

From: Air Force Federal Credit Union, Stephanie Norwood
Subject: Reg I I - Debit card Interchange

Comments:

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

Dear Ms. Johnson and Governors:

My name is Stephanie Norwood and I am the Vice President of Human Resources at Air Force Federal Credit Union. Our credit union provides financial services to 45,000 members and upholds the philosophy of "people helping people" through our various products and services. Our membership is primarily comprised of those serving in the military, civilian Department of Defense employees, and retirees from both groups along with their family members. We proudly provide our members with access to affordable financial services and competitive loan rates which improves their overall quality of life.

Our credit union's ability to continue to offer quality affordable products, services and rates is being placed into jeopardy by aspects of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. To offer you a little background, I have been working for the credit union for over eighteen years. I have benefited from working in various areas of the credit union from collections to lending and information systems to Human Resources. As is commonly found in our industry, the credit union has given me the opportunity to develop myself and learn the inner-workings of a financial institution. During my six years in information systems, I developed and implemented the credit union's first debit/check card program. This service was greatly needed by our members and continues to serve as a on-going foundational product for all of our new accounts. When debit cards were introduced they were embraced by every industry as a way to speed payment and settlement. For credit unions, it meant our members had a more convenient way to access their funds and pay for transactions. For retailers, it reduced their overhead of processing checks and provided them with settlement of their transactions in a significantly shorter period of time. Of course, the infrastructure of the program was built on the existing credit card platform of networks and processing systems and this reduced the overall implementation costs and making this program affordable for even the smallest of credit unions. The debit card program itself remains a highly utilized product and a critical component of the nation's economy and marketplace.

Air Force Federal Credit Union is not considered a large financial institution in comparison to banks. Although our members performed over 4,356,000 debit card transactions during 2010, our debit card program still remains small in

comparison to larger credit unions. When you take a cross-section our membership, 50% of our members have a checking account and use their debit cards an average of 16.5 times a month. Approximately 95% of these checking accounts do not have a monthly fee yet our members enjoy many benefits such as bill pay, online banking, estatements, rewards and direct deposit. As a credit union, the interchange received from the debit card program not only covers the expenses associated with managing a debit card program but it helps to subsidize many of the products offered to our membership for free.

As it stands, the Dodd-Frank Wall Street Reform and Consumer Protection Act will have an immediate and negative impact on our ability to serve our membership. If enacted without revision, the credit union will lose its interchange while still incurring the expenses of managing the debit card program. This could force the credit union to impose service fees and charges to help offset the loss of interchange. At this time, a scenario under consideration will result in a \$5.26 service fee being imposed on what was our free checking account. It is my recommendation that more time needs to be dedicated to thoroughly evaluating the actual impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Although the Act intended to treat the large and small financial institutions (issuers) fairly, not enough time and consideration has been given to how smaller issuers will be negatively impacted by the Act's requirements. All aspects of managing programs that result in interchange should be examined to include the costs associated with fraud. In addition, the proposal contains two alternatives for routing transactions. Alternative A would require two unaffiliated networks while Alternative B would require four. Alternative B only serves to further drive up the costs of operation, particularly to smaller issuers. As I understand the statutory requirements two networks are all that are required. To require four places an undue regulatory burden that falls heavily on smaller issuers.

If the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act is put into place without further consideration or amendment, the impact on members will be significant. As each credit union tries to compensate for the loss of interchange, members across the United States will likely feel the effects through the imposition of monthly account fees, transaction fees as well as higher loan rates and reduced dividends. At the heart of this issue are the members who will be paying more for their financial services while retailers collect a windfall in reduced business expenses and have no obligation to pass the savings back to their customers.

I want to thank the Federal Reserve Board for considering my comments.

Respectfully,

Stephanie Norwood, PHR

Air Force Federal Credit Union