

From: Kerry Hayes
Subject: Reg I I - Debit card Interchange

Comments:

February 15, 2011

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

Dear Federal Reserve Board

I am writing on behalf of the debit card interchange fee regulation that is being discussed. I work for a credit union in Maine and am very against this regulation. While my credit union is under the \$10 billion in assets there is no guarantee that we will not be affected by the big chain stores selectively taking cards that they want to. My credit union has taken measures to brace ourselves for the hit to our fee income once this passes. We have put on a hiring freeze and are not replacing employees should they leave. Expenses have been cut wherever possible and other avenues to generate fee income has been looked at. We do not want to charge our members for them to use their debit cards but we may have no options going forward.

Another item that I must bring up is if the interchange fee is set in place then merchants should be responsible for fraudulent transactions due to debit card security breaches. We just had a local merchant who had their debit card procedures compromised and because of that our members are seeing fraudulent transactions appear on their account. In the past 4 days we have already reimbursed our affected members \$20,000 for the fraud activity and we are finding more every day. And what concern is it of the merchant? Nothing, they are not held responsible for this breach and we are out that money to make our members whole. So with the merchants complaining that the interchange fee is unfair they have no responsibility when there is a debit card breach on their end because they are holding member electronic information when they are supposed to delete that information after their payments have been sent to their processors.

If financial institutions need to take the hit with the lack of interchange fee then the merchant should take some or all of the hit when there is a security breach of their payments.

Sincerely,

Kerry L. Hayes