

Proposal: 1702 (AF76) Reg D - Reserve Requirements of Depository Institutions

Description:

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Subject: Regulation D: Reserve Requirements of Depository Institutions

Comments:

NONCONFIDENTIAL // EXTERNAL

April 1, 2020

The Honorable Jerome H. Powell, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW Washington, DC 20551

Dear Chairman Powell,

I'm writing on behalf the member-owned cooperative credit unions of Vermont, but I suspect the issue could be similar for many community-based financial institutions in Vermont and throughout the country.

The Regulation D limit of six transfers per month from a non-transaction account to a transaction account before creating an additional reserving scenario poses a challenge for credit unions trying to meet the needs of those in their communities, especially those most in need of financial assistance. With so many home-bound consumers managing their everyday finances and purchases remotely in the current environment, and with increasingly challenging financial situations for many households, more consumers are forced, or soon will be, to access whatever savings they may have in non-transaction accounts. Enabling unlimited transfers from savings to transaction accounts will be important for many households to continue meeting their financial obligations. Elimination of the six transfer Regulation D reserving threshold would be one less limitation with which credit unions and their consumer-owners should have to be concerned in this challenging time.

As I understand, Federal Reserve staff has suggested that financial institutions can simply re-classify non-transaction deposit accounts as transaction accounts in order to eliminate the need to monitor automated between savings and transaction accounts. From a practical and timely perspective, however, credit unions would have to carefully review account agreements and provide Regulation CC disclosures to owners of the newly re-classified savings accounts. Although possible, most Vermont credit unions are operating with reduced or limited staff in less than optimal circumstances, including declining financial resources as they increasingly waive fees of many types, defer loan payments and much more in the interest of helping consumers survive financial hardship. The time and preparation needed for credit unions to re-classify savings accounts as transaction accounts is not a viable undertaking for most community financial institutions at the present time.

Although the Federal Reserve has commendably taken measures to help financial institutions aid consumers and small business in other ways during this pandemic, in the interest of doing all we can to assist consumer households we urge the Federal Reserve to consider eliminating the Regulation D six transfer limit as soon as possible.

Joe

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