FIRST FEDERAL

C. Alan Horner
President

February 18, 2011

Board of Governors of the Federal Reserve System
C/o Ms. Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue North West
Washington, DC 20551

Dear Board of Governors,

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

As the CEO of First Federal of Twin Falls, Idaho, I welcome the opportunity to make comment on the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing" rules.

First Federal Savings Bank of Twin Falls is a Mutual Thrift based out of Twin Falls, Idaho, with total assets of $459,000,000 with 10 branches serving South Central Idaho. We offer a full menu of services and products to our customers from deposit accounts, to consumer and commercial loans, to being the number one home lender in the Magic Valley. We did not make subprime home loans. We followed a traditional community bank business model, meaning we stayed "at home" and took care of our friends and neighbors. We made sound decisions that positioned us well through this economic crisis, which is evidenced by our regulatory rating.

As a Mutual, we did not go after risky, short-term profits to satisfy stockholder dividend requirements. We made enough to meet or exceed all capital requirements, while still contributing in excess of $250,000 in annual charitable contributions to the communities we serve, as well as keeping over 200 people gainfully employed. I am very concerned that the heavy additional regulatory burden being placed on First Fed and all community banks will not allow us to continue to service the Magic Valley, much less compete, and survive. This is personified by the Durbin Amendment. The so-called exemption for institutions with less than $10 billion in assets does not work. Marketplace realities will drive businesses to seek the lowest-cost provider.

I am asking you to take a position when writing the policies and regulations of the Durbin Amendment regarding interchange fees, that you do so in such a way that holds it to the light of day and helps us stay competitive and insures the future viability of community banks such as First Fed.

The Durbin Amendment will put First Fed at a competitive disadvantage with the "too big to fail" banks. The statue attempts to exempt smaller institutions from the price control, but the fact is we will be forced to adopt the same price level or lose market share to the "too big to fail", as the "big box retailers" steer business their way. All in all, traditional community banks lose and our customers and communities lose, as we have additional burdens placed on us that undermine our efforts to serve our communities, and will ultimately lead to fewer financial institutions available for our customers.

For example, the Conference Report contains a provision that would limit the interchange fees on debit cards to the cost of the specific transaction. The Durbin Amendment (which has nothing to do with financial regulatory restructuring) has been falsely presented as benefitting consumers. I would argue the opposite. The reduction in interchange revenues will force us to increase other banking fees, limiting the access some low-income customers have to products and services.

In reality, the beneficiaries of this provision are the "big box retailers", and eventually the "too big to fail" banks. The retailers benefit as they continue to gain greater benefits from debit cards, such as reduced personnel, no fraud costs, and no responsibility to bear any of the costs to maintain or improve the system. "Too big to fail" will benefit as small community banks can no longer afford to stay in business or have to cut services and products due to the reduced income stream. The "too big to fail" will make deals with the "big box retailers", which cut out the small independent banks.

One of my employees, who worked for a large box retailer, which is actively behind this legislation, told me they were to encourage customers to use their debit card and then wrote me the following:

> "They only take 20-30 checks a day. We would prefer and encourage our guests to use their debit card because it cuts costs on the collection side when we have bounced checks. Also, our checkout lines are much quicker when the customer is using a debit card than standing at the checkout lines writing a check. As a cashier, it is to the customer's benefit to use the debit card because it is quicker, the customer can process the card while I am ringing up the items, and get up to $40 back in cash. We do not give money back on a check; it must be written for the amount of the purchase only. Also, we can look up a returned item by running their debit card, and credit their debit card the same day. Sometimes, if the customer writes a check, we cannot give back their cash until their check clears the bank."

Here are a few other things to consider:

- Debit cards allow merchants to sell products such as gasoline after hours with no attendant, as well as the successful operation of self-checkout lanes in the "big box retailers".

- Retailers receive immediate credit in their account as funds are transferred electronically, thus their cash flow speeds up resulting in less borrowing needs, thus lower interest costs.

- Consumers prefer carrying a debit card versus cash for the safety issue.

- Banks carry the burden and cost of merchant fraud, consumer fraud, insufficient funds, and security breaches at the retail level.

    - Example: The Heartland security breach (the result of lack of computer security by retailer TJ Maxx) – First Fed spent in the $25,000 to $40,000 range reissuing cards, correcting customer accounts, etc. How much has First Fed recovered from Heartland and/or TJ Maxx? $1,900 as our share of a class action lawsuit.

- Interchange revenue allows First Fed and other community banks to offer our customers higher interest on their checking accounts, as we return the major portion of the interchange fee to them in the form of interest and merchandise rewards points.

- Retailers do not have to accept debit cards. I, in fact, have retail customers who do not accept any form of debit or credit card and are very successful. They give superior customer service and competitive pricing, which brings the customers back.

I talk to the Durbin Amendment knowing if it would have been held to the light of day, subject to a thorough hearing process with studies, it would have not been included in the final draft of the Dodd-Frank bill.

Price controls are fundamentally wrong and do not work in our type of economy and current economic environment.

Thank you for your time, please call if I can answer any questions or be of further help.

Sincerely,

C. Alan Horner

C. ALAN HORNER
Chairman, President and CEO

CAH/crs