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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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The key effect of the rule is the transfer of revenue from the banking sector to the merchant sector which, as it stands today, will happen without regard to the impact to consumers. To maintain current levels of capital and current levels of member service, our credit union will likely have to raise our prices and add new fees to make up for this transfer of revenue. In fact, we have already seen many large issuers add new fees and increase existing fees to make up for the expected loss in interchange revenue. Our credit union is working to restore capital that was lost over the past two years. Compounding the hit to our revenue in the loss of debit overdraft fees, the drastic loss of interchange revenue to our credit union will likely have a downstream impact to the services we offer our members. The survival of our credit union hinges on our success in making these price adjustments. Many of the services we have provided in the past at negligible, no or low-cost will now probably be paid directly by our members. We will likely have to ask our members to contribute more to the cooperative through new fees, higher account maintenance fees and higher loan rates. Other financial institutions may be forced to lay off employees as a result of lost debit interchange revenue, which seems to be a clear consumer harm that will result from the rule. We can expect that the timeframe for passing on increased product costs will be accelerated if the rules are implemented this October. The increased fees and rates will be necessary to fund the expected shortfall for the many costs that would not be covered by a \$.12 fee cap, such as card issue and re-issue, compliance, cardholder's customer services, and a reasonable return on investment. Moreover, we have returned millions of dollars to our members in the form of low loan rates, high deposit rates and year-end loan interest refunds or dividends. The rule would not only prevent us from returning profit to our members in the future but would also cause us to search for alternate sources of revenue from them. We are puzzled how this rule can further the objectives of a "Consumer Protection Act". It seems more appropriate to call it a

"Merchant Protection Act."