November 12, 2015

Representative Bill Shuster  Representative Cresent Hardy
Representative John Duncan, Jr  Representative Garret Graves
Representative Sam Graves  Representative Peter DeFazio
Representative Candice Miller  Representative Eleanor Holmes Norton
Representative Rick Crawford  Representative Jerrold Nadler
Representative Lou Barletta  Representative Corrine Brown
Representative Blake Farenthold  Representative Eddie Bernice Johnson
Representative Bob Gibbs  Representative Elijah Cummings
Representative Jeff Denham  Representative Rick Larsen
Representative Reid Ribble  Representative Michael Capuano
Representative Scott Perry  Representative Grace Napolitano
Representative Rob Woodall  Representative Daniel Lipinski
Representative John Katko  Representative Steve Cohen
Representative Brian Babin  Representative Albio Sires

Senator James Inhofe  Senator Barbara Boxer
Senator John Thune  Senator Sherrod Brown
Senator Orrin Hatch  Senator Bill Nelson
Senator Lisa Murkowski  Senator Ron Wyden
Senator Deb Fischer  Senator Richard Durbin
Senator John Barrasso  Senator Charles Schumer

Dear Conferee:

The undersigned organizations urge Senate and House conferees on H.R. 22, the DRIVE Act, to agree to the House position with respect to the use of the Federal Reserve’s “surplus” account as an offset for funding contained in the transportation reauthorization bill. This provision was adopted by the House – as a floor amendment offered by Representatives Randy Neugebauer and Bill Huizenga – in an overwhelming and bipartisan 354 to 72 vote.

The Neugebauer-Huizenga amendment removed from H.R. 22 a harmful proposal to reduce the dividend paid on Federal Reserve stock that would have significant negative consequences on banks of all sizes across the country. 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 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 Senate’s version of the highway bill would arbitrarily reduce the dividend payment.

The Neugebauer-Huizenga amendment also removed from H.R. 22 an extension of higher Fannie Mae and Freddie Mac guarantee fees. The purpose of these fees is to prospectively guard against credit losses at Fannie Mae and Freddie Mac. G-fees should only be used to protect taxpayers from mortgage losses, not to fund unrelated spending. Each time g-fees are extended, increased and diverted for unrelated spending, homeowners are charged more for their mortgages and taxpayers are exposed to additional risk for the long-term. The g-fee increase was originally included in the Senate highway bill as a funding offset, but the Congressional Budget Office has scored the House bill as being budget neutral without this
provision. It should be removed to ensure that potential homebuyers are not kept on the sidelines by raising the cost to purchase or refinance a home.

To ensure it is fully offset, the Neugebauer-Huizenga amendment uses the Federal Reserve’s surplus account of accumulated retained earnings after paying operating expenses and dividends. As a result of recent changes in the way the Federal Reserve operates, these retained earnings are no longer necessary.

We urge the conferees to accept the House position, and draw funds from the Federal Reserve’s surplus – rather than the stock dividend and g-fees – to pay for the extension of the Highway Trust Fund.

America's Homeowner Alliance
American Escrow Association
American Bankers Association
American Land Title Association
The Clearing House
Community Home Lenders Association
Community Mortgage Lenders of America
Consumer Bankers Association
Consumer Mortgage Coalition
Credit Union National Association
The Financial Services Forum
Financial Services Roundtable
Habitat for Humanity International
Homeownership Preservation Foundation
Independent Community Bankers of America
Leading Builders of America
Mid-size Bank Coalition of America
Mortgage Bankers Association