



Credit Union National Association

cuna.org

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June 8, 2011

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> and C Streets, NW  
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of the Credit Union National Association, I am writing to all Federal Reserve Board Governors today in the wake of the vote in the U. S. Senate in which a majority agreed that small issuers are at serious risk under the Board's current proposal to regulate debit card interchange fees. Their concerns reflect your own comments to Congress that small issuers will suffer from the loss of much needed income should the exemption from the fee limitations not be made to work.

We urge the Board to consider that while Congress directed debit card interchange costs to be considered in the rule making process for large issuers, Congress intended that debit card interchange **income** be protected for small issuers.

In that connection, we have proposed several actions that we urge the Board to take to help insulate small issuers from the negative impact on their income that many fear would result under the proposal.

We believe that an important monitoring process can be established under which the networks would first report to the Board that a two-tiered structure has been established and then report annually on how such a two-tiered system is working. The Board should provide that information to Congress, also on an annual basis. This information should be used by the Board and Congress to determine whether additional steps are needed to ensure the networks are acting as they should to protect small issuers.

We have also urged the Board to make important changes regarding the fee ceiling for large issuers, as ultimately the ceiling could impact all issuers. If the Board concludes it is required by the interchange statute to set a fee ceiling for large issuers instead of setting standards to determine whether fees are reasonable and proportionate, we urge the Board to include all allowable and reasonable costs in setting the cap.



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Finally, we also urge the Board to revise the proposal regarding the routing and exclusivity provisions that if unchanged, will also undermine the exemption for small issuers. We urge the Board to consider whether small issuers can be exempt from these provisions or, if that is not feasible, then we urge the Board to delay these provisions, which do not have a statutory effective date, for at least 24 months.

For the 70% of the credit unions that offer debit card programs to their members, there is no more important issue than a favorable resolution on the debit card interchange rule. We urge the Board to change the rule as we have requested.

We would welcome the opportunity to talk with you and other governors regarding the scope of our concerns and the revisions we are urging.

Thank you for your timely consideration on these most critical issues.

Best regards,

A handwritten signature in black ink, appearing to read 'Bill Cheney', with a long, sweeping underline that extends to the right.

Bill Cheney  
President and CEO

cc: All Federal Reserve Board Governors  
Federal Reserve Board General Counsel Scott G. Alvarez