

BLAINE LUETKEMEYER

MEMBER OF CONGRESS
9TH DISTRICT, MISSOURI

WASHINGTON OFFICE:
1740 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 226-2956
FAX: (202) 225-5712
<http://luetkemeyer.house.gov>

COMMITTEE ON
FINANCIAL SERVICES
FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT

DOMESTIC MONETARY POLICY
AND TECHNOLOGY

Congress of the United States
House of Representatives

Washington, DC 20515

June 22, 2011

The Honorable Ben S. Bernanke
Chairman
Federal Reserve System Board of Governors
Washington, D.C. 20551

Dear Chairman Bernanke:

I write to express my concern over the Federal Reserve's continued rulemaking on interchange fees. As you know, this rule has the potential to impact financial institutions of all sizes and, in turn, our nation's financial stability.

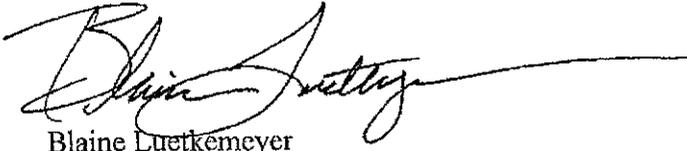
While I recognize that the Federal Reserve is required under the Dodd-Frank legislation to promulgate this rule, I would be remiss if I did not express my apprehension with having the federal government interfere in a business-to-business transaction. By imposing a federally-fixed price on a specific financial product, this rule will end a revenue stream relied on by financial institutions. Many of these institutions project that they will lose approximately 80 percent of the debit interchange revenue that supports the overall deposit account relationship. This loss will undoubtedly drive up costs borne by bank and credit union customers, particularly given that their respective regulators will continue to examine these institutions based on liquidity and earnings.

As the Federal Reserve moves forward in developing the final rule on interchange rates, I urge you to include all associated costs in the formula for calculating debit interchange fees. The 7 to 12 cent fee that has been proposed will only cover incremental charges and does not take into account other costs associated with the production of debit cards, the development of debit technologies, or the risk protection guaranteed to merchants who accept debit payments. It is difficult for any business to survive, much less retain the ability to offer products to consumers at low costs, when they are restricted by what they can and cannot charge entities that use their products.

I also request that you bear in mind the intent of Congress when reviewing the small issuers' exemption. As you know, Dodd-Frank provides for an exemption for institutions with under \$10 billion in assets but includes no provisions designed to enforce that exemption. I have heard from countless credit unions and community banks across Missouri and the United States who fear that, even with the exemption, this rule will harm their businesses. Despite assurances from supporters of the interchange provision, there has been tremendous anxiety among smaller institutions (those who are limited in the ways they can supplement lost revenue) as they continue to question whether or not a two-tiered interchange system will be created.

In the past, you have shared your own concerns with this rule and the Federal Reserve's role in its implementation. I respectfully request that, as you move forward, you consider my comments and the concerns raised by so many of my colleagues. I appreciate your continued leadership on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Blaine Luetkemeyer", with a long horizontal flourish extending to the right.

Blaine Luetkemeyer
Member of Congress