From: Air Force Federal Credit Union, Danny Sanchez

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 Danny Sanchez and I am the Vice President of Marketing at Air Force Federal Credit Union, headquartered in San Antonio, TX. Founded in 1952 on Lackland AFB, the credit union serves active or retired personnel that have served in any of our military branches, civilian Department of Defense Employees and their families. The credit union has grown to now serve over 45,000 members with an asset size of $309 million. I am writing to express my concern of the Durbin Amendment that is tied to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

As a small financial institution, the impact that the amendment will have on our members who use our debit card will be significant. Our current figures show that fifty percent of our 45,000 members have a checking account at our credit union. Of the estimated 22,000 plus checking accounts, ninety-five percent of our members who use them do so without charge. In 2010, the average number of debit card transactions per checking account amounted to 16.5 transactions per account per month.

The debit card program is a preferred method of payment for many reasons. We promote the use of payment by debit card with a rewards program that is embraced by our members. This reward program includes cash, travel or merchandise, but also allows members to opt out at any time. The interchange revenue we receive subsidizes the checking account product offerings and is critical to providing a product with no charge to so many of our members.

After reviewing a cost analysis to determine the loss per account, it was noted that it would be $5.26 per account, per month, which amounts to $63.12 a year. There may be even more fees that are yet to be determined, so that cost could be higher. But the bottom line: in order to maintain earnings and to provide this service to members that they currently have, the credit union will be forced to increase fees or cut services to ninety-five percent of our checking accounts users.

We want to continue to provide those services to members and not impose any more fees, as the current model allows us to do. But with proposed legislation, we will not be able to do that.

I believe that there are many issues and concerns that the Federal Reserve should address in the coming days. The regulations on paper seem to treat all financial institutions, regardless of size, the same. But a closer look shows discrepancies between larger institutions over smaller institutions. I also believe that a deeper analysis of costs to fraud is needed.

Understanding current legislation, there are two alternatives for routing transactions. Alternative "A" requires issuers to provide debit cards that can be used over two (2) unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Alternative "B" would require our credit union to participate in four (4) networks. Requiring more than two networks is inconsistent with statutory requirements, and places unreasonable regulatory burden on credit unions and would probably negatively impact members. I would hope that the Federal Reserve would urge the adoption of Alternative "A."

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

Respectfully,

Danny Sanchez

Vice President - Marketing

Air Force Federal Credit Union

1560 Cable Ranch Rd. Suite 200

San Antonio, TX 78245

P 210.678.5233

F 210.670.2573