



Jim D. Coudge
CEO & Chairman

February 18, 2011

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

Re: OUR OPPOSITION to the Durbin Amendment to Dodd-Frank Bill, Docket No. R-1404

Dear Ms. Johnson,

The negative impact of the Durbin Amendment on our bank and other community banks will be substantial. Although we are technically exempt from the Act since we are under \$10.0 billion in assets, we strongly believe market forces will require our interchange fees to be in line with our larger competitors. Last year our customers debit/ATM transactions totaled 8,924,586 of which 38% were POS (pin based) at \$.2404 per transaction and 62% were signature based at \$.6302 per transaction. The blended rate is right at \$.49 per transaction. Our actual cost of processing is approximately \$.253 per transaction (this includes interchange expense, our data processing direct expense, staffing expense at \$.036 per transaction, VISA fees and fraud losses). This does not include any indirect expenses or taxes. Consequently our gross margin is about 49%; however, I would estimate our actual net margin to be closer to 20% to 25%.

The Durbin Amendment caps the fees at \$.12 per transaction which would result in our debit ATM program operating at a gross loss of about \$.13 per transaction or a net loss to our organization of approximately \$1.2 million. Other information that might be of interest to you:

- Gross interchange fees as a percent of total revenue equal 3.7%.
- Gross interchange fees as a percent of net revenue equal 16%.
- Gross interchange fees as a percent of non interest income equal 12.8%.

What the Durbin Amendment means for our customer:

1. Greater fees on product and services.
2. Reduced services.
3. Less money to loan out in our community (approximately \$42.0 million at 8.00% capital).
4. Less money to contribute to worthy causes in our community.

Broadway National Bank
1177 N.E. Loop 410 • San Antonio, Texas 78209 • 210.283.6500
broadwaybank.com • Member FDIC

Page 2

February 18, 2011

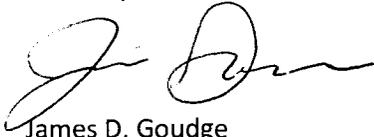
What does this mean for the retailers? MORE PROFIT

The only winner in this is the retailers and real loser is the consumer.

Broadway Bank was founded in 1941 in San Antonio, Texas and is currently a little over \$2.2 billion in assets with 38 locations serving communities in San Antonio and the surrounding areas. We are a well capitalized bank, with solid earnings, a conservative operating philosophy and strive to be good corporate citizens (we donated over \$650,000 to local, civic and charitable organizations in 2010 and our employees contributed over 13,000 hours of volunteer time). We did not take TARP or participate in sub-prime lending. In other words, we are very much the typical community bank in the United States today.

I would sincerely ask the Board of Governors of the Federal Reserve to please stop or delay implementation of this amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "J. D. Goudge". The signature is fluid and cursive, with the first and last names being the most prominent.

James D. Goudge
Chairman & CEO

Cc: American Bankers Association
Congressman Jeb Hensarling
Congressman Francisco Conserco