

From: Farmers & Merchants State Bank, William T. Hogan
Subject: Reg I I - Debit card Interchange

Comments:

Date: Mar 24, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
Name: William T Hogan
Affiliation: Farmers & Merchants State Bank
Category of Affiliation: Commercial
Address:
City:
State:
Country:
Zip:
PostalCode:

Comments:

Fixing the interchange fees for debit cards by the government is an example of price fixing that simply will not work. It will be damaging to small community banks like Farmers & Merchants State Bank in Waterloo due to the cost of processing debit cards is far below the maximum fee allowed. The fixing of the interchange fee at \$.12 will help the large retailers and hurt the small bank along with the two tier system is wrong. The assessment should be the cost of processing and not a figure that is determined by a simple estimate that is not tied to a study of the actual costs. If the Federal Reserve insists on proceeding with issuance of a final rule please establish the standards of assessing that is required by the statute rather than pricing caps. The participating banks should be allowed to charge a fee to cover their costs plus a reasonable amount of profit. We have been told by our regulators many times that we must earn a profit to remain in business providing additions to capital and reserve for loan losses. I ask that you reconsider the plan to fix the interchange fee on debit cards at \$.12 and allow our bank to cover the cost plus a profit so we may continue in business. If your dead set on pricing fixing start with the price of beer at a Ballpark and leave Debit Card Interchange alone. Humor aside it drives home my point the government needs to be out of the price fixing business!