

From: Dayton Firefighters Federal Credit Union, Kristen Fasnacht  
Subject: Reg II - Debit card Interchange

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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing  
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Comments:

I am writing as the Debit Card Coordinator of Dayton Firefighters Federal Credit Union on the proposed cap of \$.12 on debit card interchange. Credit unions were established as a not for profit, member owned, financial institution. Our philosophy is to give back to our members and do so in the form of lower loan rates, higher dividend rates, and bonus dividends. Credit Unions rely on non-interest and interest income to operate. Interchange, a form of non interest income, is an important source of income. Debit card programs are not free for financial institutions to provide to their members'; however Dayton Firefighters FCU does not pass these costs to our members. There are a number of factors I do not believe have been taken into consideration with this proposed bill but the two main factors are: 1. Fraud- As the Debit Card Coordinator I handle fraudulent transactions every week that occur on our Dayton Firefighters Credit Union debit cards. I have seen an increase over the last few years of fraudulent transactions occurring at the "big boxed retailers." Who "eats" these fraudulent transactions? The financial institutions do. What liability do the merchant have? None. This proposal in no way addresses the merchant's responsibility in preventing fraudulent transactions. The biggest beef, as a consumer, that I have with merchants is rarely do I get "ID'd" when I myself use my debit card. As others have said, merchants now have an ease of doing business with accepting debit cards. Interchange fees were accepted by merchants in exchange for removing themselves from any risk and placing it on the financial institutions. Since June 2010 our credit union's cards have been a part of nine (9) mass compromises that affected over 600 cards. These compromises were due to merchant network security breaches. With these compromises and fraudulent transactions come time and money to handle. The following costs have not been taken into consideration when setting the cap of \$.12: cost of a replacement card, staffing, time incurred with processing and attempting to recoup the loss, and third party handling fees. 2. Our credit

union falls below the \$10 billion threshold currently set for the two-tiered system. My question is who will be enforcing this and how will it be enforced? My concern is that retailers will cease accepting the small issuer's cards due to the higher interchange fee, which may lead to eliminating their debit card programs and being less competitive. In conclusion, I believe incorporating this regulation will negatively impact the American citizen, whom it was meant to help. As a consumer, do you like to pay for unnecessary or out-of-your-control fees? I know I don't. This will be one movement that financial institutions will have to consider if this regulation is passed. As a credit union, these are the fees that are not part of our philosophy. Thank you for letting me respond to this proposal. Kristen Fasnacht Debit Card Coordinator Dayton Firefighters Federal Credit Union