

# Sangamon Schools CREDIT UNION

June 20, 2011

The Honorable Mark Kirk  
United States Senator  
607 East Adams  
Springfield, Illinois 62701

Dear Senator Kirk:

On behalf of the Board of Directors, Staff and 8,000 members of Sangamon Schools Credit Union, I want to thank you for your support in voting for the Tester-Corker bill. Due to your support and that of the other 53 Senators who voted in favor of the bill, there is an increased awareness that the Durbin amendment did not provide enough safeguards to protect small financial institutions and that the proposed interchange income should include consideration of fraud charges.

In a letter that I sent to Senator Durbin dated March 15, 2011, I stated:

**Chargebacks have become a large expense for all financial institutions. We are required to give provisional credit back to any member who indicates they have a fraudulent or erroneous debit card charge. We have all the responsibility for chargebacks and the merchants have none.**

Little did I know that, a few weeks after I sent the letter to Senator Durbin, SSCU and several other area credit unions and community banks were going to be involved in what appears to be a major amount of debit card fraud. In just over a week following the Memorial Day weekend, SSCU became aware of 13 members with debit card fraud for a total amount of \$8,896—please see the attached Visa Debit Card Compromise document. Our staff was able to trace the members' transactions back to December 2010 and January 2011 and found that 12 of the 13 members had used their debit cards at two pizza places owned by the same proprietor.

We have contacted the U.S. Secret Service on behalf of all of the financial institutions involved and I understand they are ready to go to a U.S. Attorney to get subpoenas. I have asked that the other financial institutions send their fraud information directly to Agent Lee Russell. Therefore, at this time I do not know the exact number of members/customers that have been affected or the total dollar amount of the fraudulent charges. This past week I talked to another credit union based in Decatur and they have identified at least \$40,000 in fraudulent charges with members who had used their debit cards at the two pizza places.

At this point we do not know where the compromise has occurred. However, it would initially seem that the compromise is happening outside the two pizza places. What we do know is that the two restaurants received their money, as did all of the merchants that accepted fraudulent cards. On the other hand, SSCU had to post \$8,896 in provisional credits to our affected members and this appears to be a total loss for us.

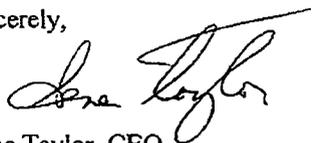
1420 South 8th Street ❖ Springfield, Illinois 62703  
1124 Centre West Drive ❖ Springfield, Illinois 62704

To put all of this in perspective, our credit union earned \$10,863 in interchange income during the month of May. Out of that amount we need to deduct debit card operating expenses and direct labor costs. Once the provisional credits are posted to our General Ledgers, we will have a net loss from our debit card program.

Our only hope now is that there can be a successful carve-out for the small financial institutions or that the new interchange income percentages include consideration for fraud losses. Other options could include having merchants share the costs of fraudulent charges and/or holding merchants financially accountable if their customer information is breached. Why should all of the fraud losses be the sole responsibility of the financial institutions?

In conclusion, thank you again for your support.

Sincerely,

A handwritten signature in cursive script that reads "Gene Taylor". The signature is written in black ink and is positioned above the printed name.

Gene Taylor, CEO

cc: Senator Richard Durbin  
Congressman John Shimkus  
Congressman Aaron Schock  
Board of Governors of the Federal Reserve System  
Members of SSCU

**VISA Debit Card Compromise--May 27--June 2, 2011**

SUSPECTED COMPROMISE TRANSACTION				FRAUDULENT TRANSACTION INFORMATION					
Member #	Restaurant	Date	Time	Fraud Occurred	Date of Fraud	Time of Fraud	Transaction Number	Amount	
1	Pizza Man of Pana	1/5/2011	20:15	Winn Dixie 0447	5/25/2011	10:15	114500030796	\$197.99	
				Winn Dixie 0447	5/25/2011	10:17	114500030797	\$194.95	
				Winn Dixie 0447	5/25/2011	10:18	114500030798	\$194.95	
2	Pizza Man of Pana	12/20/2010	20:52	Meijer 258	5/27/2011	17:44	114700029054	\$105.95	
				Meijer 258	5/27/2011	17:45	114700029216	\$105.95	
				Meijer 258	5/27/2011	17:46	114700029218	\$105.95	
				Meijer 258	5/27/2011	17:47	114700029221	\$105.95	
				Meijer 258	5/27/2011	17:54	114700029222	\$105.95	
Meijer 258	5/27/2011	17:55	114700029223	\$105.95					
3	Pizza Man of Pana	1/30/2011	21:09	Wal Mart 2666	5/31/2011	11:11	114900030525	\$693.88	
				Wal Mart 2666	5/31/2011	11:13	114900030526	\$146.77	
4	Angelos	12/22/2010	19:41	Giant Eagle 6526	5/31/2011	12:02	114900030062	\$403.95	
				Shoe Dept. 1288	5/31/2011	12:42	114900030061	\$118.74	
5	Angelos	1/26/2011	19:49	Wal Mart 3251	5/28/2011	21:06	114800032370	\$17.41	
				Wal Mart 3251	5/28/2011	21:08	114800032371	\$74.71	
				A Eagle Outftr000208	5/28/2011	19:39	114800031312	\$250.00	
				A Eagle Outftr000208	5/28/2011	19:46	114800031313	\$254.99	
				KFC C242011 857001	5/28/2011	19:55	114800031314	\$7.10	
6	Angelos	12/17/2010	19:18	Kmart 7397	5/31/2011	11:47	114900014960	\$426.99	
				Kmart 7397	5/31/2011	11:46	114900014961	\$426.99	
7	Angelos	1/7/2011	18:11	Wal Mart 3447	5/31/2011	17:31	114900023089	\$350.00	
				Wal Mart 3447	5/31/2011	17:40	114900023090	\$587.13	
8	Angelos	1/8/2011	21:05	Macy's East 586	5/31/2011	16:38	115000015189	\$91.14	
				Express 2009	5/31/2011	16:08	115000014649	\$581.13	
				Express 2009	5/31/2011	16:11	115000014650	\$253.24	
9	Angelos	12/2/2010	21:52	Macy's East 586	5/31/2011	16:25	115000014948	\$144.25	
				Express 2009	5/31/2011	16:02	115000014163	\$439.31	
				Bebe Store Inc 157	5/31/2011	15:44	115000021804	\$350.00	
10	Angelos	12/4/2010	13:23	Saks Fifth Avenue	5/31/2011	14:41	115000017965	\$804.38	
11	Angelos	1/3/2011	19:30	Red Lobster US00063198	6/1/2011	21:41	115200018299	\$39.24	
		1/15/2010	15:10	TJ Maxx 0553	6/1/2011	21:32	115200018298	\$144.97	
				TJ Maxx 0553	6/1/2011	21:33	115200018297	\$79.99	
				WAWA 844	6/2/2011	10:04	115300009518	\$2.80	
12	No transactions w/in last 12 months at either establishment			Chipotle 0076	5/31/2011	18:06	115000014968	\$41.53	
				Saks Fifth Avenue	5/31/2011	15:06	115000017491	\$402.19	
13	Angelos	12/16/2010	15:36	Stop & Shop #613	6/6/2011	10:31	115600021886	\$371.82	
				Stop & Shop #613	6/6/2011	10:29	115600021885	\$258.06	
<b>TOTAL LOSS</b>								<b>\$8,986.30</b>	