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Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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The proposed limitations on interchange fees are an ill-advised overreach by the Federal Reserve Board with no real benefits to consumers. The only benefit will be to the retailers at the expense of financial institutions and the consumers. This is a transfer of revenue that will not lead to a reduction in prices at the retail stores, but will lead to increased profits for retail giants like Wal-Mart. Any perceived benefit to the consumer is highly unlikely. In fact, this proposed regulation will do more harm to consumers than good. Financial institutions have two sources of income, interest income and non-interest income. The interchange income is a form of non-interest income. If non-interest income is reduced, then the interest income must be increased to make up for the short fall. This will lead to a rise in interest rates which will hurt the consumers that you are saying you are trying to protect. If interest rates go up then people will borrow less money and the sale of goods will go down. Automobile sales, house sales, and the sale of most goods and services will be negatively impacted by the rise in credit costs. The economic reports from all of the so-called experts in Washington claim that "we need banks to ease lending standards so we can get the economy moving again". This is irrelevant if consumers can't afford to borrow because interest rates are too high. Another way that financial institutions will offset the reduction in income is to reduce operating expenses. Many financial institutions will cut employees. Again, this will hurt the consumers that you are purportedly trying to protect. One of the arguments for the proposed regulation was that it would add jobs in the retail sector. Is a financial institution employee's job worth less than a retail sector job? Similar to how the regulation simply transfers revenue from the banking industry to the retail industry, it will simply transfer jobs in the same manner, and the retail jobs earn half what a financial institution employee does. So it will kill good paying jobs in the financial sector and replace them with minimum wage jobs in the retail sector. How is that good for consumers? It is important that you remember financial

institutions are employers too. The better we do as a Credit Union, the more
people we hire. It is fashionable to take jabs at financial institutions but
you do that at the peril of the employees that count on them for their
livelihood. This push by the large retail lobbyists to limit the interchange
income is disappointing and dishonest. I am shocked that the Federal Reserve
Board has allowed lobbyists to sway them towards a decision that harms
consumers and the economy in general.   In conclusion, this regulation will
provide absolutely no benefit to consumers. The only reason I can see for this
regulation would be political motivation to pretend that it will help
consumers. In this era of proclaimed "openness", "transparency", and "no
special
interests" one would think that this type of legislation wouldn't be
considered. I hope that the Federal Reserve Board will rethink this proposed
legislation and the consequences of going forward with the limitations on
interchange income. Kindest regards, Terry J Katzur VP of Lending ELGA Credit
Union