



February 7, 2011

The Honorable Ben Bernanke,
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
RE: Proposed Rule on Debit Interchange Fees and Routing

Dear Chairman Bernanke:

On behalf of our organization, I appreciate the opportunity to comment on this Federal Reserve proposal. The VACB represents the small, locally owned and operated community banks across the Commonwealth, and we are urging the Federal Reserve to reconsider and revise the proposed rule.

Community bankers in Virginia have multiple concerns with the plan as proposed. First and foremost, we object to the manner in which the cost calculations were derived. In this proposal, there is no allowance for actual fraud, for overdraft losses, for customer servicing, or for card production costs. Only authorizing, clearing and settling costs were considered, and those three elements represent a mere 17% of total cost per debit card transaction – according to the Federal Reserve's own data. It is estimated that this plan will cause banks to lose 70% - 80% of debit interchange revenue; thus, many small community banks may no longer be able to afford to offer this free service to their customers.

The two tiered system will not benefit small institutions at all. Community bankers realize that big-box retailers will route transactions to the lowest cost provider, and the low-cost provider cannot be a community bank, based on volume. This outcome is particularly worrisome, since it discriminates against community banks and their customers. Debit cards are part of a broader checking account relationship; if interchange revenue is significantly decreased, banks will have to increase their charges for other checking account components, such as monthly statements and 24/7 customer service.

When incoming revenue is less than the cost of producing a product, that model is not a sustainable model. We respectfully request that the Federal Reserve revise its fee standard to reflect a broader set of costs incurred by the issuer. We also believe that a change of this magnitude should not be implemented without careful study and analysis.

Sincerely,

A handwritten signature in cursive script that reads "Patricia G Satterfield".

Patricia G Satterfield
President & CEO