

From: Debbie Morrison
Subject: Reg I I - Debit card Interchange

Comments:

January 25, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

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.

Currently 78.27% of our fraud losses stem from Visa debit cards.

Issuers bear the cost of reissuing lost or stolen cards.

Issuers also bear the cost when merchants or processors payment systems are breached. Issuers pay to reissue cards and send notification to cardholders affected by these breaches. We receive CAMS (Compromised Account Management System) notifications almost daily.

When we receive an ADCR (Account Data Compromise Recovery Program), the costs recovered is minimal and does not begin to cover our actual costs.

Issuers bear the costs for chargeback's, receipt copy requests and representments. These costs are high and are assessed against each transaction charged back, represented & each transaction receipt copy request.

Employee's time is involved in mitigating fraudulent transactions, requesting receipt copies, representments and reissuing plastic cards.

Issuers also incur the cost to have fraud monitoring systems in an attempt to reduce fraud losses.

Interchange income is what Issuers use to offset increasing fraud losses, mitigation costs, CAMS, fraud detections systems, plastic card reissue costs, and employee time.

Thank you for your time and consideration of my financial institutions concerns.

Sincerely,

Debbie