



February 22, 2011

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

Dear Ms. Johnson:

Community First Credit Union of Florida is a \$1.1 billion asset community credit union located in Jacksonville, Florida that serves over 100,000 members in our community. As the President and CEO of Community First, I am very concerned about the Federal Reserve Board's recent proposal to regulate debit interchange income and the routing of transactions under the Dodd-Frank Act.

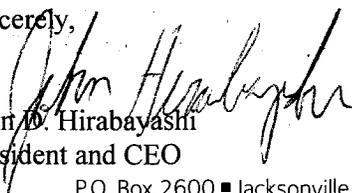
While the law provides that financial institutions under \$10 billion in assets shall be "exempted" from the Federal Reserve capped debit rate, I believe that a two tier system will be difficult to implement, resulting in credit unions being subjected to the \$.12 per transaction interchange rate described in the Federal Reserve proposal. Market forces in conjunction with a lack of an enforcement mechanism to uphold a two tier structure will result in merchants seeking the lowest possible interchange rates to the detriment of credit unions. We would like to see the proposal amended to provide a more robust mechanism for ensuring that financial institutions under \$10 billion in assets will continue to receive the full amount of interchange that they receive today.

I would also like to point out that the Federal Reserve's proposed debit interchange rate of \$.12 per transaction falls significantly short of capturing the true costs of supporting a debit card program. We have conducted an extensive analysis of the various costs of administering our debit card program. Costs included in our study include transaction costs paid to third party processors, customer service costs, costs incurred to issue and insure debit cards and costs of fraud detection and mitigation, to name a few. Our cost analysis reveals that our average cost per transaction is \$.20, an amount significantly higher than the proposed cap. Community First stands to lose \$2.9 million a year if the proposed legislation were enacted. This amounts to \$60 per active checking account. We would have no alternative but to pass on these additional costs to consumers in the form of higher fees, lower savings rates and higher rates on loans.

I would appreciate your considering amending the proposed debit interchange rule to include provisions that will ensure the two tier pricing structure is in fact realized. In addition, we believe that additional work is needed to identify the true costs of providing debit card services. The proposed cap of \$.12 per transaction will result in additional fees to consumers. The harm to consumers and credit unions is too great for the proposed rule to move forward without further study and input from the financial services industry.

Thank you for considering my response. If you have questions or need additional information, please contact me at 904-371-7902.

Sincerely,



John D. Hirabayashi  
President and CEO

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