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*President and CEO*

July 24, 2015

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

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

The Honorable Kevin McCarthy  
Majority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Steny H. Hoyer  
Minority Whip  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Speaker Boehner, Democratic Leader Pelosi, Majority Leader McCarthy, and Minority Whip Hoyer:

On behalf of the more than 6,000 community banks represented by ICBA, I write to urge you to reject any Senate-passed Highway bill containing an offset that would reduce the dividend paid on stock that banks are required to hold as members of the Federal Reserve System. A vital and long-standing structural element of the Federal Reserve System should not be undermined to create partial funding for the Highway Trust Fund.

As a condition of membership, all nationally chartered banks as well as state chartered Federal Reserve member banks are required to purchase stock in their Federal Reserve district bank. This forced stock purchase cannot increase in value or be traded or pledged as collateral. As recompense, the Federal Reserve pays dividends to its stockholders, and these dividends are an important source of income to Federal Reserve member banks. Without the dividend, Federal Reserve stock would effectively be dead capital. Squeezed by narrow interest margins and few sources of non-interest income due to new regulatory constraints and competition from nonbanks, member banks depend on this income as a material part of their non-interest revenue. Loss of this revenue will necessarily mean a reduction in bank operations, lending, and service to customers.

This revenue raiser was included in the Senate Highway bill without hearings, study, or other due consideration. It is sure to have a negative impact on the ongoing stability of the payments system and normal credit functions. At a minimum, less credit will be available to consumers

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and businesses. Ultimately, consumers will incur higher costs. In a July 16 Senate Banking Committee hearing, Federal Reserve Chair Janet Yellen expressed her strong reservations regarding the proposal, noting that a dividend reduction could have unintended consequences.

For these reasons, I strongly urge you to oppose this proposal.

Sincerely,

/s/

Camden R. Fine  
President & CEO

CC: Members of the United States Senate  
Members of the House Financial Services Committee  
Members of the House Ways and Means Committee

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