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December 17, 2010

Ms. Louise Roseman
Director
Division of Reserve Bank Operations and Payment Systems
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Re: The impact on Community Banking from Provisions of Section 1075 of the Dodd-Frank Act related to Debit Card Interchange Fees

Dear Ms. Roseman:

I am very concerned about the impact on Community Banks from provisions of Section 1075 of the Dodd-Frank Act related to Debit Card Interchange Fees. I have been in banking for almost forty years. When I started my career, banks only dealt with cash. Slowly checks became more popular. Then credit cards took the place of checks. Now customers use debit cards.

We have provided debit cards to our customers for over ten years. The reason we started was because our customers asked for debit cards. To begin the program, we knew the program would be a loss, but we felt the usage would grow which it did.

Per the proposal, small banks are not to be effected by the proposal. This would be an incorrect statement. Small banks do not issue debit cards. Small banks must participate with Visa or MasterCard to provide the card and to provide the operation system for the card to work. Small banks must pay Visa or MasterCard for the service and must pay other external operation costs. At FLNB, our cost is approximately 30.5 cents per transaction.

Our income is approximately 51 cents per transaction. This allows FLNB to make a reasonable profit for providing a service to its customers. Also, it allows FLNB to offer no maintenance fee checking account for those that will only use debit cards and direct deposits.

If the proposal reduces the income source to 12 cents per transaction, FLNB will not make sufficient income to support the program. I estimate our loss would be \$314,000 or \$5.11 per account. Since our customers want the cards, we will not get out of the program. We will seek to charge our customers for the service.

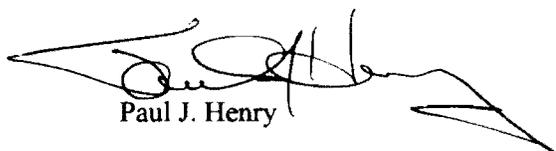
Also, I understand the merchant's complaint for paying fees for the use of debit cards. But I have a problem with the merchant's arguments. I don't think there is any difference in the credit card or debit card charges to the merchant. Most local merchants do not want to accept checks. Checks represent a certain amount of risk. Debit cards guarantee the merchant that the money will be deposited to the merchant's account.

Member: FDIC

In any case, Congress has mandated the Federal Reserve Bank to develop a fair charge for the use of debit cards. Based on our information, the cost to provide the card is 30.5 cents not 7 to 12 cents.

I appreciate the opportunity to give you my thoughts.

Sincerely,



Paul J. Henry

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