PONY EXPRESS BANK
MEMBER FDIC
*"Established 1890"*
**215 North 291 Highway • Liberty, MO 64068**
**816-781-9200 • Fax: 816-781-8606**
**www.ponyexpressbank.com**

February 17, 2011

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

RE: Regulation II; Docket No. R-1404

Dear Ms. Johnson:

I am writing, representing the 40 officers, directors and employees of Pony Express Bank to express our unanimous opposition to the proposed Debit Card Interchange Fee and Routing rule necessitated by the Durbin Amendment. Pony Express Bank's charter is in Braymer Missouri, a farming community of 800 with our Bank being the only financial institution within 15 miles. The Bank was founded in 1890 and until 1994 was owned by the people in Braymer. In 1993 we expanded and opened a branch in Liberty Missouri, a suburb of Kansas City. The Bank's asset size is $132MM with approximately 5,000 customers.

Since I was elected president in 1993, we have been at the forefront of technology and implementation of the newest and best product offerings for our customers. Among the most innovative is our Kasasa Checking account. We are part of a network of community banks that offer the Kasasa concept nation-wide. It is a checking account paying 4.01% APY to the customer for simply using their debit card in their daily lives. We are able to offer this product profitably, largely due to the profit on the debit card interchange fees.

We are concerned about the impact the ruling will have on community banks such as ours for many reasons:

The pricing does not consider fraud costs. Current rules and regulations are consumer friendly. It is rare for one of our customers to lose money due to fraud. In the past two years alone, Pony Express Bank sustained losses of over $15,000. due to debit card fraud. Our Bank has absorbed the losses when our customer card numbers are obtained and used in a fraudulent manner. When large retailer's databases are compromised and card numbers obtained, the banks have absorbed the losses. One must also take into account that the Banks sustain not only transaction losses but staff time and resources to research the suspected fraud and replace cards.

The Federal Reserve Bank needs to also expand its view of settlement. The primary objective of the Electronic Funds Transfer Act is to protect individual consumers engaging in electronic funds transfers. Network operating rules, which provide consumer protections, require an issuer to maintain responsibility and liability for settlement until a cardholder's dispute rights have fully expired. Any costs incurred by an issuer throughout this settlement process should be considered allowable costs, including the cost of inquiries and disputes; fraud losses; fraud prevention costs; and fixed costs, including capital investments, used to support settlement.

We believe the Board should adopt alternative A in implementing the routing requirement. Alternative A limits the expense of managing unneeded relationships with additional networks and increases the number of PIN network routs available for merchants. Alternative B would require us to manage multiple PIN network relationships, creating additional costs with little benefit. Alternative B would also require multiple signature networks be deployed on one card. This is impractical as currently the signature card payment systems do not support such a choice. In addition Alternative B would require re-issuance of cards in many cases, an added expense and inconvenience for our customers.

It is our opinion that government price fixing for debit card transactions is inappropriate and will only create inefficiencies in the payment system, stifling innovation. Additionally not being able to cover the above costs, the proposed pricing does not provide funds for further improvement of the network or any return on investment. The network was begun by banks and issuers and the profit should remain with them. Why, now, should large retailers who already benefit from the network, reap profit from it as well?

Under this proposal, we have conservatively estimated we will see a 70% interchange fee reduction, which will impact significantly both our Bank and its customers. Sadly, we foresee having to dramatically reduce the benefits consumer customers currently reap from our Rewards (Kasasa) Checking product should this proposal be implemented.

Thank you for your consideration in this matter.

Sincerely,

Scott Page

Scott Page
President/CEO