

From: First Federal of Bucks County, Karen D Shinn  
Subject: Reg I I - Debit card Interchange

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Comments:

Date: Feb 18, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing  
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Comments:

From: First Federal of Bucks County - Karen Shinn Subject: Reg I I - Debit Card Interchange Comments: February 16, 2011 Jennifer J. Johnson Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 Dear Jennifer Johnson: First Federal of Bucks County is opposed to several provisions of the proposal of Regulation II (12 C.F.R. 235) under the Electronic Funds Transfer Act (15 U.S.C. 1693 et seq.) which will regulate debit card interchange fees and routing. We are opposed because of the following negative effects we have identified that will affect our institution. We also believe similar institutions will incur difficulties and hardships of the same nature and that consumers will be faced with the burden of higher costs if this regulation is to be enacted. Per the proposal, banks under 10 billion in assets would not be affected. We believe this is an incorrect statement. Community banks, like First Federal of Bucks County, would be at the mercy of the larger banks dictating the network fee schedules, when their interchange fees are drastically reduced, along with having to be locked in to the changes that MasterCard and VISA will be forced to make as their large participants are faced with operational changes to make these cards work. If these restrictions are forced upon us, our debit card interchange fees will decrease by approximately 70%. This reduction will stress the Bank's bottom line, one that is tighter than the larger banks because we already feel we do pay competitive interest and charge fair rates and fees. Our margins are not generous as we strive to serve as a true community bank in our market. The intended consumer benefit from reduced interchange fees in essence will be passed on to retailers, create more consumer fees, fewer product choices and create greater consumer confusion. We already bear the financial loss of today's debit card fraud situations that takes a toll on our revenue income and feel that adopting this proposed regulation will only continue to erode our income and diminish the quality of trying to provide

our local community customer with quality debit card services. Another concern is the requirement that would require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks would place an unreasonable regulatory burden on our Bank that could negatively impact service to our customers. For the reasons outlined above, we ask that you reconsider capping interchange fees and requiring restrictions on networks. We appreciate your time in reading our comments. Thank you.