price cap is enacted will far outweigh the benefits of the unlikely 'more hiring and new stores' that the retailers are touting. Let free markets remain free.