

From: Royal Credit Union, Randy L. Beck
Subject: Reg I I - Debit card Interchange

Comments:

Date: Jan 03, 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:

January 3, 2011 RCU strongly urges you to reconsider the proposed interchange cap of \$0.12. We are a \$1 billion credit union with 130,000 Member owners. We understand that many laws have been enacted in the last couple of years to, "protect," the consumer. Unfortunately, most implemented changes don't really do the job that Congress has intended. What it has done is take any charges being paid by the individuals who use the products and spread those charges over the entire consumer base, whether they use the product or not. This will cause financials to implement new fees tied to all accounts and/or eliminate free services in order to recover this lost income. If you implement this change and a cap of \$0.12 you will be saying goodbye to the days of free checking, free debit card transactions, and other free services currently enjoyed by the consumers. If the cap of \$0.12 is applied as proposed RCU will lose 73% of our current interchange income in the amount of \$3 million. To date in 2010, this represents 75% of our net income. It will be difficult for RCU to continue to offer the debit card as a service because we would lose money on each transaction the member would make. I realize that there is an exemption for financials who are under the \$10 billion in assets, but it remains unclear as to whether the networks will develop and support two different levels of interchange. Merchants will also weigh in on this decision because they have no reason to support two levels of interchange they pay. Please reconsider the minimum interchange rate of \$0.12 and allow the consumer who use the service to pay for it, and all the financial institutions who offer the debit card access to retain a reasonable profit so they will still be around when the economy recovers. The consumer is the real loser in the implementation of this cap and they will end up replenishing the income for the financial institutions in other ways. Sincerely, Randy L Beck, Executive Vice President Risk Management
Jon Hehli, CFO Royal Credit Union