



Credit Union National Association

cuna.org

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October 4, 2013

The Honorable Robert Pittenger
U.S. House of Representatives
224 Cannon House Office Building
Washington, D.C. 20515

The Honorable Carolyn Maloney
U.S. House of Representatives
2308 Rayburn House Office Building
Washington, D.C. 20515

Dear Representatives Pittenger and Maloney:

On behalf of the Credit Union National Association (CUNA), I am writing regarding H.R. 3240, the "Regulation D Study Act." CUNA is the largest credit union advocacy organization in the United States, representing America's state and federally chartered credit unions and their 98 million members. We are pleased to support this legislation.

Your legislation directs the Government Accountability Office to study the impact of the Federal Reserve Board's monetary reserve requirements, implemented through Regulation D, on depository institutions, consumers and monetary policy. Credit unions became subject to monetary reserves in 1980. Regulation D impacts credit union members by limiting by regulation (rather than as a business decision of the credit union) the number of withdrawals from a member's savings account to six transactions per month. In 2009, the Fed made a small change that eliminated the distinction previously drawn in Regulation D between transfers made by check or debit card, and other convenient transfers like preauthorized or automatic transfers.

This bill is timely. According to Federal Reserve Chairman Ben Bernanke, "...reserve balances far exceed the level of reserve requirements and the level of reserve requirements thus plays only a minor role in the daily implementation of monetary policy.¹" The legislation directs the GAO to examine and report within one year of enactment on the following topics: 1) an historic overview of how the Fed has used reserve requirements to conduct monetary policy; 2) the impact of the maintenance of reserves on depository institutions, including the operations requirements and associated costs; 3) the impact on consumers in managing their accounts, including the costs and benefits of the reserving system; 4) alternatives to required reserves the Fed may have to effect monetary policy. The bill also directs the GAO to consult with credit unions and community banks. A GAO study will allow an objective assessment of whether the rarely changed monetary reserves imposed on depository institutions and consumers are necessary in order for the Fed to implement monetary policy in the 21st century.

¹ Letter from Federal Reserve Chairman Ben Bernanke to Congressman Robert Pittenger, 20 September 2013.



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On behalf of America's 7,000 credit unions and their 98 million members, thank you again for introducing this bill. We look forward to working with you and members of the Financial Services Committee to enact this important and informative study.

Best regard

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping horizontal stroke extending to the right.

Bill Cheney
President & CEO