

U. S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515  
December 15, 2010

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
Washington, DC 20551

Dear Chairman Bernanke:

Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Federal Reserve to issue regulations limiting interchange fees banks charge merchants and imposing requirements on the routing of debit transactions. I am concerned that the implementing regulations for this section, if not properly crafted, may have unintended consequences for consumer choice, the protection of consumer information, and Congress' intent to reduce burdens on community banks, credit unions, and government benefit programs.

The implementing regulations must limit interchange fees on debit cards to those that are "reasonable and proportional" to banks costs for processing the transactions. Community banks, credit unions, government-administered payment programs and prepaid cards are expressly exempt from these limits. As the Federal Reserve adopts regulations, I urge you to carefully take into account and fully consider the data provided to you in response to your September 13, 2010 surveys, and other concerns raised by these institutions.

I also urge you to exercise care in implementing section 1075(b), which is intended to promote greater choice in the routing of debit card transactions. The regulations should ensure that any entity offering debit transaction routing services maintains strong consumer protections, including privacy, data security and fraud protections. The regulations should also ensure that Section 1075(b)'s limitations on network restrictions do not unduly increase costs for community banks, credit unions, and government card programs, or for the clients they serve.

  
BARNEY FRANK  
Chairman