

From: Grinnell State Bank, David Jones  
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 and Routing" rule.

We are;  
Grinnell State Bank  
166 million Average Assets  
40 employees  
2 Branches

In two towns of 10,000 and 2,200 people  
One of fewer and fewer Independent Banks facing continued increased oppression from the government and its self justifying agencies. But in light of this, we are still working, helping our customers whom we don't hear asking for government intervention of us, if not the reverse, for over 85 years.

I am writing to express my opposition to the proposed rule on behalf of our bank for the following reasons:

First and foremost, the safe harbor provides no protection to small issuers from market forces. Although the statute attempts to exempt community banks like mine from the price control elements, economic forces will force our institution to adopt the same price level or risk losing market share to the largest institutions.

The price differential between cards will give merchants a strong incentive to steer customers to use cards of the larger institutions and to partner with large institutions to move their accounts to the larger institutions. Ultimately, we will be subject to the same regulatory cap.

We are more and more a commercial bank and at the same time criticized by our regulators for becoming this. It is unintended consequences from unthought-out bills like this which continue to shrink our numbers. Small, close to the consumer banks are what built this country. We have paid taxes, often times at premium rates just because our business of buying and selling money is considered different than buying and selling products. It is not much different. More banks should be in the business, but we are a shrinking breed because of the regulatory oppression. Dumb things like this, the credit union advantages of no taxes or stockholders, FNMA debacle, should I go on?

Passed in the form this is in or any other proposal, this bill may make it so we would have to get out of the checking account business. Debit cards have taken over because they are such a god service all on their own. We didn't need to promote them; the consumer likes them so much, even at the costs they are offered, which isn't much here at this bank. If this happens, it could be the last straw for our future. No more Retail

banking for us would be the ruin our future. No more conduit to the Commercial Banking we thrive on.

My 4th generation son who works here may have no future, needless to say his kids.

Not just to say everyone eventually, low and moderate income customers will find it more difficult to maintain a bank account and will have to turn to more expensive, less convenient, non-traditional banking services.

People will lose the last home-town option for a checking account. They WILL have to call the city if they have a problem, and if you think the CITY cares about them, as the old saying goes, you are smokin' or drinking something wrong.

Government price controls do not work. Price controls will lead to inefficiencies in the payment system and will stifle innovation and improvements.

The government needs to  
GET OUT OF AND  
STAY OUT OF BUISINESS.  
STAY OUT OF BANKING.

The government can't run business like business. Look at the services such as the Post Office, etc. No alternatives of this bill are good, other than staying out of free trade. Fixing things after fixing things before is messing things up more and more.

The policies and regulations have shrunk the numbers of banks, creating less competition. It may be able to be argued but I have seen it. There were almost 800 banks when I started in this business. Now there are half that. This will push it to the limit again.

For the reasons stated above, we are opposed to capping interchange fees at 7 or 12 cents. It will have a significant inflammatory, negative impact on our bank, our customers and our operations.

Please, please, please, please, please don't do this to us!!!!!!!  
David A. Jones, President  
Grinnell State Bank

Sincerely,

David A. Jones