

# FIRST SECURITY STATE BANK

February 14, 2011

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

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

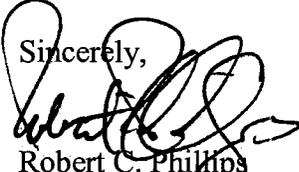
Dear Madam:

I am President and CEO of First Security State Bank, Cranfills Gap, Texas, a bank which started in 1910. We employ 25 people and serve the financial needs of approximately 4,500 customers. Our longevity and stability is due to the deep relationships and trust we have built with our customers.

We are extremely concerned with the Federal Reserve Board's proposed rule implementing the interchange regulations pursuant to the Durbin amendment. Even though our bank is below the \$10 billion threshold, these proposed rules will have a significant impact on our bank and our customers. Large merchants like Wal-Mart will certainly discriminate against customers of banks that may have a higher interchange rate. This discrimination will certainly have an impact on our bank as they will favor customers of banks that are too big to fail.

Interchange income is the price a merchant pays to guaranty funds, quick settlement and virtually no liability or responsibility for fraudulent activity. Your proposed limits certainly do not take into account the real costs of fraudulent activities and the costs to protect against fraud. We certainly understand that we are in a business of risk. We manage risk and get paid for the risk we take. If the bank is not paid by the merchant for the fraudulent activity risk by the merchant, then the bank customers will have to pay in the form of higher bank fees or reduced services.

It is my request that the Federal Reserve Board withdraw this proposed rule. Thank you for your time and consideration.

Sincerely,  
  
Robert C. Phillips  
President & CEO



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