



February 9, 2011

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

Re: Debit Card Interchange Fees and Routing

Dear Ms. Johnson:

Although Independent Bank of Texas, Irving, Texas has less than \$10 billion in assets, I am very concerned with the above referenced proposal. Despite its intent, the small issuer's exemption will end up creating an unlevel playing field that will hurt community banks.

Under a two-tier system, large retailers will find ways to route transactions to minimize their cost at the expense of community banks and consumers. Over the long term, market forces will erode the proposed exemption and will lead to more consumer fees. As merchants gain the benefit of the proposed interchange rate cap, they will use all methods available to drive down exempted institution interchange fees to the same level applicable to financial institutions with more than \$10 billion in assets. For example, consumers might receive incentives from merchants and large issuers to move their accounts to larger banks. Merchants may simply refuse to accept debit cards from smaller financial institutions. Small banks will have to choose between losing accounts and transaction volume or lowering their interchange fees to unprofitable levels. Thus, smaller issuers will be forced to implement pricing strategies, such as account fees or debit card fees, at the expense of the consumers and not the merchants. Merchants are also very unlikely to pass any cost savings down to consumers. Banks will be forced to implement new fees to offset losses in revenue. Many banks have already discontinued free accounts.

Community Banks are also impacted by other recent regulatory proposals such as:

- FDIC's Overdraft Supervisory Guidance
- The Department of Justice's changes to the American's with Disabilities Act regarding ATMs.

The cumulative loss in revenue will have a significant impact on community banks.

Please extend the implementation date to the third or fourth quarter of 2012 to allow Congress to fully explore the negative implications of this legislation on community banks and consumers.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip M. Standley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Phillip M. Standley
CEO