October 8, 2015

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Harry Reid
Senate Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leaders McConnell and Reid, Speaker Boehner and Leader Pelosi:

The undersigned state community bank trade associations write you today to impart our staunch opposition to using a reduction in the Federal Reserve stock dividend rate as a spending offset for the highway transportation bill or any other legislation. This dividend reduction amounts to a backdoor tax increase that would disproportionately impact community banks and their customers. The prospect of converting the Federal Reserve's balance sheet into a menu of spending offsets is enormously troubling.

Regrettably, we will be forced to oppose any transportation bill that includes it as a spending offset.

All Federal Reserve member banks and all nationally chartered banks are required to purchase Federal Reserve stock. This stock is effectively "dead capital" because it may not be sold, transferred, or used as collateral. The dividend offsets the cost of setting aside capital that could otherwise be used for lending and other services.

Reducing the dividend has not been studied or debated before the Congress and could result in significant unintended consequences to the Federal Reserve system, member financial institutions and the individuals and businesses they try to serve. A reduction in the stock dividend rate to pay for unrelated spending items sets a terrible precedent.

While community bankers are looking to Congress to enact meaningful regulatory relief they are met with controversial, unrelated offsets that further hinder their abilities to serve their customers.

We urge you to oppose any reduction in the dividend paid on Federal Reserve stock as an offset in the highway transportation bill.

Thank you for your consideration.

Sincerely,

Alabama Bankers Association, Inc.
Arizona Bankers Association

Arkansas Community Bankers Association
California Community Bankers Network
Independent Bankers of Colorado
Connecticut Community Bankers Association
Florida Bankers Association
Community Bankers Association of Georgia
Community Bankers of Iowa
Community Bankers Association of Illinois
Indiana Bankers Association
Community Bankers Association of Kansas
Bluegrass Community Bankers Association
Louisiana Bankers Association
Massachusetts Bankers Association
Independent Community Bankers Association of Maine
Maine Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Independent Community Bankers of Minnesota
Missouri Independent Bankers Association
Montana Independent Bankers
Independent Community Banks of North Dakota
Nebraska Independent Community Bankers
New Hampshire Bankers Association
Community Bankers Association of New Jersey
Northern New Jersey Community Bankers
Independent Community Bankers Association of New Mexico
Independent Bankers Association of New York State
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Oregon Bankers Association
Pennsylvania Association of Community Bankers
Independent Banks of South Carolina
Independent Community Bankers of South Dakota
Tennessee Bankers Association
Independent Bankers Association of Texas
Virginia Association of Community Banks
Vermont Bankers Association
Community Bankers of Washington
Wisconsin Bankers Association
Community Bankers of West Virginia
Wyoming Bankers Association

CC: Members of the United States House of Representatives