



National Credit Union Administration

Office of the Chairman

February 16, 2011

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Chairman Bernanke:

I write concerning the implementation of Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which amends the Electronic Funds Transfer Act to add a new section regarding debit card interchange fees.

As you are aware, Section 1075 requires the Federal Reserve Board to issue rules to ensure that interchange transaction fees for electronic debit transactions are “reasonable and proportional” to the cost of processing such transactions. In prescribing these regulations the Federal Reserve is required to consult with the NCUA and other relevant agencies. NCUA appreciates the opportunity to participate in the interagency process.

In this capacity, I encourage you to ensure that Section 1075 is implemented with meaningful exemptions for smaller card issuers. The Act explicitly exempts card issuers with total assets under \$10 billion from any interchange fee regulation. In addition to exempting small issuers from the fee limits, I believe it is important that small issuers be exempted from requirements related to network exclusivity and routing restrictions. Such action would be consistent with the exemption from the interchange transaction fee rulemaking, which is intended to shield smaller institutions from the costs of the Act.

Seventeen percent or nearly 1,000 federally insured credit unions offering ATM/Debit card services possess total assets of less than \$10 million, and more than 3,000 (59%) possess total assets less than \$50 million. The current rule’s prohibitions against network exclusivity and merchant routing restrictions could significantly increase both fixed and variable costs for these small institutions, resulting in an inability to remain competitive with larger card issuers.

NCUA looks forward to continued cooperation on this important rulemaking. Please feel free to contact me at any time with issues pertaining to the credit union system.

Sincerely,

A handwritten signature in black ink, appearing to read 'Debbie Matz', written in a cursive style.

Debbie Matz  
Chairman

cc: Board Member Gigi Hyland  
Board Member Michael E. Fryzel