

July 28, 2015

The Honorable John A. Boehner, Speaker
The Honorable Nancy Pelosi, Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

On behalf of a unified banking industry, including banks of all sizes, we write to urge the House of Representatives to reject the Senate's proposed offset of reducing Federal Reserve dividends for surface transportation funding.

As the undersigned associations said in a letter to the Chairman and Ranking Member of the Senate Environment & Public Works Committee, this proposal would rewrite a significant portion of the Federal Reserve's charter to temporarily pay for highway spending. This change in the Federal Reserve system would occur without any significant analysis from Congress' Committees of jurisdiction, the Federal Reserve, other regulators or the American public.

Member banks of the Federal Reserve are required by law to purchase stock in regional Federal Reserve Banks. This stock may not be sold, transferred or even used as collateral, unlike virtually every other asset a bank holds. These funds represent "dead capital" for the financial institution. The dividend that the Senate is considering reducing reflects the unique structure and constraints of this arrangement that is required by law, as this is money that otherwise would be used by banks for lending, and to provide other services to customers.

The economic implications of taxing banks in this fashion are severe. We are told that this provision would result in \$17 billion in new revenue. That is \$17 billion that would no longer be available to the economy for loans and other investments. There would be a significant impact on economic growth beyond its \$17 billion value.

This proposal would also be a damaging blow to the Federal Reserve's independence. If an important part of the Fed's charter can be overturned in this fashion, we fear there could be similar efforts to realize new revenues from the Federal Reserve in the future. In short, while we disagree with this proposal on its own, it also would set a terrible precedent.

Reauthorizing the highway trust fund is an important objective, leading to important investments in our national infrastructure. But we believe paying for it in this fashion lacks fairness, is not the result of a thoughtful process, and would reduce economic growth.

Sincerely,

American Bankers Association
Financial Services Forum
Financial Services Roundtable
Independent Community Bankers of America
The Clearing House Association

cc: Members of the Committee on Financial Services