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Subject: Reg II - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Comments:

The FED needs to reconsider the 12 cent cap on debit interchange and study the effect on the ability of all institutions to continue to support the debit payment system. We have determined that our institution can not operate a viable debit card program using the 12 cent cap. If the FED enforces the current proposal we have no choice but to pass on additional costs to the consumer. This will be very difficult for the consumer to accept during these economic times. Our institution falls under the "\$10 billion protection level" but it is not reasonable to expect the payment system to develop two tiers to allow us to continue to offer the service. The debit card system we have today, developed over an extended period of time and to make sweeping changes without further addressing issues such as the cost of fraud, economies of scale, cost of investment in the current system, and cost to change the system is not in keeping with safety and soundness. Reform may be needed and could be addressed with additional effort and input from all parties within the system. Payment systems and alternatives are being challenged enough in the market without removing the incentives to improve them.