

From: Galen Pelton
Subject: Reg I I - Debit card Interchange

Comments:

February 14, 2011

Jennifer J Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

Dear Jennifer Johnson:

Hello, my name is Galen Pelton and I am the CFO of a small community Bank in Ulysses, KS. Our Bank views the Debit Interchange to be extremely detrimental to our bank and our customers. Over 10 years we have aggressively issued debit cards because we felt they were the most efficient method of payment.

The price fixing Debit Interchange rule will dramatically alter the way we do business. First, we will no longer issue a debit card to all account holders as we currently do. The reason for this is that we will no longer be able to absorb the fraud losses we incur with our typical Bank customer. We would credit score the cardholders to determine an eligibility. Currently approximately 20% of our total interchange goes to cover fraud losses alone. An 80% reduction in interchange fee will not leave any margin to even cover the other associated costs.

Secondly we will be forced to increase account fees to make up for the debit interchange shortfall. There will be no other way to absorb this loss of revenue without reverting our customers back to paper based transactions.

We do not believe that we will be able to take advantage of exemption for the small Bank's because if our card interchange remains higher than the larger Bank's, the merchants will simply choose not to accept the cards that they will have to pay more to accept.

To summarize, we see this regulation as government price fixing. We believe that more studies need to be completed before a massive change like this is implemented. At the very least, action needs to be delayed to give time for more accurate analysis of the ramifications of this law.

Sincerely,

Galen Pelton