From: Texoma Community Credit Union , Kevin Scott

Subject: Reg I I - Debit card Interchange

Comments:

Dear Chairman Bernanke,

The purpose of this letter is to ask that you delay the implementation of the debit card interchange income rule planned to begin in April 2011 as a result of the Durbin amendment to the Dodd/Frank Act.

I am the Chief Operations Officer of Texoma Community Credit Union (TCCU) in Wichita Falls, Texas. We are a small financial institution with assets of 87 million dollars. I manage the debit card portfolio for the Credit Union. I hope to illustrate the real results of the planned amendment.

We have no confidence that there will be a separate network or exemption as stated in the Durbin amendment. Financial Institutions below 10 billion in assets will suffer extreme losses from this rule. We fully believe that both the major debit card issuers and the supporting networks will not support a dual rate system. Even if they do, merchants will structure transactions so that, in effect, financial intuitions will receive reduced interchange income. Transaction structuring is already in action. To see this practice, go to Wal-Mart and try to pay by PIN rather than Debit. The process is quite difficult.

Here is the bottom line: if the reduced income comes to realization, this Credit Union will lose seventy-five percent of its interchange income. In December 2010, the interchange income was $25,705. Seventy-five percent of this figure is $18,750. If that figure is annualized then the loss in income is $225,000. TCCU's entire net income for 2010 was $350,000. The Credit Union must recoup that revenue in the form of higher fees, higher interest rates or by reduced deposit rates. The end result is that our members will be harmed.

Also realize that the income stated above from interchange is not a true profit. The Credit Union pays out an estimated 85% to 90% of this income in the form of network fees, hardware maintenance, fraud losses and human resources support. The debit card program will become a loss center instead of a small profit center with this rule. The loss would be unsustainable. Members will bear the cost of the lost income.

We understand the reasoning behind the amendment. There were strong reasons to reign in the Big Banks. Regretfully, the attempts to disciple the Big Banks are trickling down to small financial institutions.

Credit Unions are not for profit institutions. Profit margins for Credit Unions are exceedingly small and returned to the membership. The loss of income in this case must be recaptured in some manner. There is no other alternative if the business is to remain viable.

Texoma Community Credit Union urges you to delay the implementation of the amendment until this rule can be further scrutinized.

Respectfully,

Kevin Scott
Texoma Community Credit Union