October 20, 2015

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Majority Leader
U.S. House of Representatives
H-107, The Capitol
Washington, D.C. 20515

The Honorable Steny Hoyer
Minority Whip
U.S. House of Representatives
H-148, The Capitol
Washington, D.C. 20515

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

We write to raise concerns regarding legislative proposals that would reduce dividend payments on required Federal Reserve stock until there is greater examination of the issue and an understanding of the implications that such a statutory change might have on the banking system.

Existing law requires that all Fed member banks must purchase stock issued by their Federal Reserve Bank as a condition of their membership in the Federal Reserve System. In return, they receive a six percent dividend on the stock. It is important to note this stock does not carry with it the typical features of common stock. For example, member banks cannot sell Federal Reserve Bank stock or pledge it as collateral. After paying its operating expenses and dividends owed to member banks, each Federal Reserve Bank funds a capital surplus account. Any remaining earnings are transferred to the Department of the Treasury.

We believe that any potential modifications to the current stockownership structure of the Federal Reserve Banks should be thoroughly studied and analyzed to help ensure that Congress understands the policy implications of any changes. In fact, when testifying before the Senate Banking Committee in July, Federal Reserve Chair Yellen stated that the change “could conceivably have unintended consequences” and that “it deserves some serious thought and analysis.” Consistent with that, the Chairman of the Financial Services Committee has written to the Government Accountability Office (GAO) to request a study of the policy, the historic rationale for requiring member banks to hold Federal Reserve Bank stock, the federal budgetary implications of reducing the six percent dividend rate, and broader questions such as whether member bank ownership of Federal Reserve Bank stock should be voluntary rather than mandatory and whether the stock itself should be permanently retired.

PRINTED ON RECYCLED PAPER
Until GAO completes its work and the congressional committees of jurisdiction have an opportunity to review the significant public policy questions at issue, we believe that changes to the Federal Reserve dividend rate are premature.

Sincerely,

Bill Huizenga
Member of Congress

Bill Foster
Member of Congress

Andy Barr
Member of Congress

Luke Messer
Member of Congress

Frank D. Lucas
Member of Congress

J. French Hill
Member of Congress

Brendan F. Boyle
Member of Congress

Marlin A. Stutzman
Member of Congress

Gwen Moore
Member of Congress

Edward R. Royce
Member of Congress

Mia B. Love
Member of Congress

Tom Emmer
Member of Congress
Charles W. Boustany, Jr., MD
Member of Congress

Bill Flores
Member of Congress

Terri A. Sewell
Member of Congress

Carlos Curbelo
Member of Congress

Daniel M. Donovan, Jr.
Member of Congress

Robert J. Wittman
Member of Congress

Tim Walberg
Member of Congress

Rob Bishop
Member of Congress

Sean Patrick Maloney
Member of Congress

Patrick Murphy
Member of Congress

Scott R. Tipton
Member of Congress

Gerald E. Connolly
Member of Congress

Mark Walker
Member of Congress

Trent Kelly
Member of Congress
Jim Cooper  
Member of Congress

Pete Sessions  
Member of Congress

Steve Stivers  
Member of Congress

Rubén Hinojosa  
Member of Congress

Brad Ashford  
Member of Congress

Carolyn B. Maloney  
Member of Congress

Bennie G. Thompson  
Member of Congress

Mike Rogers  
Member of Congress

Sean P. Duffy  
Member of Congress

Kevin Cramer  
Member of Congress

Scott DesJarlais  
Member of Congress

Rob Woodall  
Member of Congress

Mike Quigley  
Member of Congress

Dennis A. Ross  
Member of Congress
Rick W. Allen  
Member of Congress

Robert B. Aderholt  
Member of Congress

Kevin Yoder  
Member of Congress

John C. Carney, Jr.  
Member of Congress

Keith J. Rothfus  
Member of Congress

Stephen Fincher  
Member of Congress

Peter T. King  
Member of Congress

Blaine Luetkemeyer  
Member of Congress

Steven M. Palazzo  
Member of Congress

Joyce Beatty  
Member of Congress

David W. Jolly  
Member of Congress

Ed Perlmutter  
Member of Congress

Richard Hudson  
Member of Congress

Reid J. Ribble  
Member of Congress
Dave Brat
Member of Congress

Lamar Smith
Member of Congress

Larry Bucshon, MD
Member of Congress

F. James Sensenbrenner, Jr.
Member of Congress

Mike Pompeo
Member of Congress

Mike Bishop
Member of Congress

Robert J. Dold
Member of Congress

Bruce Poliquin
Member of Congress

Marc A. Veasey
Member of Congress

Paul A. Gosar, DDS
Member of Congress

Derek Kilmer
Member of Congress

Michael E. Capuano
Member of Congress

Danny K. Davis
Member of Congress

Jody B. Hice
Member of Congress
Stevan Pearce  
Member of Congress

Susan W. Brooks  
Member of Congress

Gwen Graham  
Member of Congress

Tom Cole  
Member of Congress

Theodore E. Deutch  
Member of Congress

Ryan Zinke  
Member of Congress

John R. Moolenaar  
Member of Congress

Robin L. Kelly  
Member of Congress

Kathleen M. Rice  
Member of Congress

Richard M. Nolan  
Member of Congress

Ann M. Kuster  
Member of Congress

Ted Poe  
Member of Congress

Robert Hurt  
Member of Congress

John B. Larson  
Member of Congress
Jim Bridenstine
Member of Congress

Rodney Davis
Member of Congress

Tim Huelskamp
Member of Congress

Chris Collins
Member of Congress

Elizabeth H. Esty
Member of Congress

James P. McGovern
Member of Congress

Cedric L. Richmond
Member of Congress

David G. Valadao
Member of Congress

Markwayne Mullin
Member of Congress

Ralph Lee Abraham, MD
Member of Congress

Jaime Herrera Beutler
Member of Congress

Will Hurd
Member of Congress

Gus Bilirakis
Member of Congress

Stephen F. Lynch
Member of Congress
Glenn Grothman  
Member of Congress

Ted S. Yoho  
Member of Congress

John Fleming, MD  
Member of Congress

Denny Heck  
Member of Congress

Mike Thompson  
Member of Congress

Marsha Blackburn  
Member of Congress

Jeff Miller  
Member of Congress

Mario Diaz-Balart  
Member of Congress

Joe Wilson  
Member of Congress

Jackie Walorski  
Member of Congress

Daniel T. Kildee  
Member of Congress

Erik Paulsen  
Member of Congress

Kurt Schrader  
Member of Congress

John Ratcliffe  
Member of Congress
Vicky Hartzler
Member of Congress

Joseph R. Pitts
Member of Congress

Kathy Castor
Member of Congress

Joseph P. Kennedy, III
Member of Congress

Sanford D. Bishop, Jr.
Member of Congress

Frederica S. Wilson
Member of Congress

Seth Moulton
Member of Congress

Michael K. Simpson
Member of Congress

Scott Garrett
Member of Congress

Todd C. Young
Member of Congress

Michael G. Fitzpatrick
Member of Congress

William Lacy Clay
Member of Congress