From: Lisanne Davidson

Subject: Reg I I - Debit card Interchange

Comments:

February 22, 2011

Jennifer J Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

Dear Jennifer Johnson:

Southwest Bank is a community bank with total assets of approximately $800 million serving the metropolitan area. We are a locally owned community bank that has been operating since 1963. The bank's primary mission since inception has been to serve the needs of its community with bankers our customers know. We employ local decision making with timesaving technology. The bank has maintained a reputation of strength and conservative soundness even during the recent economic crisis.

We create a personal connection to our community that big banks cannot establish. For example, recently our employees noticed a pattern of debit card fraud that centered out of one local store. Even though many big banks were also affected, not one of them had noticed the pattern or taken the steps necessary to provide law enforcement with the information necessary that resulted in several arrests of a individuals who were operating on a national scale.

We oppose the current proposal to implement debit card interchange fees and routing provisions for several reasons. It would artificially fix the price at a rate of 12 cents per transaction, a rate approximately 80 percent lower than current rates, which is insufficient to cover the costs of providing debit card services. Ostensibly this rate should only cover banks with total assets greater than $10 billion but in reality, the new rate will affect all banks, including community banks such as our own. Merchants that will have the opportunity of reaping the profit of a lower rate on cards from selected banks will undoubtedly promote the use of those cards with lower fees. There is no proof that the merchants would ever pass on any savings to the consumer.

These specific fee limitations are not required under the Durbin provisions of Dodd-Frank, which merely called for the establishment of standards for assessing interchange rates. We urge the Federal Reserve to delay issuing a final rule until there is an opportunity to study extensively the costs and benefits for all participants. An 80% decrease in interchange rate is a seismic change for banks, and will have costs not only for banks, but consumers.

We request that you incorporate the community bank perspective in your study as they will be greatly affected by the rule. While community banks may be exempted on paper, the result will be merchants that steer their customers to the less expensive cards or refuse the community bank card altogether.

Should the Federal Reserve decide to proceed with the issuance of a final rule, we request that instead of creating artificial

fee limits, you establish the "standards for assessing" that is required by the statue. The standards should include allowable costs to include all costs associated with debit card programs and to permit banks to earn a reasonable profit margin.
We strongly urge the Fed to reevaluate the proposed rules and consider the Proposal's negative impact on community banks such as Southwest Bank. Additionally, we believe the implementation date should be extended to at least July, 2012 to allow Congress to fully explore the negative implications of this short-sighted and ill-advised legislative action on community banks and consumers.

Sincerely,

Lisanne Davidson