



Making good things *happen*.

February 7, 2011

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

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

Dear Ms. Johnson:

I am the president of a \$100-million community bank located in northwest Missouri.

The purpose of my letter today is to inform you that I recently received a memo from my debit card service provider that spelled out the financial impact that my bank will experience once the Federal Reserve Board's proposed rules governing the Durbin Amendment from the Dodd-Frank Wall Street Reform and Consumer Protection Act are implemented on July 21, 2011. Much to my disgust, I learned that my bank is projected to experience a decrease in interchange income on an annual basis in the range of \$70,000 to \$80,000. A loss in income of such magnitude will undoubtedly place a strain on our bank as it tries to continue to support the financial needs of its own labor force (32 employees) and the community for which it serves. For this reason, I felt compelled to write to you.

Now, I know that the proposed rules published by the Federal Reserve Board on December 16, 2010 outline various alternatives for regulating debit point-of-sale (POS) interchange. The interchange portion of the rules even go so far as to indicate that small debit card issuers (less than \$10 billion in assets) are exempt from having to comply with such rules. However, I believe such an exemption may only lead to a false sense of security for small debit card issuers. In reality, I believe the rules that govern the Durbin Amendment's stance on network exclusivity and merchant routing alternatives will dissolve the exemption awarded to small debit card issuers over time. As you are very

Chillicothe State Bank

well aware, the network exclusivity and merchant routing alternatives apply to all banks both large and small. Once the rules for network exclusivity and merchant routing alternatives are officially implemented, it is believed that the additional routing choices allotted to merchants will eventually over time drive down interchange rates towards the proposed government-mandated interchange cap of \$0.12 per transaction. An interchange cap that small debit card issuers were supposed to be exempt from in the first place. Does this seem fair? I think not.

Going forward, I ask that the Federal Reserve Board reconsider their published rules implementing the Durbin Amendment. The Amendment appears to be flawed and not fair to all those it was created to govern and should be repealed. If the Amendment is too far gone and cannot be repealed, then I strongly encourage that the Federal Reserve Board rewrite its proposed rules so that the costs incurred by all debit card issuers, both large and small, be considered on equal footing with the economic value gained by all merchants.

Sincerely,

A handwritten signature in black ink that reads "Mark D. Simmer". The signature is written in a cursive, slightly slanted style.

Mark D. Simmer
President