From: Patrick Thorpe

Subject: Reg I I - Debit card Interchange

Comments:

February 8, 2011

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

Dear Jennifer Johnson:

I ask that you help immediately to stop the implementation of the Federal Reserve's interchange rule.

This price control amendment and the Federal Reserve rule will dramatically harm my financial institution, and as a result, will impact our customers who have directly benefitted from advances in the debit card payment network.

My bank is a community bank. We have been offering a debit card product to our customers for over 10 years now. This year we will generate approximately $140,000.00 in revenues from interchange fees. This covers the third party processing costs we pay in order to offer the program, which will total approximately $84,000.00, and fraud cost which this year are anticipated to be approximately $33,000.00. This leaves us with an expected benefit of $23,000.00 for the year. If the Federal Reserve's interchange rule goes into effect and revenues are reduced by 70 % - 85% that would reduce our interchange revenues from $140,000.00 to between $42,000.00 and $21,000.00. This isn't even enough to cover our processing costs, and doesn't include the cost of fraud. Our minor $23,000.00 profit would become a loss of between $75,000.00 and $96,000.00. This is a significant number to my bank.

The interchange amendment requires the Federal Reserve to determine a "reasonable and proportional" fee for the amount a merchant is charged on each transaction to use the debit card payment network created by and paid for by the banking industry. It has made it easier for merchants to do business, allowed them to reduce the costs associated with handling cash, and provides a guaranteed payment (the banks take the loss on a fraudulent transaction, the merchant still gets paid.) Merchants do not have to accept debit cards as a form of payment, but most of them do because they would lose sales and revenue if they didn't. Is it fair to my bank that their cost of doing business gets passed on to us so they can make more money while we lose money on the program? I certainly don't think it is fair and I hope you feel the same.

I know there is a provision that "exempts" banks under $10 billion from this amendment; however, I believe marketplace pressures will force all banks to conform to the lower interchange rates restrictions to which the larger banks are subject. In the end my bank will suffer from the amendment.

I ask you to take all necessary congressional action to stop the Federal Reserve from implementing the interchange rule.

Sincerely,

Patrick B. Thorpe