

House Study Bill 568 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON COWNIE)

A BILL FOR

1 An Act relating to federal home loan bank rights regarding
2 collateral pledged by insurer-members.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 507C.2, Code 2014, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 10A. "*Federal home loan bank*" means a
4 federal home loan bank established under the federal Home Loan
5 Bank Act, 12 U.S.C. §1421 et seq.

6 NEW SUBSECTION. 16A. "*Insurer-member*" means an insurer who
7 is a member of a federal home loan bank.

8 Sec. 2. Section 507C.5, Code 2014, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 3. *a.* Notwithstanding any other provision
11 to the contrary, a federal home loan bank shall not be stayed
12 or prohibited from exercising its rights regarding collateral
13 pledged by an insurer-member.

14 *b.* If a federal home loan bank exercises its rights
15 regarding collateral pledged by an insurer-member who is
16 subject to a delinquency proceeding, the federal home loan
17 bank shall repurchase any outstanding capital stock that is in
18 excess of that amount of federal home loan bank stock that the
19 insurer-member is required to hold as a minimum investment, to
20 the extent the federal home loan bank in good faith determines
21 the repurchase to be permissible under applicable laws,
22 regulations, regulatory obligations, and the federal home loan
23 bank's capital plan, and consistent with the federal home loan
24 bank's current capital stock practices applicable to its entire
25 membership.

26 *c.* Following the appointment of a receiver for an
27 insurer-member, the federal home loan bank shall, within ten
28 business days after a request from the receiver, provide a
29 process and establish a timeline for all of the following:

30 (1) The release of collateral that exceeds the amount
31 required to support secured obligations remaining after
32 any repayment of loans as determined in accordance with the
33 applicable agreements between the federal home loan bank and
34 the insurer-member.

35 (2) The release of any of the insurer-member's collateral

1 remaining in the federal home loan bank's possession following
2 repayment of all outstanding secured obligations of the
3 insurer-member in full.

4 (3) The payment of fees owed by the insurer-member and the
5 operation of deposits and other accounts of the insurer-member
6 with the federal home loan bank.

7 (4) The possible redemption or repurchase of federal
8 home loan bank stock or excess stock of any class that an
9 insurer-member is required to own.

10 d. Upon request from a receiver, the federal home loan
11 bank shall provide any available options for an insurer-member
12 subject to a delinquency proceeding to renew or restructure
13 a loan to defer associated prepayment fees, subject to
14 market conditions, the terms of any loans outstanding to the
15 insurer-member, the applicable policies of the federal home
16 loan bank, and the federal home loan bank's compliance with
17 federal laws and regulations.

18 Sec. 3. Section 507C.28A, Code 2014, is amended by adding
19 the following new subsection:

20 NEW SUBSECTION. 10. Notwithstanding any other provision
21 of this chapter to the contrary, the receiver for an
22 insurer-member shall not void any transfer of, or any
23 obligation to transfer, money or any other property arising
24 under or in connection with any federal home loan bank
25 security agreement, or any pledge, security, collateral,
26 or guarantee agreement, or any other similar arrangement
27 or credit enhancement relating to a federal home loan bank
28 security agreement made in the ordinary course of business
29 and in compliance with the applicable federal home loan bank
30 agreement. However, a transfer may be avoided under this
31 subsection if the transfer was made with actual intent to
32 hinder, delay, or defraud the insurer-member, the receiver for
33 the insurer-member, or existing or future creditors. This
34 subsection shall not affect a receiver's rights regarding
35 advances to an insurer-member in delinquency proceedings

1 pursuant to 12 C.F.R. §1266.4.

2

EXPLANATION

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The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

4

5 This bill relates to federal home loan bank rights regarding
6 collateral pledged by insurer-members in delinquency or
7 receivership proceedings. The bill defines a "federal home
8 loan bank" to mean a federal home loan bank established under
9 the federal Home Loan Bank Act, and an "insurer-member" to mean
10 an insurer who is a member of a federal home loan bank.

11 The bill provides that a federal home loan bank shall not
12 be stayed or prohibited from exercising its rights regarding
13 collateral pledged by an insurer-member.

14 The bill provides that if a federal home loan bank exercises
15 its rights regarding collateral pledged by an insurer-member
16 who is subject to a delinquency proceeding, the federal home
17 loan bank shall repurchase any outstanding capital stock that
18 is in excess of that amount of federal home loan bank stock
19 that the insurer-member is required to hold as a minimum
20 investment, to the extent the federal home loan bank in
21 good faith determines the repurchase to be permissible under
22 applicable laws, regulations, regulatory obligations, and the
23 federal home loan bank's capital plan, and consistent with
24 the federal home loan bank's current capital stock practices
25 applicable to its entire membership.

26 The bill provides that after the appointment of a receiver
27 for an insurer-member, the federal home loan bank shall,
28 within 10 business days after a request from the receiver,
29 provide a process and establish a timeline for the release of
30 collateral that exceeds the amount required to support secured
31 obligations remaining after any repayment of loans, the release
32 of any of the insurer-member's collateral remaining in the
33 federal home loan bank's possession following repayment of
34 all outstanding secured obligations of the insurer-member in
35 full, the payment of fees owed by the insurer-member and the

1 operation of deposits and other accounts of the insurer-member
2 with the federal home loan bank, and the possible redemption or
3 repurchase of federal home loan bank stock or excess stock of
4 any class that an insurer-member is required to own.

5 The bill additionally provides that upon request from
6 a receiver, the federal home loan bank shall provide
7 any available options for an insurer-member subject to a
8 delinquency proceeding to renew or restructure a loan to defer
9 associated prepayment fees. Such a renewal or restructuring
10 would be subject to market conditions, the terms of any loans
11 outstanding to the insurer-member, the applicable policies of
12 the federal home loan bank, and the federal home loan bank's
13 compliance with federal laws and regulations.

14 The bill also provides that a receiver for an insurer-member
15 shall not void any transfer of, or any obligation to transfer,
16 money or any other property arising under or in connection with
17 any federal home loan bank security agreement, or any pledge,
18 security, collateral, or guarantee agreement, or any other
19 similar arrangement or credit enhancement relating to a federal
20 home loan bank security agreement made in the ordinary course
21 of business and in compliance with the applicable federal
22 home loan bank agreement, unless the transfer was made with
23 actual intent to hinder, delay, or defraud the insurer-member,
24 the receiver for the insurer-member, or existing or future
25 creditors. The bill adds that this provision shall not affect
26 a receiver's rights regarding advances to an insurer-member in
27 delinquency proceedings pursuant to federal law.