

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1976

03/08/2021

Authored by Lislegard

The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to commerce; establishing certain rights for federal home loan banks with
1.3 respect to collateral pledged by insurer members; proposing coding for new law
1.4 in Minnesota Statutes, chapter 60B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [60B.335] FEDERAL HOME LOAN BANK RIGHTS; COLLATERAL
1.7 PLEGDED BY INSURER-MEMBERS.

1.8 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.9 the meanings given.

1.10 (b) "Federal home loan bank" means a federal home loan bank established under the
1.11 federal Home Loan Bank Act, United States Code, title 12, section 1421 et seq.

1.12 (c) "Insurer-member" means an insurer that is a member of a federal home loan bank.

1.13 Subd. 2. Certain rights provided. (a) Notwithstanding any law to the contrary, a federal
1.14 home loan bank must not be stayed or prohibited from exercising the federal home loan
1.15 bank's rights regarding collateral pledged by an insurer-member.

1.16 (b) If a federal home loan bank exercises rights regarding collateral pledged by an
1.17 insurer-member subject to a delinquency proceeding, the federal home loan bank must
1.18 repurchase any outstanding capital stock that is in excess of the amount of federal home
1.19 loan bank stock that the insurer-member is required to hold as a minimum investment, to
1.20 the extent the federal home loan bank determines in good faith that the repurchase is (1)
1.21 permissible under applicable laws, regulations, regulatory obligations, and the federal home

2.1 loan bank's capital plan; and (2) consistent with the federal home loan bank's current capital
2.2 stock practices applicable to the federal home loan bank's entire membership.

2.3 Subd. 3. **Process and timeline required.** Following the appointment of a receiver for
2.4 an insurer-member, the federal home loan bank must, within ten business days after the
2.5 date a request is received from the receiver, provide a process and establish a timeline for:

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

2.9 (2) release of any of the insurer-member's collateral remaining in the federal home loan
2.10 bank's possession following repayment in full of the insurer-member's outstanding secured
2.11 obligations;

2.12 (3) payment of fees owed by the insurer-member and the operation of the
2.13 insurer-member's deposits and other accounts with the federal home loan bank; and

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

2.16 Subd. 4. **Options; renew or restructure.** Upon request from a receiver, the federal
2.17 home loan bank must provide the options available for an insurer-member subject to a
2.18 delinquency proceeding to renew or restructure a loan to defer associated prepayment fees,
2.19 subject to (1) market conditions, (2) the terms of any loans outstanding to the insurer-member,
2.20 (3) the federal home loan bank's applicable policies, and (4) the federal home loan bank's
2.21 compliance with federal laws and regulations.

2.22 Subd. 5. **Void transfers prohibited.** (a) Notwithstanding any law to the contrary, the
2.23 receiver for an insurer-member is prohibited from voiding any transfer of, or any obligation
2.24 to transfer, money or any other property arising under or in connection with (1) any federal
2.25 home loan bank security agreement; (2) any pledge, security, collateral, or guarantee
2.26 agreement; or (3) any other similar arrangement or credit enhancement relating to a federal
2.27 home loan bank security agreement made in the ordinary course of business and in
2.28 compliance with the applicable federal home loan bank agreement.

2.29 (b) A transfer may be avoided under this section if the transfer was made with intent to
2.30 hinder, delay, or defraud the insurer-member, the receiver for the insurer-member, or existing
2.31 or future creditors.

3.1 (c) This section does not affect a receiver's rights regarding advances to an
3.2 insurer-member in delinquency proceedings pursuant to Code of Federal Regulations, title
3.3 12, part 1266.4.

3.4 **EFFECTIVE DATE.** This section is effective the day following final enactment and
3.5 applies to delinquency proceedings filed on or after that date.