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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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PeoplesChoice Credit Union is strongly opposed to the Durbin Amendment mandating price controls on the interchange fees paid by merchants who accept debit cards. While perhaps well intended to help small business, the amendment has unforeseen consequences that will directly and negatively impact families - most dramatically those families with low or moderate incomes. The costs of running a debit card program are inherently high (fraud protection, network settlement, online banking, monthly statements, customer service, electronic processing, guaranteed funds to the retailer, etc.). The revenue loss associated with the price controls in this amendment will result in higher fees for consumers - at a time when the nation is striving for economic recovery. PeoplesChoice Credit Union has always prided itself on its ability to offer low or no fee products and highly competitive rates. We are a member owned cooperative and are committed to helping the people in our Maine communities make the most of their hard-earned dollar. We have always offered free checking with no minimum balance. We offer a NO FEE Visa credit card that saves our members over \$250,000 annually in junk fees. We offer free online banking, free bill pay, free mobile banking, free debit cards, free shared branching and over 28,000 surcharge-free ATM's nationwide! Moreover, we have never - in 47 years of business - charged a late fee on a consumer loan. Never! Passing of this new regulation will tie our hands and give us no other option but to pass the increased costs of doing business to our members. The low cost financial products that our members have come to rely on will simply become cost-prohibitive - all in one full swipe. We also believe that the proposed two-tier system is not sustainable long term and that it is only a matter of time before income from interchange fees is reduced by 65%-80%. This would make our program very costly. Moreover, financial institutions would be liable for the losses due to theft or loss of data (merchant security breach), and the proposed fee is simply insufficient to cover the operating costs - never mind the liability resulting from a data breach itself. Obviously, the biggest benefactors of this proposed legislation are the retailers (e.g. Walmart). Will

their substantial savings from reduced interchange fees be directly passed on to their consumers? Or will these savings simply add to their bottom line? Our guess is the latter - leaving the consumer paying equally high retail pricing - while suffering higher fees and eliminated services at their financial institutions. I'm not sure this is in keeping with the government's goals of financial recovery. We feel the increased costs of compliance and regulation inherent in the Durbin Amendment will only make it more expensive for consumers to do their banking business. This new legislation will have the greatest negative impact on families with low or moderate incomes - the very same families the government espouses to support. The big banks are already tweaking their fee structures accordingly and it will only be a matter of time before credit unions have to implement the typical unsavory banking junk fees. Let us not forget our history. When President Franklin D. Roosevelt signed the Federal Credit Union Act into law in 1934 to "promote thrift and thwart usury," he was deeply in tune to people's frustrations with high banking fees, low rates and poor service. There was a need for change, and the spawn of member-owned credit unions enabled Roosevelt's vision: to put more money in people's pockets - where it belongs. Let us learn from history - not repeat it. We at PeoplesChoice Credit Union urge you to stop this legislation as the unintended consequences will hurt - not help - consumers. We see the pivotal role we play in people's lives every day. We are here to help our members - not profit from them. Please help us - help them - by creating a structure that allows us to continue to offer our wide array of affordable financial products. We all owe it to the hard-working people of our communities. Sincerely, Luke Labbe
President