

Subject Federal Home Loan Bank Rights; Collateral Pledged by Insurer -
Members

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Summary

Section **Description**

1 **[60B.335] Federal home loan bank rights; collateral pledged by insurer-members.**

Subd. 1. Definitions. Defines federal home loan bank (FHLB) and insurer-member.

Subd. 2. Certain rights provided. (a) Provides a FHLB cannot be stayed or prohibited from exercising their rights regarding collateral pledged by an insurer-member when seven days has passed from a delinquency proceeding.

(b) Requires a FHLB to repurchase outstanding capital stock in excess of that the insurer-member is required to hold as a minimum investment, if the FHLB exercises its right to collateral under paragraph (a). Repurchase is only required to the extent the FHLB determines the repurchase is permissible under applicable laws and regulations, the FHLB's capital plan and stock practices applicable to all members.

Subd. 3. Process and timeline required. Within 10 days of a receiver being appointed to an insurer-member, the FHLB must establish a timeline for: (1) release of collateral that exceeds a certain amount; (2) release of an insurer-member's collateral that is in the FHLB's possession following repayment of the outstanding secured obligations; (3) payment of fees owed by the insurer-member and the operation of the insurer-member's accounts; and (4) possible redemption or repurchase of FHLB stock or excess stock of any class that an insurer-member is required to own.

Subd. 4. Option; renew or restructure. If requested by the receiver, the FHLB must provide the options available for an insurer-member to renew or restructure a loan to defer associated prepayment fees subject to certain conditions and terms.

Subd. 5. Void transfers prohibited. (a) Prohibits the receiver for an insurer-member from voiding any transfer, or obligation to transfer, money or other

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property in connection with a FHLB security agreement or other type of agreement that enhances credit and relates to a FHLB security agreement.

(b) Voids a transfer under this section if the transfer was made with the intent to hinder, delay, or defraud the insurer-member, the receiver, or existing or future creditors.

(c) Clarifies that this section does not affect a receiver's rights regarding advances to an insurer-member in a delinquency proceeding.

Effective date. This section is effective the day following final enactment and applies to delinquency proceedings filed on or after that date.



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