

From: Maine Family Federal Credit Union, Rachel Caron
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:

although I have already sent a commentary, I thought it would be of interest to you if you had the following information. In 2010, Maine Family Federal Credit Union (\$XXXXXXXXXX in assets) sustained a loss in excess of \$xxxxxxx due to a card compromise at the beginning of the year. In addition to the \$xxxxxxx reimbursed to members for these losses, we also incurred a cost of over \$xxxxxxx for the reissue of compromised cards and employee time needed to deal with these fraudulent transactions. We now find ourselves in 2011 and although we have not officially been notified by VISA of a card compromise, credit unions in Maine have sustain substantial losses in the past week. Maine Family alone as of today has refunded \$11,896 to members due to fraud. Investigation into this new compromise is ongoing. Who knows what the total losses sustained by this credit union and others in the State of Maine will be once we are officially notified. For a credit union of our size these expenses are devastating. Merchants who are careless in partnering with with card processors who lack the proper security in place cause small financial institutions unacceptable losses. Though consumers do not sustain a financial loss, their time is spent tracking these fraudulent transaction and going without a debit card due to reissue. Some of our members have had their cards compromised multiply times. Yet, merchants are not held accountable for any of these compromises. It is simply a matter of obtaining a new processor and continuing with business as usual. Now the merchants are claiming the cost savings for the change in interchange fees will be returned to the consumers. We all know this is not true. And even if it were, small financial institutions will need to begin passing the cost of these debit card programs to their customers and members. How does all this truly benefit the consumer?????????? I ask that you take the time to gather all the data, including costs of managing these debit card programs and the costs incurred when dealing with card compromises and fraud losses. When all is said and done, the net income to the small financial institution that offers debit cards to its customers/members doesn't amount to a hill of beans. thank you for giving this matter your consideration.

Sincerely,

Rachel Caron