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CREDIT UNION

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February 18, 2011

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

Submitted via email to: regs.comments@federalreserve.gov

Re: Debit Interchange Regulation

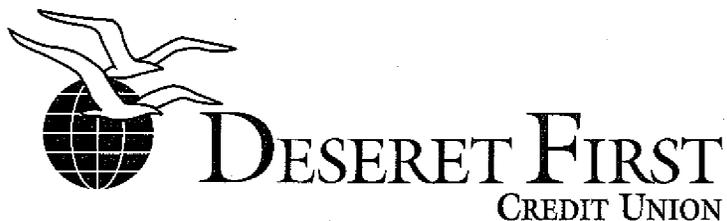
Dear Ms. Johnson:

This comment letter represents my views on the Federal Reserve Board's (Board's) proposal to regulate the interchange fees. I am the Electronic Services Manager for Deseret First Federal Credit Union located in Salt Lake City, UT. We have 53,815 members and our asset size is \$419 million.

I would like to see the Federal Reserve Board include the cost of fraud and fraud prevention into the interchange amount. The proposed 12 cents per transaction is not enough to cover all the liability that Financial Institutions take on when offering their members a more convenient way to perform transactions and a guaranteed payment for the merchants. The majority of the card compromises that are taking place are on a merchant level and merchants are not being held responsible for the fraud that Financial Institutions are hit with every year. Financial Institutions are also paying thousands of dollars for fraud monitoring and fraud prevention.

Our debit card portfolio has only 37,665 cards. However, we averaged more than \$13,500 in losses each month in 2010, due to card compromises, lost or stolen cards and counterfeit cards. Additionally, we are also spend more than \$3,000/month to help prevent fraud or to catch fraud early. We use the interchange we receive to offset our fraud losses as well as our operating costs and fraud prevention program for our debit cards.

I recognize the Fed's exemption for Financial Institutions under 10 billion in assets. However, I believe this will be difficult for payment networks to manage and I'm also concerned about merchant acceptance of all cards. Merchants would then be prone to preferential treatment of large card issuers. Eventually, I'm afraid the exemption would



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be eliminated forcing small players out of the industry, thus altering the competitive market.

With the current interchange rates, we are not requiring our members to pay a fee for checking accounts or debit cards. But, if changes are made to interchange revenue streams, we would need to implement a monthly fee on our members' checking accounts or a fee to have a debit card, or possibly both in order to offset our costs to operate a card program. This ultimately hurts the consumer. I believe these fees will push our members back to writing checks for purchases, which can expose the consumer to even more potential fraud. We may simply lose members by charging these fees or not be able to offer our debit card program at all.

Thank you for the opportunity to express my views on this issue. You may contact me at 801-456-7121.

Sincerely,



Kristin Martin
Electronics Services Manager