RBFCU
RANDOLPH • BROOKS
FEDERAL CREDIT UNION

June 21, 2011

Laura Brown
cc: Julie
Betsy

Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas
2200 N. Pearl St.
Dallas, Texas 75201

Dear President Fisher,

On behalf of the members, employees and volunteers of Randolph-Brooks Federal Credit Union, I ask that you convey our debit interchange concerns to the Board of Governors of the Federal Reserve System.

Our credit union offers the convenience of debit cards, and shares interchange income with members. On each debit card transaction, we return 10 cents to members – $5 million in 2010 alone. If onerous new guidelines are put in place, providing these member rewards will almost certainly become impossible. In addition, as you are well aware, interchange funds are used to cover fraud expenses. During the past three years, we spent $2.3 million on fraud-related direct costs. If accounts are compromised, members are not responsible for lost funds; instead, we cover the cost. If our income is significantly impacted, we will, of course, have to shift losses to other products and/or services.

The current interchange proposal could be detrimental to us and to the local economy. Under the proposed 12-cent cap, we stand to lose annual income equal to salary and benefits for 25 percent of our workforce. Since our founding in 1952, we have never had to implement layoffs; however, a blow of this potential magnitude could cause us to seriously consider staffing changes.

To stimulate the Texas economy, protect members from fraud and create jobs, a fair interchange system must be maintained. In Congress' directive, specific provisions were included to protect small card issuers. The $10 billion exemption was designed to reduce the impact on smaller institutions, but a mere request for goodwill from card networks is not enough. Instead, we ask that the Federal Reserve require responsibility from card processing networks, ensuring they follow congressional recommendations to establish a two-tiered system for small users (credit unions and community banks) and for large issuers. Accountability and transparency should also be required, including regular reports from networks to the Board and annual reporting from the Board to Congress.

If the Board determines it does not have legal authority to exempt small issuers, the routing/exclusivity provisions should be delayed to allow thorough review. At a time when we are all trying to build capital, improper implementation could be disastrous for small institutions.

Finally, we are concerned that, without appropriate oversight, small financial institutions will suffer an unequal share of the operating costs of a system that provides benefits to all segments of our society.

Sincerely,

Randy

Randy M. Smith
President and CEO

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