

February 18, 2011

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Delivery via E-mail to regs.comments@federalreserve.gov

Re: Regulation II; Docket No. R-1404; Notice of Proposed Rulemaking – Debit Card Interchange Fees and Routing

Dear Ms. Johnson:

Junction National Bank of Junction, Texas, a \$44,000,000.00 financial institution, is independently owned and has been serving the financial needs of Kimble County since 1935. Even though the proposed rule regarding debit card interchange exempts banks with less than \$10 billion in assets, we are very concerned of unintended ramifications of the proposed rulemaking; therefore, Junction National does not support the proposal.

Unintentional consequences of this rule could be very costly to community banks, such as ours, and to consumers. Risks associated with this product lies solely with the issuing bank and merchants bear no responsibility for financial loss with fraud. If interchange income reduces significantly for community banks, the financial burden and risks of offering ATM and Debit cards in smaller institutions may warrant consideration of product elimination.

Due to the low transaction volume for banks our size; interchange income merely offsets the cost associated with the product offering. Significant decline in interchange revenue is expected, even under the tiered system proposed. Preliminary research indicates as much as an 80% reduction is possible. Currently our bank does not charge a fee for this service. There is no guarantee that harmful repercussions of the rule would not be prevalent among the so-called “exempt” at a cost to the customer.

Our small community bank continues to work diligently to provide services commensurate to larger retail institutions. In light of recent regulatory burdens and government “price-fixing”, it is becoming more difficult to compete on a level playing

field as an independent community bank and to remain profitable. The constant transformation of government rules and regulations remain the bank's primary concern.

Junction National Bank requests the Federal Reserve to take another look into the proposed rule and consider all potential ramifications to the community banking industry and to consumers. A precautionary approach to rule-making would prove beneficial to all parties involved.

I appreciate the opportunity to comment.

Respectfully submitted,

Darla Rooke
President/C.E.O.
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