US FEDERAL
CREDIT UNION

William A. Raker, CCE
President/CEO

February 21, 2011

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, WN
Washington, DC 20551

Re: Docket No. R–1404 and RIN No. 7100 AD63

Dear Chairman Bernanke:

On behalf of US Federal Credit Union, which represents over 65,000 member-owners, we want to express very serious concerns about provisions in the proposal to regulate debit interchange fees.

Our overriding objection is the government price-fixing as proposed in the Federal Reserve rule that would implement the Durbin amendment of the Dodd-Frank Wall Street Reform and Consumer Protection Act. It is just bad public policy to have government set caps and dictate how legitimate business practices should be priced. Never debated in the Congress, the interchange price cap amendment enacted last year will soon drive up consumers' costs for financial services.

Furthermore, this rule will allow merchants to receive all the benefits of the payment card system without any financial responsibility. Our credit union made a significant investment to become a debit card issuer and expends significant resources in maintaining our debit card program not to mention absorbing the costs of fraud and fraud prevention.

Additionally, the current proposal to cap interchange income and implement new interchange rules, if not amended, will place new regulatory and financial burdens on all facets of the payment card industry, the costs of which will most certainly be passed on to consumers.

Contrary to hyperbole of the big box retailers, the consumer (our member-owners), will not benefit from this interchange rule, rather, the costs of this huge new regulatory burden will ultimately end up falling on the shoulders of consumers.

Direct - (952) 736-5326 | Fax - (952) 736-5307 | bill.raker@usfed.org
Headquarters | 1400 Riverwood Drive | Burnsville, MN 55337

We urge you to delay the proposed price controls and allow sufficient time to reconsider:

- the various costs for enacting new interchange rules, e.g., network infrastructure, data processing and programming and cards that must be capable of being processed through two payment networks;
- the real impact on the consumer;
- how regulating interchange fees as proposed could harm smaller financial institutions; and
- ensure any rules implemented keep small issuers exempt.

Finally, we believe the new 112th Congress ought to look deeper into this issue, and at a minimum hold the type of in-depth hearings that were lacking before the debit interchange provisions were tacked onto the Dodd-Frank bill at the 11th hour on the Senate floor last year.

In these difficult times, American consumers should not have to add to the profits of the retail industry and see the cost of their financial services increase as well.

On behalf of US Federal Credit Union,

Bill Raker

Bill Raker
CEO
US Federal Credit Union

cc: Honorable Senator Amy Klobuchar
Honorable Senator Al Franken
Honorable Representative John Kline