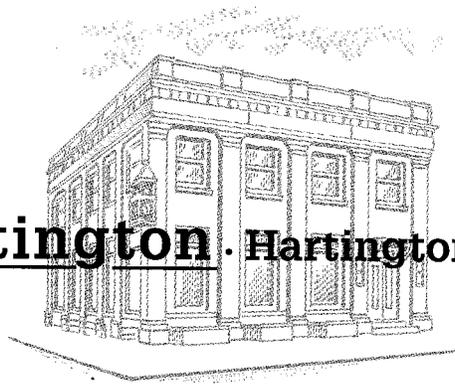


# Bank of Hartington · Hartington, Nebraska 68739



February 15, 2011

229 N. BROADWAY  
PO BOX 77

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

Attention: Docket No. R-1404 and RIN No. 7100 AD63

Dear Ms. Johnson:

We are writing on behalf of the Bank of Hartington and NETS, Inc., a Nebraska-focused non-profit regional debit card network, to express concern regarding the so-called "Durbin Amendment" to the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. As a member of the NETS network, our institution also is a part owner of NETS. The Durbin Amendment directs the Federal Reserve to adopt rules that will dramatically reduce debit interchange fees that will hurt our institution, our network and our customers.

The Bank of Hartington serves 600 consumers and employs fourteen people in Nebraska. We believe the debit provisions will harm our institution and affect the services we are able to offer our customers. Furthermore, our ability to use a cost-effective regional network like NETS is threatened under the proposed rules. We believe the final rules need to include qualifications for regional networks to fulfill the intent of the routing restrictions to increase competition.

We believe that the Federal Reserve's Proposed Rule to implement the Durbin Amendment goes much further than what is required by the Durbin Amendment. Our chief concern is that the proposal places an artificial cap on the amount of debit interchange fees that can be charged to the merchant. Merchants will not be required to pass these savings onto consumers and card issuers will realize returns less than the actual costs of maintaining a debit card program. Merchants have benefited and continue to benefit from the value and security that debit cards provide them. Small banks, like ours, will be forced to either raise their other fees or possibly eliminate their debit card program. The result will be that the consumer will suffer.

Likewise, the network routing proposal goes far beyond the Durbin Amendment's requirements. Under the proposal, NETS, Inc. (a Nebraska-based, predominantly

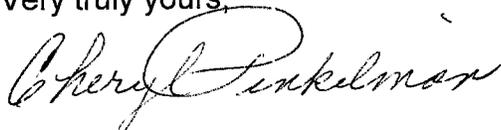


regional network) would not be allowed to serve as one of the networks for purposes of fulfilling the Durbin Amendment's multiple network routing requirements, despite the fact that the vast majority (90%) of transactions made with NETS cards take place in its coverage area. This geographic restriction is nowhere to be found in the statute itself, and we strongly believe that regional networks should qualify as a network alternative for all institutions within a network's geographic coverage area. If the proposed rule is not changed, institutions like ours will be forced to add additional, expensive national networks, resulting in greater consolidation among the few national networks that meet the proposed standard.

Finally, in the event the Federal Reserve decides to proceed with the issuance of a final rule, we urge you to consider establishing the "standards for assessing" that is required by the statute rather than explicit pricing caps. The allowable costs should include all costs associated with the debit card program and to allow the banks to make a reasonable profit. After all, it is often the banks that reimburse a consumer who has experienced a debit card fraud, not the merchants. Also for purposes of the multiple network routing requirements, we believe the Board should adopt the less burdensome Alternative A. This alternative will be less costly and operationally less complex for small banks and small merchants.

We respectfully urge the Board to consider these concerns fully. It is important that a comprehensive study be done before finalizing the rule. Thank you for your consideration and for the opportunity to weigh in on these important matters.

Very truly yours,



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