

From: Credit Union of America, Robert W Thurman
Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Re: Interchange Regulation - The Durbin Amendment to the Dodd-Frank Financial Reform Bill To Ben Bernanke and the Board of the Federal Reserve System: This letter is an appeal to you for a repeal or delay of the interchange regulations proposed by the Federal Reserve as directed by the Durbin amendment to the Dodd-Frank bill. This is a complicated issue, but it really boils down to whether the government should fix prices to benefit big box retailers at the expense of card issuing banks and credit unions. The amendment was "sold" to Congress as a way to protect consumers and small retailers from the "hidden tax" of high interchange fees. This argument does not stand up. Neither consumers nor merchants directly pay interchange fees; the merchants' banks pay them to the card issuers. The discount fee merchants pay for card payment processing is negotiated directly between the merchant and his bank. If a merchant thinks his discount rate is too high, the merchant has thousands of other banks competing for the business. Moreover, there is nothing in the Fed's proposals that ensure the merchant's bank will lower discount rates. Only large retailers are likely to benefit. They have the size and sophistication to effectively negotiate their discount rates to an even lower level. The result will be to give big business a bigger pricing advantage and simultaneously hurt banks and credit unions that are just starting to recover from the recent recession. In recent years, Australia tried a similar price fix and there has been no benefit to consumers. The big retailers just kept the profits. Credit Union of America is a \$350 million dollar community chartered credit union headquartered in Wichita, Kansas. Despite the exemption in the legislation for smaller financial institutions, we believe our 38,000 members will be greatly harmed. Over the long term, competitive pressures will force our interchange rate near that of the big banks. We project income reduction of up to \$1 million per year if the rules are implemented as proposed. We will have to increase fees or reduce services to our members to replace that lost income.

We ask you to stop this anti-competitive rule that benefits one group at the expense of so many others. Thank you for your consideration. Sincerely, Bob Thurman President Credit Union of America