February 22, 2011

Ms. Jennifer J. Johnson
Secretary of the Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Submitted via email to: regs.comments@federalreserve.gov

Re: **Docket No. R-1404** Interchange Amendment of the Dodd-Frank Act

Dear Ms. Johnson:

DuPont Community Credit Union (DCCU) welcomes this opportunity to comment on the Federal Reserve's proposed rule to implement the debit card interchange fee provisions (Section 1075) of the Dodd-Frank Act of 2010.

DCCU is a federally-insured, state-chartered, member-owned financial co-operative serving over 53,000 members and managing over $700,000,000 in member assets. DCCU serves a six county community in Central Virginia's Shenandoah Valley.

While DCCU recognizes the impetus behind much of the Dodd-Frank Act, and, in fact, applauds the concern for consumers of financial services that gave rise to the law, we feel that the debit card interchange provisions were enacted too hastily and without due consideration and input from the parties affected. We believe that if the process had been more deliberative, our esteemed Congress would have had the time to consider the November 2009 GAO report outlining the results of interchange regulations in Australia, a free-market capitalist economy much like our own. That report found that virtually no benefit accrued to consumers as a result of government regulation of interchange fees.

DCCU has the following concerns about the Board's proposed rule.

"Reasonable and Proportionate" – These terms have not been defined and DCCU feels that the Board needs to consider the full cost of issuing cards, maintaining and administering a debit card program, and the burden of fraud identification, prevention, and mitigation when determining "reasonable and proportionate" fee limits.

Small Institution Exemption – DCCU, like the vast majority of credit unions in the United States, appreciates the "under $10 billion in assets" exemption provided by the law. We do, however, have serious doubts about the viability of this provision, particularly since the law itself makes no provision for its enforcement. Furthermore, we believe that the federal government's interference in the marketplace by placing a ceiling on fee amounts will effectively kill this exemption. Merchants will be free to choose not to accept cards from smaller, exempt issuers. Our members will suffer from this lack of convenience and will be faced with a choice. Carry cash or checks, or abandon their local financial co-operative in favor of a large, faceless bank. The larger card issuers will not suffer as greatly due to the scale of their debit card programs. Merchants likely will not pass any savings on to consumers. DCCU does not believe that the intent of the Dodd-Frank Act was to make the marketplace more hostile to small and medium-sized institutions at the expense of consumers.

Fee Ceiling – If, as we suspect, the under $10 billion exemption proves to be unenforceable, the proposed fee limits are simply too low to allow most credit unions to continue to offer debit card programs in their current format. Under the proposed rule DCCU stands to lose roughly 70% of our interchange income. That would translate to approximately $2.3 million for the 2011 budget year. It is important for the Board to note that interchange income does not necessarily represent profit for our member-owned co-operative. The income from interchange fees is poured right back into the debit card program. These funds are used to issue cards, maintain our network, administer the program, and offset fraud losses. If the Board sets the fee ceiling at the currently proposed level DCCU will be forced to either make tough decisions about our program (such as discontinuing our popular rewards program, charging an annual fee for debit cards or discontinuing free checking) or pull resources from other member services to continue to offer debit cards. Both of these options result in fewer and/or more expensive options for consumers. Again, it is our belief that the underlying intent of the Dodd-Frank Act (consumer protection) would not be served by this course of action.

Routing Exclusivity – DCCU feels that Alternative A (requiring two separate networks) will be more cost-effective for our institution. In addition, the flexibility given to merchants to choose which networks to use for processing inappropriately shifts the balance of costs of these transactions away from those benefiting from the service to those providing it.

In summary, DCCU feels strongly that provision must be made within the rule for the enforcement of the small institution exemption, that the Board must devote further study to the determination of "reasonable and proportional" fee limits, and to consider the effects of their rulemaking on the American consumer. DCCU appreciates the Board's consideration of our comments.

Respectfully,

Gerald Hershey, President/CEO
DuPont Community Credit Union