From: Liberty Trust & Savings Bank , Ronald L. Hansen

Subject: Reg I I - Debit card Interchange

Comments:

February 17, 2011

Dear Jennifer Johnson:

Thank you for the opportunity to comment on the Federal Reserve System's proposed "Debit Card Interchange Fees" rule.

I am Ron Hansen, President & CEO of Liberty Trust & Savings Bank. We are a $120 million community bank with four locations and 35 employees. We serve a trade area located between the Quad Cities and Iowa City, each within a half hour's drive.

I am writing to express oposition to the proposed rule. While Congress attemped to exempt community banks like ours from the price controls of the statute, marketplace pressures will force our processing provider to adopt the lower price levels of larger providers or risk losing business to the larger providers. Price differentials will incent merchants to steer their customers to use cards of larger providers. The idea of protecting community banks was good in theory but it is not going to accomplish what was intended by Congress.

When I first started following the Durbin Amendment issue, I thought it may not be a big issue for our bank. After researching the impact on our bank, it is a BIG issue for us. Our current monthly interchange income averages $8,680. We anticipate it will drop by amost $6,000 per month or $72,000 annually. This represents 4.3% of our 2010 net income and 2010 was a better year than the last several. It would be an even larger percentage of our average net income. This is a BIG issue for our bank.

The regulatory burden of the Dodd-Frank Act is just beginning. The costs of compliance will be staggering for community banks at the same time the proposed rule will reduce our income. Why should Wal-Mart and other large retailers benefit from reduced interchange expense to the detriment of community banks?

The proposal gives no consideration to the costs of maintaining our nation's payment system, the cost we incur to provide the service to our customers or the cost of fraud and fraud prevention efforts borne by the banking industry.The Board should exercise the discretion provided in the statute to be certain these costs are included in the calculation of the fee.

I strongly encourage the Board to re-evaluate their calculations capping interchange fees at 7 or 12 cents. It does not consider all of the costs of offering a program and will have a significant impact on community banks across the nation to the benefit of large retailers, not consumers. Community banks are not public utilities and we should not have our prices fixed at levels that do not include all of our costs.

Respectfully submitted,

Ronald L. Hansen