

**Paul G. Greig**  
Chairman, President & CEO

**FirstMerit Corporation**  
III Cascade Plaza, Akron, Ohio 44308-1103  
Tel 330.849.8801  
Fax 330.384.7271  
e-mail: paul.greig@firstmerit.com



February 15, 2011

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

Re: Proposed Rule on Debit Card Interchange Fees pursuant to the Durbin Amendment

Dear Ms. Johnson:

I write as Chairman, President & CEO of FirstMerit Corporation, a \$14.1 billion diversified financial services holding company headquartered in Akron, Ohio ("FirstMerit"). FirstMerit's primary subsidiary is FirstMerit Bank, N.A. with 207 branches serving communities in the Northeastern and Central Ohio, Western Pennsylvania and Chicago, Illinois areas and employing 3200 people. FirstMerit Bank is a solid super community bank which is well-capitalized and has operated with 47 straight quarters of profitability. FirstMerit Bank has a long and proud tradition of serving the communities in which it operates and currently holds an "Outstanding" CRA rating.

The effects of the Federal Reserve's proposed pricing limits for debit interchange fee of \$.07-.12 per transaction will be severe for FirstMerit and for the entire banking industry. We estimate that fee revenue will be reduced by approximately \$18 million annually at FirstMerit. Note that FirstMerit's total net income for all of 2010 was \$102.9 million; an \$18 million reduction in fee revenue will have a substantial effect on FirstMerit's overall financial performance. The proposed Federal Reserve regulations limiting the amount of these fees will not generate revenue sufficient to pay for the cost of processing debit transactions and will not allow FirstMerit to recoup losses as a result of debit card fraud. Unfortunately, fraud in this area is a significant threat due to global operations and increasing sophistication of wrongdoers. Fraud losses with respect to debit cards are borne by banks issuing the cards, not the retailers accepting the cards.

While the interchange fee restrictions proposed will negatively impact financial institutions, likewise consumers will be negatively impacted. In fact, it will cost consumers more. In the end the fee caps will mean retailers earn more from debit card transactions with no benefit to consumers. Banks will likely revert to maintenance fees and other fees to ensure the viability of their institutions and consumers will pay more out of their pockets for banking services. The effects of the Durbin Amendment restrictions, simply put, will be a windfall to retailers and vendors such as Walmart, BP and Home Depot and will be detrimental to consumers.

While FirstMerit has weathered the economic storms of the past few years with exceptional success, we believe the impact from the proposed price controls could put our success in jeopardy, weakening our capital levels and profitability. Due to significantly reduced fees, capital levels will suffer and FirstMerit will have fewer resources to make loans in our community, including those to consumers and small businesses. Lower profits will also mean a threat to shareholder return; many of our individual shareholders are retirees who rely on the success of our institution. These negative economic consequences may also mean severe expense reductions, including elimination of jobs. Finally, FirstMerit will be forced to explore other avenues to attempt to recoup debit interchange costs in the form of account maintenance fees and other charges. Unfortunately this will have an especially burdensome effect on those who can least afford to pay such fees.

While FirstMerit has been a top performing bank in the past few years, the effect on our peers who are less strong will be even more impactful. As much as banks are not popular of late due to the actions of a select few conglomerate financial institutions, it is crucial to the fundamentals and continuing recovery of our nation's economy that our banks remain strong.

I appreciate your consideration and I would be glad to discuss this matter with you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul Greig". The signature is fluid and cursive, with a large initial "P" and "G".

Paul G. Greig  
Chairman, President & CEO