

From: Members 1st Federal Credit Union, James H. Heile
Subject: Reg I I - Debit card Interchange

Comments:

Dear Federal Reserve,

I have emailed my local senators this morning referencing the Durbin Amendment / Reg II involving Interchange control and have decided to forward to you what I have sent to them. See below:

Dear Senator,

Thanks for the electronic response. I would like to take my message a bit further referencing the Durbin Amendment. I have worked in the card industry for over 30 years and can remember when we had merchants drop off sales drafts from processing each time they deposited their daily sales at the bank. I spent many days out selling POS terminals to speed up and secure the transaction. We worked diligently to improve the immediate funding process for merchants who get paid next day for all their transactions. In fact, today we are working on advanced technology that will improve the card security, transaction speed and ultimately making the card transaction even more interactive within the person to person transactions. We do this because at this moment we can invest in innovation and higher end technology. We have individuals on my team that work daily building better security monitoring and consumer protection. I have a staff of 16 that services close to 200,000 cardholders everyday with questions and inquiries about their accounts, cards and transactions. Unfortunately, with the Durbin Amendment we are being forced right now to look at a potential "what if" situation if this amendment becomes actual law. The financial impact will be in excess of 75% of our gross earnings, which pays for everything we do today. We are treating this as a disaster recovery situation and trying to find out how we can afford to offer the services anymore without negatively impacting the cardholders with annual fees, monthly fees, ATM usage fees, elimination of benefits, transaction fees, lower rates on investments, higher rates on loans, usage controls / limits and unfortunately restricting access to many on the fence users. This is already happening with the recent Card Act impacting Gift Cards with the restriction of fees ultimately making the product a loss leader. With all this being said its sad to report that all of these are being considered with the biggest one missing....loss of jobs. Bottom line we will no longer be able to support the jobs to do what we do today for our cardholders and at minimum would have to cut half of the jobs we have working in this industry today and then restructure our industry involvement. Being involved in many trade organizations and industry advisory boards the impact of "Interchange Price Controls" by the Fed is anti-productive and will cause the loss of many jobs that support many families in your back yard. This is an amendment that was clearly written by and for the industry that will benefit the most....the retailers. Our organization is one that's below the \$10 billion bench mark,

but with the ability to allow the merchant or retailer to select the routing or force a consumer to give up industry protection, rewards, benefits, the right of dispute and chargeback is not only wrong for the consumer, but eliminates our amendment protection of the \$10 billion benchmark, by allowing the merchants to bypass the benchmark and point the transaction in a way they may be financially beneficial to them, but not for the consumer. If the merchants want to build a better payment system they have that choice and they realize there is no way that they could run an accounts receivable management / transaction processing system as efficient and effective as what's in place today for what they are paying. They know this and that is why they are trying to take control of an industry through this amendment. I'm asking you to do the right thing...stay out of the pockets of the authors of this amendment and look at the impact on your citizens who will be paying higher fees and costs to conduct their daily business and get less. Plus, the loss of jobs at many financial institutions (banks and credit unions)....and don't forget the processors, software developers, and the support industries around them. This amendment is wrong and I hope you and your peers will realize that controlling a competitive market driven industry will only ruin and or stop the advancements and growth within the industry. Government needs to be out of this and allow the competitive market drive the business.

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