

From: John C. Fiore
Subject: Regulation Z - Truth in Lending

Comments:

December 29, 2010

Federal Reserve Board

Dear Federal Reserve Board:

My credit union is very concerned with the Federal Reserve Board's recently proposed regulation that would regulate debit card interchange fees and routing. The Fed should implement reasonable interchange regulations that will allow small issuers to continue to be protected from lower interchange fees.

We are concerned that the proposal does not include provisions to enforce the small issuer exemption. We urge the Fed to use its authority to reinforce the small issuer exemption and ensure that it works as Congress intended.

The proposed debit interchange rates also concern us, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The Fed should consider all costs of operating a debit interchange system to the maximum extent allowable by law, including all fraud prevention costs such as the cost of new technology that reduces potential fraud.

Even if a two-tiered system is permitted and works in practice, small issuers will be disadvantaged if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly. We therefore urge the Fed to adopt routing "Alternative A," which would only require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks is inconsistent with statutory requirements and would place an unreasonable regulatory burden on our credit union that could negatively impact service to our members.

Sincerely,

John C. Fiore