

Erin L. Monhollen

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

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

February 14, 2011

Board of Governors of the Federal Reserve System,

As both a consumer and community based-bank employee, I am very concerned about the economic consequences of this new rule. The very group this rule is intended to protect will be the group that harbors the cost. As you are all aware, many banks are able to provide free services to their customers such as free checking and online banking from the revenue generated by interchange fees. If these fees are eliminated, the programs they fund also face eliminations and the consumer is forced to pay.

The only beneficiaries of this harmful rule are retailers, who will take home an additional \$15 billion in profits-and consumers will be left to deal with the consequences. There is no evidence that retailers will pass the savings along to the consumer. Meanwhile, banks, forced to lose money on debit interchange transactions, will be forced to compensate by increasing fees for their deposit customers. As a consumer on a restricted budget, I do not think it is right that I be charged for a debit card, especially since it has always been a free service offered by my bank. The fact is that retailers receive tremendous benefits when they accept debit cards for payment, including higher sales, lower costs, and guaranteed payment. That is why millions of retailers have chosen to accept debit cards-and that number is growing.

This proposed rule is a government imposed price control and will affect my banks ability to fund operational costs for programs such as free checking and online banking. This action is a direct attack on consumer use, since the debit card has become a fundamental part of buying products and services. Banks will lose significant income, virtually making the debit card program unprofitable. This will result in elimination of debit cards by some banks, a charge directly to the consumer per transaction, or a monthly fee, or at most both.

It is critical that we look at the affects this will have on consumers and community based banks. Low and moderate income customers will find it more difficult to maintain a bank account and will have to turn to more expensive, less convenient, non-traditional banking services, thus threatening the very existence of our community banks.

I appreciate the opportunity to comment on the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing" rule and ask that you please consider my thoughts.

Sincerely,

  
Erin Monhollen