

From: Marion Morris
Subject: Reg I I - Debit card Interchange

Comments:

February 22, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

22 Feb 2011

We have serious concerns about the Interchange Amendment as it was enacted last year. We are a "small" credit union with under 4700 members, and only about 1500 total plastic card-holders (both debit and credit cards). Transactions for which our members use their cards are processed through service providers. The transaction (interchange) fees which we receive pay those costs, as well as the costs associated with maintaining the program: developing educational material and disclosures; issuing and controlling the cards; pay toward fraud control, etc.

Reducing the interchange income will be a detriment to our members. It's not likely that merchants will lower their sales prices, but we will indeed need to offset this loss of income. We cannot recover it via interest income, as rates are so low. The only avenue is higher cost to members who use the cards.

Over the last two years, we have suffered over \$28,000 in fraud losses (on our low number of cards) even though we have instituted (and paid for) fraud detection techniques. Many of these losses are suffered at the hands of merchants who readily accept fraudulent cards for purchases of the same amounts.

In behalf of our members, we urge you to consider members of smaller financial institutions such as ours who are trying so hard to keep down costs. Your kind attention is appreciated.

Sincerely,

Marion Morris