

From: The Bank of Edwardsville, Thomas E Holloway
Subject: Reg I I - Debit card Interchange

Comments:

Date: Feb 08, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
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February 4, 2011 Jennifer J. Johnson Secretary, Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 RE: Durbin Amendment Docket No. R-1404 and RIN No. 7100 AD63 We appreciate the opportunity to respond to the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing rule." This rule will certainly impact the entire banking system and we offer within this letter the specific results which will occur at our institution should it be enacted. As President of TheBANK of Edwardsville, I am writing to express my opposition to the proposed rule. Our bank is a retail oriented community bank located in Edwardsville, Illinois. We are approximately \$1.4 billion in assets, have 407 employees, and have a branch network of 20 offices located in the Southern Illinois counties of Madison and St.Clair. We offer a number of traditional banking services including free checking accounts and free debit cards. Our bank takes pride in the level of community involvement we have been able to provide to the markets we serve. We presently have more than 35,000 debit cards used by our customers who purchase close to \$20,000,000 worth of goods and services each month using their debit cards. The interchange fee income received as a result of this customer activity offsets the cost of issuing and supporting debit cards and assists with allowing for free checking accounts and keeping other service fees low. Although TheBANK of Edwardsville falls under the \$10 billion in asset size, our payment card network vendor has advised it will not support a two tiered interchange pricing network. Accordingly, our 2011 budget revenue projections have been decreased by \$1 million dollars due to the impact that the loss of interchange fees will have to our bottom line. The impact of the Durbin Amendment will undoubtedly affect our ability to provide no or low cost banking services if the proposed pricing structure is adopted. Our internal calculation used to determine our cost for a signature based transaction equals approximately \$.17 per transaction. This does not take into account the fraud losses which continue to increase year after year.

Clearly, if we receive a maximum of \$.12 per transaction, our debit card program will either end or will radically change. As the proposal does not permit our bank to cover the cost of providing debit card transactions, new maintenance and other fees on checking accounts will need to be implemented. In addition to such considerations as annual debit card fees and transaction fees, the end of free checking accounts will be accelerated. The Board should include in the calculation of the interchange fee all components of the costs related to offering a debit card service. This includes network fees, costs of inquiries and disputes, fraud losses and fraud prevention costs, fixed costs, including capital investments and a reasonable profit. This kind of calculation should assure a pricing structure which will allow for the continued viability of offering a debit card service. Thank you for considering our view of the negative impact to our bank as a result of the Durbin Amendment. Sincerely, TheBANK of Edwardsville Thomas E. Holloway President and Chief Executive Officer