

March 2, 2011

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

Re: Delay the Final Debit Interchange Rule (Re: Docket No. R-1404 and RIN No. 7100 AD63)

Dear Jennifer Johnson:

I am writing on behalf of the State Bank of Toulon to express our grave concerns about the debit card provisions of the Dodd-Frank Act (Section 1075), which have resulted in the Federal Reserve Board (FRB) fixing prices for debit cards to no one's benefit. This legislation is fundamentally bad policy and requires thorough review and amendment before implementation.

We believe the debit provisions are inconsistent with basic American free-enterprise principles and will have severe unintended consequences that may harm consumers, threaten data security, and stifle payments innovation.

Our organization serves over 2,500 consumers and employs over 40 people in Illinois. I believe the debit provisions will harm my business tremendously and in turn, affect the services I am able to offer my customers.

The FRB has proposed artificially low caps on debit interchange that do not reflect the true costs of running a secure, reliable, and efficient debit network. This will force financial institutions to raise consumer fees or reduce debit services. The proposed rule also does not guarantee protection of the small issuer.

The availability of merchant routing choices may force interchange toward the proposed government-mandated cap for all issuers. While the regulation does "exempt" small issuers from the interchange portion of the regulation, the power of the exemption may be muted due to the exclusivity and routing provisions. As a result, community financial institutions may realize detrimental financial consequences due to these market pressures and merchant routing decisions.

All costs to issuers and economic value to the merchants were not considered within the proposed rule. Community financial institution margins will be disproportionately penalized in comparison to larger institutions due to their low-cost structures and economies of scale.

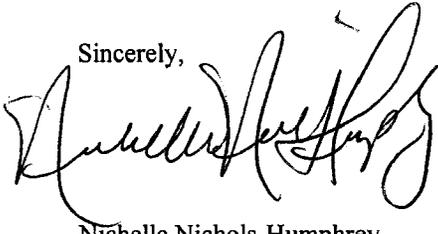
Under the proposal, consumer costs are likely to increase both at retail checkout and for services such as checking accounts.

The debit provisions adopted by the 111th Congress were never subject to public debate, hearings, or independent review. We hope the 112th Congress will not be as rash in its approach. Changes of the magnitude required, such as

government-supported price fixing and payments market structure changes, should not be imposed without serious debate, analysis, and study.

Because of the many issues related to consumer harm and basic fairness, we urge you to repeal the Act or at a minimum adopt additional legislation to protect and guarantee the intent of the small issuer exemption. This would help ensure the continued viability of community financial institutions.

Sincerely,

A handwritten signature in black ink, appearing to read "Nichelle Nichols-Humphrey". The signature is fluid and cursive, with a large initial "N" and "H".

Nichelle Nichols-Humphrey  
Marketing Director  
State Bank of Toulon