

WILLIAM L. OWENS
23RD DISTRICT, NEW YORK

COMMITTEE ON ARMED SERVICES
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STRATEGIC FORCES

COMMITTEE ON
HOMELAND SECURITY
EMERGING THREATS, CYBERSECURITY, AND
SCIENCE AND TECHNOLOGY
EMERGENCY COMMUNICATIONS,
PREPAREDNESS AND RESPONSE



Congress of the United States
House of Representatives
Washington, DC 20515

PLEASE RESPOND TO
WASHINGTON OFFICE:

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February 22, 2011

Ben Bernanke
Chairman
Federal Reserve Board
20th Street & Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Bernanke:

We are writing in reference to the proposed rules for debit card interchange fees that the Federal Reserve Board released on December 16, 2010. We are concerned that these rules do not sufficiently uphold the requirement in Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that exempts community banks, credit unions and other small and medium-sized institutions with less than \$10 billion in assets.

As you know, each debit interchange fee transaction involves a number of institutions, including the issuer, the merchant and the payment card network. Section 1075 of the Dodd-Frank Act requires the Federal Reserve issue regulations to ensure that the cost of debit transactions is "reasonable and proportional to the cost incurred by the issuer." Additionally, the legislation prohibits the Federal Reserve from considering any overhead costs, except those related to the authorization, settlement and clearance of the transaction.

We believe Section 235.5 of the Federal Reserve Board's proposed rules does not uphold the intent of Congress to provide an exemption for small issuers from these interchange rate restrictions. In the absence of an enforcement requirement that networks operate a two-tier system, direct and indirect effects will subject smaller and hometown institutions to the same debit interchange structure developed for the larger, volume-driven institutions.

Implementing these rules in their current form will result in countless unintended consequences for small institutions and our constituents. For instance, to avoid operating a debit card program at a loss, small financial institutions will be faced with a difficult decision of either charging their customers fees to use their debit card, or worse, ending their debit card programs altogether. As these institutions are integral to small business lending and job creation in the communities they serve, our constituents will be negatively impacted by this proposed rule.

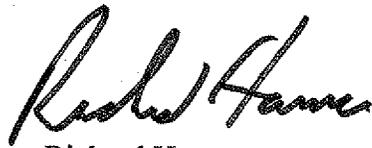
We urge you to delay this proposed rule until Congress has time to properly evaluate the far-reaching direct and indirect implications it will have on our constituents.

Thank you for your attention to this important matter.

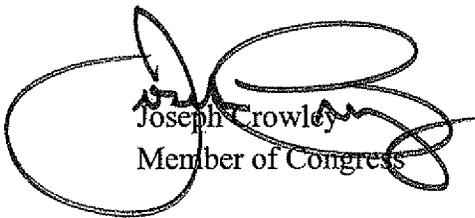
Sincerely,



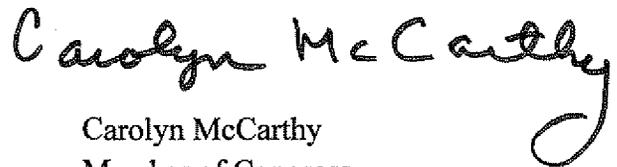
Bill Owens
Member of Congress



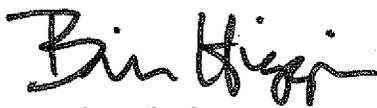
Richard Hanna
Member of Congress



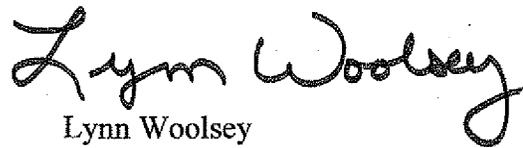
Joseph Crowley
Member of Congress



Carolyn McCarthy
Member of Congress



Brian Higgins
Member of Congress



Lynn Woolsey
Member of Congress



Dale Kildee
Member of Congress

CC: The Honorable Spencer Bachus, Chairman, Financial Services Committee
The Honorable Barney Frank, Ranking Member, Financial Services Committee