

From: Woodstone Credit Union, Diane Percival
Subject: Reg II - Debit card Interchange

Comments:

Date: Feb 19, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
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Comments:

Federal Reserve Board: I am the CFO of a \$90 million Credit Union. Regulation II - Debit Card Interchange Fees and Routing as written will have a negative impact on our Credit Union and our members. The proposed interchange limits do not address the infrastructure required to run a debit card program or, more importantly, the fraud losses that occur on such a program. Interchange income helps to offset the losses from fraud. If these costs are not considered, the program will operate at a loss, which will result in our looking for other ways to cover these costs. Translation: Our members will pay higher fees for services so the Credit Union can cover the fraud losses on the debit card program. This regulation does affect all financial institutions. The two-tiered system will not work because it is not enforceable. Without an enforcement mechanism, smaller issuers are not protected. Merchants will discourage use of cards with higher interchange rates. Market pressures will increase to lower the interchange rates for smaller issuers going forward. This will result in two tiers that are the same. Sincerely, Diane Percival