

From: Michael Zehr
Subject: Reg I I - Debit card Interchange

Comments:

Michael Zehr

January 11, 2011

Dear Federal Reserve Board:

My credit union and members are very concerned about the Debit Card Interchange Fees proposed regulation that would provide a two tiered system and cap interchange fees.

In the end, this regulation will end up irreperably harming the consumer at a time when they need the most assistance. This measure will provide cost savings to retailers who will not have any incentive to pass along the savings to consumers.

Because the capped interchange fee will not provide sufficient revenue to banks and credit unions to cover the costs of such programs (including administrative costs, technological investment and fraud loss costs borne by the financial institutions), additional charges will be forced in the way of fees to the end consumer. The days of free checking will fall by the wayside, and will marginalize millions of Americans who will not be able to afford to maintain access to financial services by holding a checking account.

Our credit union offers free debit cards to over 6000 members to access their health savings accounts, while at the merchant. This is in addition to the free debit cards we offer to 15,000 members on their regular checking accounts. These low volume HSA debit cards represent a real convenience to our members, but one that clearly does not pay for itself on transactional interchange income. It will also be the first product we will either have to abandon, or begin assessing fees to the members to cover the full operating costs of the program.

This regulation needs complete legislative review and overhaul before the Fed expends any efforts in promulgating regulations.

Sincerely,

Michael Zehr