From: Frandsen Financial Corporation, Charles A Mausbach

Subject: Reg I I - Debit card Interchange

Comments:

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Comments:
I wanted to take the opportunity to introduce myself and then review a very important issue. I have been a career banker for over 38 years and currently hold the position of president, chief operating officer, and shareholder of Frandsen Financial Corporation in Arden Hills, Minnesota. Frandsen Financial has assets of 1.4 billion dollars and has offices primarily in Minnesota, but also in Wisconsin and North Dakota. We are the sixth largest privately held bank in Minnesota. Our bank has 400 employees and provides a diverse mix of financial products/services to consumers, businesses and farmers throughout the state. The primary focus of our lending activities is in business, agricultural, and real estate loans. The health of our bank is obviously tied to the economic health of the region, but the health of the region is also tied to that of community banks like ours. We have come through the recent economic downturn and banking crisis much better than many of our peers, but do have some real estate loan challenges to work through. We did not accept any TARP assistance and have an excellent relationship with our regulators. While our profits are down considerably from historically levels, we are confident we can work through the remaining issues and return to a more reasonable return on our investment if free enterprise allows us to do that. A more serious issue community banks like mine currently face is the "pile of regulations" that are being levied upon us and other community banks recently. It seems every day we are dealing with new laws, such as the recently enacted Dodd-Frank Act. These new regulations are making it extremely difficult to operate, let alone focusing on supporting our communities and generating a decent return on our investment. As you know, profitability is what allows community banks like ours provide jobs, as well as serve our customers and communities in a manner which allows them to grow and prosper. Government officials and President Obama have been publically critical of banks for not effectively managing their profitability, but yet are passing a pile of laws that will make it much more difficult to recover financially, serve our communities, and play

a vital role in lending money to assist in the economic recovery. If banks are not allowed to generate a reasonable return on our investment, we are not going to take much risk in helping to jump start the economy.   The Durbin amendment is an excellent example in limiting what we can charge for debit card transactions. The debit card was developed by banks and banks have invested large dollars in an infrastructure to support the card. With the debit card, we provide convenient, risk free payment to merchants. We charge a transaction fee for that risk free payment and underlying infrastructure. If for any reason there is fraud or insufficient funds, we cover those risks, not the merchant. The Durbin amendment is attempting to take away our ability to charge for that service, cover our risks, and make a profit. Under the proposed level of charge for each transaction, we will be unable to cover all our costs, let alone generate a profit.   The idea that this price fixing only affects banks over $10 billion is ridiculous, as we all know the marketplace will not pay a premium to do business with small banks when the product is available at a lower cost through large banks.that is Economics 101. If banks are going to be able to effectively serve our communities, provide employment, and get our economy moving again, we need to be allowed to generate a profit on products we develop without unreasonable price fixing. If there must be price fixing on this product, I would ask you to reconsider the reduction to a more reasonable level. There are very few products offered by any business that can sustain a 70% reduction and remain pfrofitable and viable. I can be reached at xxxx if you would like to discuss.