

Boone County National Bank



February 10, 2011

Board of the Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Board of the Governors:

I am a true community banker with more than 35 years of financial services experience. Boone County National Bank has been in Columbia, Missouri, for more than 154 years. We have grown and prospered along with our community and we have always played a critical role in its success. Our 300-plus employees volunteer countless hours in the community and in the last year alone, we contributed more than \$400,000 to a wide range of non-profit organizations. As a \$1.2 billion community bank, we are deeply concerned about effects of the Durbin Amendment and the Federal Reserve's role in interchange fees. We do not believe this will help consumers and it could do grave damage to our ability to continue serving our community.

Although it was not intended to do so, this interchange regulation will simply transfer revenues from the banking industry to merchants. Costs to consumers will not be reduced. However, bank costs to process, manage and deliver these payments will be the same and are not likely to be fully covered by the proposed cap to fees. A "reasonable and proportional fee" as dictated by the amendment has to consider all of the costs associated with this critical payment system, including things like fraud prevention, network fees, research and development, capital expenditures and many others. If we can't cover our costs and create a reasonable profit, we will either be forced to not provide this critical service or charge fees to consumers in other ways. So, this action actually hurts consumers rather than helps them.

Debit card payments are significantly different from the old check system and, frankly, are significantly more beneficial to merchants than checks. With a check, a bank can easily return that item to a merchant so they are forced to collect on the funds. With debit payments, we are guaranteeing the funds and the merchant essentially gets instant credit. We have absorbed their risk and provided faster funds. That faster, safer payment is worth something, certainly worth a reasonable fee.

While the amendment attempted to help small community banks by exempting them from price restrictions, in practice that simply won't happen. We are in a competitive market with national competitors, as are most community banks. If the large institutions are forced to drop their fees, we must do so as well to stay competitive. Otherwise we risk losing both our merchant customers and our consumers, who are asked by merchants to use a different card to pay. It is unrealistic to believe that small community banks can do anything other than match big-bank pricing.

Stephen E. Erdel

President

Boone County National Bank, 720 E. Broadway, Box 678, Columbia, Missouri 65205

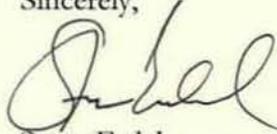
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At its most basic levels, this fee limit will reduce our interchange income by nearly 70 percent. That is not easily absorbed in a small community bank. It will mean cutting costs or raising other fees. Neither of those options will be good for our bank, our community or our economy as a whole. We have been blessed over the past few years to keep our staff employed. I would hate to think that this poorly-designed policy will be the thing that forces us to let people go. And, if we choose not to reduce staff, we will have to impose additional fees on consumers. We simply must to cover the costs of debit payments.

As a community bank, we understand our critical role in keeping our community and its economy strong. We have played a vital role in its positive development for a very long time. It is important to us that we continue to be able to do so for many, many years to come. This interchange cap will make this noble goal much, much harder to achieve.

We urge you to reconsider your current recommendations for caps on interchange fees.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Erdel", written in a cursive style.

Steve Erdel,
President and CEO