

CHAPTER 1008

COLLATERAL PLEDGED BY INSURERS IN DELINQUENCY PROCEEDINGS — FEDERAL HOME LOAN BANK RIGHTS

S.F. 2133

AN ACT relating to federal home loan bank rights regarding collateral pledged by insurer-members.

Be It Enacted by the General Assembly of the State of Iowa:

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

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

NEW SUBSECTION. 16A. “Insurer-member” means an insurer who is a member of a federal home loan bank.

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

NEW SUBSECTION. 3. a. Notwithstanding any other provision to the contrary, after the seventh day following the filing of a delinquency proceeding a federal home loan bank shall not be stayed or prohibited from exercising its rights regarding collateral pledged by an insurer-member.

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

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

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

(2) The release of any of the insurer-member’s collateral remaining in the federal home loan bank’s possession following repayment of all outstanding secured obligations of the insurer-member in full.

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

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

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

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

NEW SUBSECTION. 10. Notwithstanding any other provision of this chapter to the contrary, the receiver for an insurer-member shall not void any transfer of, or any obligation to transfer, money or any other property arising under or in connection with any federal home loan bank security agreement, or any pledge, security, collateral, or guarantee agreement, or any other similar arrangement or credit enhancement relating to a federal home loan bank security agreement made in the ordinary course of business and in compliance with

the applicable federal home loan bank agreement. However, a transfer may be avoided under this subsection if the transfer was made with intent to hinder, delay, or defraud the insurer-member, the receiver for the insurer-member, or existing or future creditors. This subsection shall not affect a receiver's rights regarding advances to an insurer-member in delinquency proceedings pursuant to 12 C.F.R. §1266.4.

Approved March 14, 2014