

104TH CONGRESS
1ST SESSION

H. R. 1487

To reform and modernize the Federal Home Loan Bank System.

IN THE HOUSE OF REPRESENTATIVES

APRIL 7, 1995

Mr. BAKER of Louisiana (for himself and Mr. CHRYSLER) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To reform and modernize the Federal Home Loan Bank System.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Federal Home Loan Bank System Modernization Act of
6 1995”.

7 (b) TABLE OF CONTENTS.—

- Sec. 1. Short title; table of contents.
- Sec. 2. Mission of the Federal home loan banks.
- Sec. 3. Federal Housing Finance Board.
- Sec. 4. The Office of Finance Corporation.
- Sec. 5. Capital stock of the Federal home loan banks.
- Sec. 8. Modification of annual contribution to the resolution funding corporation.

- Sec. 9. Community support requirements.
- Sec. 10. Technical and conforming amendments.
- Sec. 11. Incorporation of banks; corporate powers.
- Sec. 12. Liquidation or reorganization.
- Sec. 13. Definitions.
- Sec. 14. Effective date.

1 **SEC. 2. MISSION OF THE FEDERAL HOME LOAN BANKS.**

2 The Federal Home Loan Bank Act (12 U.S.C. 1421)
3 is amended by inserting after section 4 the following new
4 section:

5 **“SEC. 5. MISSION STATEMENT; FEDERAL HOME LOAN BANK**
6 **DISTRICTS AND MEMBERS.**

7 “(a) MISSION STATEMENT.—The Federal Home
8 Loan Bank System shall—

9 “(1) be a profit-making enterprise whose pur-
10 pose is to support residential mortgage lending (in-
11 cluding mortgages on housing for low- and mod-
12 erate-income families), and related community and
13 economic development lending, throughout the na-
14 tion, safely and soundly, through a program of
15 collateralized advances and other financial services
16 to members; and

17 “(2) facilitate such lending by providing long-
18 term credit and liquidity and other financial services
19 to members of Federal home loan banks.

20 “(b) DISTRICTS ESTABLISHED.—

1 “(1) IN GENERAL.—Subject to subsection (c),
2 there shall be 12 districts known as Federal home
3 loan bank districts.

4 “(2) NAME OF DISTRICT.—Each district shall
5 bear a name descriptive of the geographic location of
6 the district.

7 “(3) DISTRICTS DESIGNATED.—Subject to sub-
8 section (c), the 12 districts shall be comprised as fol-
9 lows:

10 “(A) District 1 shall be composed of the
11 states of Connecticut, Maine, Massachusetts,
12 New Hampshire, Rhode Island, and Vermont.

13 “(B) District 2 shall be composed of the
14 states of New Jersey and New York, the Com-
15 monwealth of Puerto Rico, and the territory of
16 the Virgin Islands.

17 “(C) District 3 shall be composed of the
18 states of Delaware, Pennsylvania, and West
19 Virginia.

20 “(D) District 4 shall be composed of the
21 states of Alabama, Florida, Georgia, Maryland,
22 North Carolina, South Carolina, and Virginia,
23 and the District of Columbia.

24 “(E) District 5 shall be composed of the
25 states of Kentucky, Ohio, and Tennessee.

1 “(F) District 6 shall be composed of the
2 states of Indiana and Michigan.

3 “(G) District 7 shall be composed of the
4 states of Illinois and Wisconsin.

5 “(H) District 8 shall be composed of the
6 states of Iowa, Minnesota, Missouri, North Da-
7 kota, and South Dakota.

8 “(I) District 9 shall be composed of the
9 states of Arkansas, Louisiana, Mississippi, New
10 Mexico, and Texas.

11 “(J) District 10 shall be composed of the
12 states of Colorado, Kansas, Nebraska, and
13 Oklahoma.

14 “(K) District 11 shall be composed of the
15 states of Arizona, California, and Nevada.

16 “(L) District 12 shall be composed of the
17 states of Alaska, Hawaii, Idaho, Montana, Or-
18 egon, Utah, Washington, and Wyoming, and
19 the territories of Guam and the Pacific Islands.

20 “(c) MERGERS, CONSOLIDATIONS AND COMBINA-
21 TIONS OF BANKS.—

22 “(1) IN GENERAL.—Notwithstanding subsection
23 (b), 2 or more Federal home loan banks may merge
24 or otherwise combine or consolidate.

1 “(2) PREREQUISITES FOR TRANSACTION.—A
2 merger, combination, or consolidation of Federal
3 home loan banks may be consummated under this
4 subsection only if the transaction is approved by—

5 “(A) a majority of the board of directors
6 of each bank participating in the transaction;
7 and

8 “(B) the holders of a majority of the
9 shares of capital stock of each such bank.

10 “(3) EFFECTIVE DATE OF TRANSACTION.—If
11 the requirements of paragraph (2) have been met, a
12 merger, combination, or consolidation of Federal
13 home loan banks shall be effective at such time as
14 a certificate of merger, combination, or consolidation
15 (in such form as the Finance Board shall prescribe)
16 is—

17 “(A) executed by the banks participating
18 in such transaction; and

19 “(B) filed with the Finance Board in ac-
20 cordance with section 12(a)(3).

21 “(4) MERGER AGREEMENT.—

22 “(A) IN GENERAL.—Any merger, combina-
23 tion, or consolidation of Federal home loan
24 banks under this subsection shall be carried out
25 pursuant to an agreement entered into by all

1 the Federal home loan banks participating in
2 the transaction.

3 “(B) CONTENTS OF AGREEMENT.—Any
4 agreement referred to in subparagraph (A)
5 shall specify—

6 “(i) the terms and conditions of the
7 merger, combination, or consolidation;

8 “(ii) the amendments to the chartered
9 documents of the resulting bank to be af-
10 fected by the transaction, if any;

11 “(iii) the principal offices of the re-
12 sulting bank;

13 “(iv) the manner of converting the
14 shares of each of the banks participating
15 in the transaction into shares of the result-
16 ing bank; and

17 “(v) such other details or provisions
18 as are appropriate.

19 “(5) SUCCESSION IN INTEREST.—Upon the ef-
20 fective date of any merger, combination, or consoli-
21 dation of Federal home loan banks under this sub-
22 section—

23 “(A) the separate existence of any bank
24 participating in the transaction other than the
25 resulting bank shall cease to exist;

1 “(B) the resulting bank shall—

2 “(i) succeed to all the rights and
3 properties of each of the banks described
4 in subparagraph (A) without other trans-
5 fer; and

6 “(ii) be subject to all the debts and li-
7 abilities of each such bank in the same
8 manner as if the resulting bank had in-
9 curred such debts and liabilities.

10 “(6) EXISTING RIGHTS NOT AFFECTED.—This
11 subsection shall not affect any right of any creditor
12 of any Federal home loan bank which is participat-
13 ing in any merger, combination, or consolidation
14 under this subsection.

15 “(7) PRESERVATION OF LIENS.—All liens upon
16 the property of any Federal home loan bank which
17 is participating in any merger, combination, or con-
18 solidation under this subsection shall continue to be
19 effective after the consummation of the transaction
20 except that any lien upon property of any bank other
21 than the resulting bank shall be effective only with
22 respect to the property which was subject to the lien
23 immediately before consummation of the transaction.

24 “(8) CONTINUATION OF SUITS.—

1 “(A) IN GENERAL.—No action or other
2 proceeding commenced by or against any Fed-
3 eral home loan bank which is participating in
4 any merger, combination, or consolidation
5 under this subsection shall abate by reason of
6 the consummation of such transaction.

7 “(B) SUBSTITUTION OF RESULTING
8 BANK.—In any action or proceeding described
9 in subparagraph (A), the Federal home loan
10 bank resulting from the transaction referred to
11 in such subparagraph shall be substituted for
12 the Federal home loan bank involved in such
13 action or proceeding before the consummation
14 of the transaction.

15 “(C) APPLICABILITY TO RESULTING
16 BANK.—Any final judgment or other determina-
17 tion which becomes final in any action or pro-
18 ceeding described in subparagraph (A) shall be
19 binding on the bank resulting from the trans-
20 action referred to in such subparagraph.

21 “(9) NUMBER OF ELECTED DIRECTORS OF RE-
22 SULTING BANK.—Any Bank resulting from a merg-
23 er, combination, or consolidation pursuant to this
24 section may have a number of directors equal to or
25 less than the total number of elected directors of all

1 the banks which participated in such transaction (as
2 determined immediately before such transaction).
3 and

4 “(10) NUMBER OF APPOINTED DIRECTORS OF
5 RESULTING BANK.—The number of appointed direc-
6 tors of any Bank resulting from a merger, combina-
7 tion, or consolidation pursuant to this section shall
8 be not less than $\frac{1}{2}$ and not more than $\frac{3}{4}$ of the
9 number of elected directors.

10 “(11) ADJUSTMENT OF DISTRICT BOUND-
11 ARIES.—After a merger, combination, or consolida-
12 tion of 2 or more Federal home loan banks under
13 this subsection is consummated, the Finance Board
14 shall adjust the districts established in subsection
15 (b) to reflect such merger, combination, or consoli-
16 dation.

17 “(d) CRITERIA FOR ELIGIBILITY FOR MEMBERSHIP
18 IN A BANK.—

19 “(1) IN GENERAL.—Any insurance company or
20 regulated financial institution shall be eligible to be-
21 come and remain a member of a Federal home loan
22 bank if the institution meets and continues to meet
23 the following eligibility requirements:

24 “(A) The institution is subject to inspec-
25 tion and regulation under the banking laws, or

1 under similar laws, of the State in which the in-
2 stitution is organized or of the United States.

3 “(B) The institution maintains an invest-
4 ment in residential mortgage assets in an
5 amount not less than the amount which is equal
6 to 10 percent of the total assets of the institu-
7 tion.

8 “(2) APPLICABILITY OF MINIMUM RESIDENTIAL
9 MORTGAGE INVESTMENT REQUIREMENT TO NEW IN-
10 STITUTIONS.—

11 “(A) IN GENERAL.—In the case of an in-
12 stitution which is applying for membership in a
13 Federal home loan bank before or as of the
14 date on which the institution commences initial
15 business operations, paragraph (1)(B) shall not
16 apply with respect to such institution until the
17 end of the 1-year period beginning on such
18 date.

19 “(B) INTENTION TO INVEST IN RESIDEN-
20 TIAL MORTGAGE ASSETS.—A Federal home loan
21 bank may require an institution described in
22 subparagraph (A) to provide the bank with such
23 evidence of the institution’s intention to comply
24 with paragraph (1)(B) as the bank considers
25 appropriate.

1 “(3) BANK MEMBERSHIP.—An institution which
2 is eligible to become a member of a Federal home
3 loan bank under this section may only become a
4 member of, or secure advances from—

5 “(A) the Federal home loan bank of the
6 district in which is located the institution’s
7 principal place of business; or

8 “(B) the bank of a district adjoining the
9 district described in subparagraph (A) if—

10 “(i) demanded by convenience; and

11 “(ii) the Finance Board approves.

12 “(4) INSURANCE COMPANY SUBJECT TO IN-
13 SPECTION AND REGULATION.—Notwithstanding
14 paragraph (1)(A), any insurance company which
15 would be eligible to become a member of a Federal
16 home loan bank but for the fact that the institution
17 is not subject to inspection and regulation under the
18 banking laws or similar laws of the State in which
19 such company is organized shall be eligible to be-
20 come a member if the company agrees to be subject
21 to such inspection and regulation as the Finance
22 Board shall prescribe.

23 “(5) VOLUNTARY MEMBERSHIP.—Subject to
24 section 6(e), no insurance company or regulated fi-
25 nancial institution may be required to become or re-

1 main a member of a Federal home loan bank by any
2 State, or by any agency, department or independent
3 establishment of the United States or any State.”.

4 **SEC. 3. FEDERAL HOUSING FINANCE BOARD.**

5 (a) IN GENERAL.—Section 3 of the Federal Home
6 Loan Bank Act (12 U.S.C. 1423) is amended to read as
7 follows:

8 **“SEC. 3. FEDERAL HOUSING FINANCE BOARD.**

9 “(a) ESTABLISHMENT.

10 “(1) IN GENERAL.—There shall be a Federal
11 Housing Finance Board in the executive branch
12 which shall be an independent agency to regulate the
13 safety and soundness of the Federal Home Loan
14 Bank System.

15 “(2) DUTIES.—The duties of the Finance
16 Board shall be the following:

17 “(A) To ensure that the Federal home loan
18 banks—

19 “(i) operate in accordance with this
20 Act in a safe and sound manner; and

21 “(ii) remain adequately capitalized.

22 “(B) To provide periodic reports to the
23 Congress regarding the safety and soundness of
24 the Federal Home Loan Bank System.

25 “(b) COMPOSITION OF FINANCE BOARD.—

1 “(1) IN GENERAL.—The Finance Board shall
2 be composed of 3 directors appointed by the Presi-
3 dent, by and with the advice and consent of the Sen-
4 ate, from among individuals who—

5 “(A) are citizens of the United States; and

6 “(B) have—

7 “(i) extensive experience or training in
8 housing finance or the operation of regu-
9 lated financial institutions; or

10 “(ii) a commitment to provide special-
11 ized housing credit.

12 “(2) TERMS.—

13 “(A) IN GENERAL.—Each director of the
14 Finance Board shall be appointed for a term of
15 7 years.

16 “(B) INTERIM APPOINTMENTS.—Any di-
17 rector appointed to fill a vacancy occurring be-
18 fore the expiration of the term for which such
19 director’s predecessor was appointed shall be
20 appointed only for the remainder of such term.

21 “(C) CONTINUATION OF SERVICE.—Each
22 director may continue to serve after the expira-
23 tion of the term to which such director was ap-
24 pointed until a successor has been appointed
25 and qualified.

1 “(3) CHAIRPERSON AND ACTING CHAIR-
2 PERSON.—

3 “(A) CHAIRPERSON.—The President shall
4 designate 1 of the directors to be the Chair-
5 person of the Finance Board.

6 “(B) ACTING CHAIRPERSON.—

7 “(i) IN GENERAL.—The Chairperson
8 shall designate another director to serve as
9 Acting Chairperson during the absence or
10 disability of the Chairperson.

11 “(ii) SELECTION BY DIRECTORS.—If a
12 designation by the Chairperson has not
13 been made pursuant to clause (i) and the
14 position of Chairperson becomes vacant,
15 the remaining directors shall elect a direc-
16 tor to serve as the Acting Chairperson
17 until a Chairperson has been appointed.

18 “(4) REPRESENTATIONAL REQUIREMENTS.—

19 “(A) POLITICAL AFFILIATION.—Not more
20 than 2 directors may be members of the same
21 political party.

22 “(B) DISTRICT REPRESENTATION.—Not
23 more than 1 director may be appointed from
24 any single district of the Federal Home Loan
25 Bank System.

1 “(5) VACANCY.—Any vacancy on the Finance
2 Board shall be filled in the manner in which the
3 original appointment was made.

4 “(6) LIMITATIONS ON CONFLICTS OF INTER-
5 EST.—No director on the Finance Board may, while
6 serving as a director—

7 “(A) serve as a director, officer, employee,
8 counsel, or agent of any Federal home loan
9 bank; or

10 “(B) hold shares of, serve as a director, of-
11 ficer, employee, counsel, or agent of, or have
12 any other financial interest in any member of
13 any such bank.

14 “(7) FULL-TIME SERVICE.—All directors shall
15 serve on a full-time basis.

16 “(8) QUORUM.—2 directors shall constitute a
17 quorum.

18 “(c) GENERAL POWERS.—The Finance Board shall
19 have the following powers:

20 “(1) To maintain such oversight of the Federal
21 home loan banks as may be necessary to ensure that
22 such banks operate in a financially safe and sound
23 manner.

1 “(2) To prescribe or issue, and enforce, such
2 regulations and orders as the Finance Board deter-
3 mines to be necessary to achieve such purpose.

4 “(3) To suspend or remove for cause a director,
5 officer, employee, or agent of any Federal home loan
6 bank or joint office of the Federal Home Loan Bank
7 System.

8 “(4) To determine necessary expenditures of
9 the Finance Board under this Act and the manner
10 in which such expenditures shall be incurred, al-
11 lowed, and paid.

12 “(5) To use the United States mails in the
13 same manner and under the same conditions as a
14 department or agency of the United States.

15 “(d) RECEIPTS OF THE FINANCE BOARD.—

16 “(1) DEPOSIT IN TREASURY.—Receipts of the
17 Finance Board derived from assessments imposed on
18 the Federal home loan banks and from other sources
19 shall be deposited in the Treasury of the United
20 States.

21 “(2) PAYMENT OF EXPENSES.—Salaries of the
22 directors and other employees of the Finance Board
23 and all other expenses of the Finance Board may be
24 paid from the receipts described in paragraph (1).

1 “(3) TREATMENT OF AMOUNTS RECEIVED.—

2 Notwithstanding any other provision of law—

3 “(A) no amount received by the Finance
4 Board pursuant to any assessment imposed on
5 any Federal home loan bank or any other in-
6 come of the Finance Board may be construed
7 to be Government funds or appropriated money;

8 “(B) no authority of the Finance Board to
9 spend or otherwise obligate any such amount
10 may be treated as budget authority, spending
11 authority, or credit authority or as authority to
12 obligate funds of the United States; and

13 “(C) no such amount shall be subject to
14 apportionment for purposes of chapter 15 of
15 title 31, United States Code, or under any
16 other authority.

17 “(e) STAFF.—

18 “(1) IN GENERAL.—Subject to title IV of the
19 Financial Institutions Reform, Recovery, and En-
20 forcement Act of 1989, the Finance Board may em-
21 ploy, direct, and fix the compensation and number
22 of employees, attorneys, and agents of the Finance
23 Board.

24 “(2) PROHIBITION ON DELEGATION TO BANKS
25 OR THE OFFICE OF FINANCE CORPORATION.—The

1 Finance Board may not delegate any function to any
2 employee or administrative unit of any bank or the
3 Office of Finance Corporation.

4 “(3) CONSULTATION.—In directing and fixing
5 the compensation of staff, attorneys, and agents, the
6 Finance Board shall consult with and maintain com-
7 parability with the compensation at the Federal
8 banking agencies (as defined in section 3(z) of the
9 Federal Deposit Insurance Act).

10 “(4) RESTATEMENT OF PRIOR LAW.—The com-
11 pensation of staff, attorneys, and agents shall be
12 paid without regard to the provisions of other laws
13 applicable to officers or employees of the United
14 States.

15 “(f) PROHIBITION ON JOINT OFFICES.—

16 “(1) IN GENERAL.—Except to the extent spe-
17 cifically provided in this Act, there shall be no joint
18 or collective offices of the Federal home loan banks
19 in the Federal Home Loan Bank System.

20 “(2) TRANSITION PROVISION.—

21 “(A) PRIOR JOINT OR COLLECTIVE OFFICE
22 ABOLISHED.—Effective at the end of the 6-
23 month period beginning on the effective date of
24 the Federal Home Loan Bank System Mod-
25 ernization Act of 1995, any entity which existed

1 as or was operated as a joint or collective office
2 of the Federal home loan banks on the day be-
3 fore the date of the enactment of such Act is
4 hereby abolished.

5 “(B) TRANSFER OF FUNCTIONS.—Any
6 function of any entity abolished under subpara-
7 graph (A) shall be transferred by the Finance
8 Board to the Office of Finance Corporation be-
9 fore the end of the 6-month period beginning on
10 the effective date of the Federal Home Loan
11 Bank System Modernization Act of 1995.

12 “(C) SAVINGS PROVISION.—The abolish-
13 ment of the Office of Finance pursuant to this
14 section shall not affect the validity of any right,
15 duty, or obligation of any person or entity per-
16 taining in any manner to the Office of Finance.

17 “(g) ANNUAL REPORTS.—

18 “(1) BOARD REPORTS.—The Finance Board
19 shall make an annual report to the Congress regard-
20 ing the safety and soundness of the Federal Home
21 Loan Bank System.

22 “(2) BANK REPORTS.—The Federal home loan
23 banks shall submit a collective annual report to the
24 Congress on the fulfillment of the mission of the
25 banks under this Act.

1 “(3) AFFORDABLE HOUSING ADVISORY COUN-
2 CILS.—The affordable housing advisory councils of
3 the Federal home loan banks shall submit a collec-
4 tive annual report to the Congress on the fulfillment
5 by the Bank System of the system’s affordable hous-
6 ing mission under section 10 of this Act.

7 “(h) STATUS OF BANK EMPLOYEES.—Notwithstand-
8 ing any other provision of this Act, no officer, employee,
9 or agent of a Federal home loan bank or any joint office
10 of such banks shall be considered to be an officer or em-
11 ployee of the United States for purposes of title 5, United
12 States Code.

13 “(i) SUSPENSION OR REMOVAL OF BANK EMPLOY-
14 EES FOR CAUSE.—

15 “(1) WRITTEN NOTICE.—In exercising any au-
16 thority under subsection (c)(2) to suspend or remove
17 for cause a director, officer, employee, or agent of
18 any Federal home loan bank or joint office of the
19 Federal Home Loan Bank System, the Finance
20 Board shall provide written notice of such suspen-
21 sion or removal and the cause of the suspension or
22 removal to such director, officer, employee, or agent
23 and to such bank or joint office.

24 “(2) HEARING.—The notice provided pursuant
25 to paragraph (1) shall establish the time and place

1 for a hearing on the suspension or removal in ac-
2 cordance with section 554 of title 5, United States
3 Code.”.

4 **SEC. 4. THE OFFICE OF FINANCE CORPORATION.**

5 Section 4 of the Federal Home Loan Bank Act (12
6 U.S.C. 1424) is amended to read as follows:

7 **“SEC. 4 THE OFFICE OF FINANCE CORPORATION.**

8 “(a) ESTABLISHMENT.—

9 “(1) IN GENERAL.—There is hereby established
10 the Office of Finance Corporation (hereafter in this
11 section referred to as the ‘Corporation’) which shall
12 be a federally chartered instrumentality of the
13 United States.

14 “(2) PURPOSES.—The purpose of the Corpora-
15 tion shall be to issue the notes, bonds, and debent-
16 tures of the Federal home loan banks in accordance
17 with this Act.

18 “(3) TRANSFER OF FUNCTIONS.—The functions
19 of the Office of Finance of the Federal home loan
20 banks shall be transferred to the Corporation before
21 the end of the 6-month period beginning on the ef-
22 fective date of the Federal Home Loan Bank System
23 Modernization Act of 1995 in accordance with sec-
24 tion 3(f)(2).

1 “(b) POWERS.—Subject to the other provisions of
2 this Act and such safety and soundness regulations as the
3 Finance Board may prescribe, the Corporation shall have
4 the following powers:

5 “(1) To issue voting capital stock to the Fed-
6 eral home loan banks.

7 “(2) To issue Federal home loan bank notes,
8 bonds and debentures pursuant to section 11 of this
9 Act on behalf of the banks.

10 “(3) To determine the amount, maturities, rate
11 of interest, terms, and other conditions of Federal
12 home loan bank notes, bonds and debentures.

13 “(4) To adopt, alter, and use a corporate seal.

14 “(5) To enter into contracts.

15 “(6) To sue and be sued in the corporate capac-
16 ity of the corporation, and to complain and defend
17 in any action brought by or against the Corporation
18 in any court of competent jurisdiction.

19 “(7) To exercise such incidental powers not in-
20 consistent with the provisions of this Act as are nec-
21 essary and appropriate to carry out the provisions of
22 this Act.

23 “(c) BOARD OF DIRECTORS.—

24 “(1) ESTABLISHMENT.—The management of
25 the Corporation shall be vested in a board of direc-

1 tors composed of directors elected by the Federal
2 home loan banks in accordance with paragraph (2).

3 “(2) COMPOSITION OF BOARD.—Each Federal
4 home loan bank shall annually elect 1 individual
5 who, as of the time of the election, is an officer or
6 director of such bank to serve as a member of the
7 board of directors of the Corporation.

8 “(3) DUTIES.—The board of directors shall ad-
9 minister the affairs of the Corporation in accordance
10 with the provisions of this Act.

11 “(4) TERMS.—

12 “(A) IN GENERAL.—Each member of the
13 board of directors shall be elected for a term of
14 1 year and shall serve at the pleasure of the
15 board of directors of the Federal home loan
16 bank which elected such member.

17 “(B) TERM LIMITATION.—No member of
18 the board of directors may serve more than 3
19 full consecutive terms.

20 “(C) INTERIM APPOINTMENTS.—Any di-
21 rector elected to fill a vacancy occurring before
22 the expiration of the term for which such direc-
23 tor’s predecessor was elected shall be elected
24 only for the remainder of such term.

1 “(D) CONTINUATION OF SERVICE.—Each
2 director may continue to serve after the expira-
3 tion of the term to which such director was
4 elected until a successor has been elected and
5 qualified.

6 “(5) POWERS.—The board of directors shall ex-
7 ercise such powers as may be necessary and appro-
8 priate to carry out the purposes of this section, in-
9 cluding the power—

10 “(A) to impose an assessment on the Fed-
11 eral home loan banks to cover the operating ex-
12 penses of the Corporation; and

13 “(B) to appoint, establish the duties of,
14 compensate, and dismiss at will the employees
15 of the Corporation.

16 “(6) PAY.—The members of the board of direc-
17 tors shall serve without additional compensation, but
18 shall be reimbursed for reasonable expenses of trav-
19 el, lodging, and subsistence incurred in attending
20 meetings and other activities of the Corporation.

21 “(7) QUORUM REQUIREMENT.—No business
22 may be conducted by the board of directors unless
23 a quorum of the members of such board of directors
24 is present.

1 “(8) VACANCIES.—Any vacancy on the board of
2 directors shall be filled in the same manner in which
3 the original appointment was made.

4 “(9) APPOINTMENT OF OFFICERS AND ADOPT-
5 TIONS OF RULES OF PROCEDURE.—The board of di-
6 rectors shall—

7 “(A) select, from among the members of
8 such board, a Chairperson, a Vice Chairperson,
9 and a Secretary; and

10 “(B) adopt rules of procedure for actions
11 before the board of directors.

12 “(d) STOCK.—

13 “(1) ISSUANCE OF EQUAL AMOUNT TO EACH
14 BANK.—The Corporation shall issue 100 shares of
15 voting capital stock, with a par value of \$100 per
16 share to each Federal home loan bank.

17 “(2) NONTRANSFERABILITY.—Stock issued
18 under paragraph (1) may be owned and held only by
19 the Federal home loan banks.

20 “(3) PAYMENT UPON ISSUANCE.—Upon issu-
21 ance of any share of stock under this subsection to
22 any Federal home loan bank, the bank shall pay to
23 the Corporation the total amount due for such stock.

24 “(4) DISTRIBUTION REQUIREMENT.—The total
25 amount of outstanding stock of the Corporation

1 shall, at all times, be distributed equally among all
2 the Federal home loan banks.

3 “(e) STATUS.—Except to the extent expressly pro-
4 vided in this Act, the Corporation shall be treated as a
5 Federal home loan bank for purposes of any law.

6 “(f) JURISDICTION, REMOVAL POWER.—

7 “(1) IN GENERAL.—Notwithstanding any other
8 provision of law, any civil action or proceeding to
9 which the Corporation is a party shall be deemed to
10 arise under the laws of the United States.

11 “(2) VENUE.—The United States District
12 Court for the District of Columbia shall have exclu-
13 sive jurisdiction over any action to which the Cor-
14 poration is a party.

15 “(3) REMOVAL.—The Corporation may, without
16 bond or security, remove any action or proceeding to
17 which the corporation is or becomes a party from a
18 State court to the United States District Court for
19 the District of Columbia.”.

20 **SEC. 5. CAPITAL STOCK OF THE FEDERAL HOME LOAN**
21 **BANKS.**

22 (a) ISSUANCE OF CAPITAL STOCK.—Section 6(a) of
23 the Federal Home Loan Bank Act is amended—

24 (1) by striking “(a) The capital stock” and in-
25 serting “(a) ISSUANCE OF CAPITAL STOCK.—

1 “(1) IN GENERAL.—The capital stock”;

2 (2) by striking the 2d and 3d sentences and in-
3 serting “The capital stock shall be issued at par.”;
4 and

5 (3) by adding at the end the following new
6 paragraph:

7 “(2) RULES AND REQUIREMENTS.—The board
8 of directors of each Federal home loan bank shall
9 promptly prescribe rules and requirements, consist-
10 ent with this Act, governing the capital stock of such
11 bank and other provisions of this section.”.

12 (b) SUBSCRIPTION AND RETIREMENT OF STOCK.—
13 Section 6(b) of the Federal Home Loan Bank Act is
14 amended to read as follows:

15 “(b) SUBSCRIPTION AND RETIREMENT OF STOCK.—

16 “(1) MINIMUM INVESTMENT REQUIREMENT.—
17 Subject to paragraphs (3) and (6), the minimum in-
18 vestment of each institution eligible to become a
19 member of a Federal home loan bank under section
20 5 in the stock of such bank shall be an amount not
21 less than the greater of—

22 “(A) the minimum amount required to
23 meet the asset-based investment requirement
24 established by the bank pursuant to paragraph
25 (2); or

1 “(B) the minimum amount required to
 2 meet the advances-related investment require-
 3 ment established by the bank pursuant to para-
 4 graph (4).

5 “(2) ASSET-BASED REQUIREMENT.—

6 “(A) TRANSITION SCHEDULE.—During
 7 calendar years 1996, 1997, and 1998, the mini-
 8 mum investment of each member of a Federal
 9 home loan bank in the stock of such bank, as
 10 determined on the basis of the assets of such
 11 member, shall be an amount not less than the
 12 amount set forth in the following table, as de-
 13 termined annually by the bank’s board of direc-
 14 tors by April 30 of each year as of the close of
 15 the preceding year:

“During the year:	The minimum amount of stock shall be:
1996	An amount equal to the lesser of 0.6 percent of member’s total assets or 1.0 percent of the member’s residential mortgage assets, but in any case not less than the amount equal to 0.3 percent of total assets
1997	An amount equal to the lesser of 0.5 percent of a member’s total assets or 1.0 percent of the member’s residential mortgage assets, but in any case not less than the amount equal to 0.35 percent of total assets
1998	An amount equal to the lesser of 0.4 percent of a member’s total assets or 1.0 percent of the member’s residential mortgage assets

16

1 “(B) AFTER 1998.—The minimum invest-
2 ment of each member of a Federal home loan
3 bank in the stock of such bank after 1998, as
4 determined on the basis of the assets of such
5 member, shall be an amount equal to not less
6 than 0.3 percent and not more than 0.6 percent
7 of the member’s total assets, as determined by
8 the bank’s board of directors from time to time.

9 “(3) DISCRETIONARY INCREASE IN AMOUNT OF
10 MINIMUM INVESTMENT AUTHORIZED.—Notwith-
11 standing paragraph (2)(A), the board of directors of
12 each Federal home loan bank may, in the discretion
13 of the board of directors, substitute—

14 “(A) ‘an amount determined by the board
15 of directors between 0.5 percent and 0.6 per-
16 cent of a member’s total assets’ for ‘0.5 percent
17 of a member’s total assets’ where such term ap-
18 pears in the table in paragraph (2)(A) in con-
19 nection with 1997; and

20 “(B) ‘an amount determined by the board
21 of directors between 0.4 percent and 0.6 per-
22 cent of a member’s total assets’ for ‘0.4 percent
23 of a member’s total assets’ where such term ap-
24 pears in the table in paragraph (2)(A) in con-
25 nection with 1998.

1 “(4) ADVANCES-RELATED REQUIREMENT.—The
2 minimum investment of each member of a Federal
3 home loan bank in the stock of such bank, as deter-
4 mined on the basis of the amount of outstanding ad-
5 vances from such bank to the member, shall be an
6 amount which is equal to not less than 3.0 percent
7 of such advances and not more than 6.0 percent of
8 such advances, as determined by the board of direc-
9 tors of the bank from time to time.

10 “(5) DE MINIMUS INVESTMENT REQUIREMENT
11 AUTHORIZED.—Notwithstanding the requirements of
12 this section, the board of directors of each Federal
13 home loan bank may establish a minimum capital
14 stock subscription of at least \$1,000.

15 “(6) FINANCE BOARD AUTHORITY TO INCREASE
16 INVESTMENT REQUIREMENT TO MAINTAIN BANK
17 SAFETY AND SOUNDNESS OR SYSTEM LIQUIDITY.—

18 “(A) DISTRICT-WIDE APPLICATION.—If the
19 Finance Board determines that the safety and
20 soundness of a Federal home loan bank re-
21 quires an increase in the amount of capital of
22 such bank, the Finance Board may require each
23 member of such bank to maintain an invest-
24 ment in the capital stock of such bank in an
25 amount determined by the Finance Board

1 which shall not exceed, as applied with respect
2 to any member, the greater of—

3 “(i) an amount equal to 0.6 percent of
4 the total assets of the member; or

5 “(ii) an amount equal to 6.0 percent
6 of the total outstanding advances of the
7 member from such bank.

8 “(B) SYSTEM-WIDE APPLICATION.—If the
9 Finance Board determines that the ability of
10 the Federal Home Loan Bank System to meet
11 the collective financial obligations of the Fed-
12 eral home loan banks requires an increase in
13 the amount of capital of all such banks, the Fi-
14 nance Board may require all the members of all
15 the banks to maintain an investment in the cap-
16 ital stock of each such member’s bank in an
17 amount determined by the Finance Board
18 which shall not exceed the greater of the
19 amounts described in clauses (i) and (ii) of sub-
20 paragraph (A).

21 “(7) RETIREMENT OF STOCK UPON APPLICA-
22 TION OF MEMBER.—

23 “(A) IN GENERAL.—Upon application by a
24 member, a bank shall retire the amount of
25 stock sought to be retired by such member, no

1 later than 6 months after the date of the filing
2 of the application, if the board of directors of
3 the bank determines that the following addi-
4 tional conditions have been met:

5 “(i) The amount of such member’s in-
6 vestment in the capital stock of the bank
7 which would remain after the retirement of
8 the stock sought in the application is not
9 less than the minimum required invest-
10 ment amount applicable to such member.

11 “(ii) The bank is adequately capital-
12 ized, and would remain adequately capital-
13 ized, if the stock subject to all pending ap-
14 plications by members for retirement of
15 stock were immediately deducted from the
16 Bank’s capital.

17 “(iii) The member is not in breach of
18 any agreement with the bank.

19 “(B) PRO RATA BASIS.—If the retirement,
20 in any calendar quarter, of the total amount of
21 stock which is subject to pending applications
22 by members of a bank under subparagraph (A)
23 would cause the bank to cease to be adequately
24 capitalized, the bank may retire such pro rata
25 portion of the total amount of stock each such

1 member is seeking to retire as would allow the
2 Bank to remain adequately capitalized after
3 such retirement.

4 “(C) RETIREMENT OF EXCESS STOCK
5 GIVEN PRECEDENCE OVER WITHDRAWAL FROM
6 MEMBERSHIP NOTICES.—Except as provided in
7 subparagraph (D), a bank shall dispose of all
8 pending applications for retirement of stock
9 under subparagraph (A), and make all pay-
10 ments with respect to the retirement of such
11 stock, before taking any action to retire the
12 stock of any member of the bank which has
13 submitted a notice of withdrawal from member-
14 ship pursuant to subsection (e)(1).

15 “(D) TREATMENT OF NOTICE OF WITH-
16 DRAWAL AS APPLICATION TO RETIRE EXCESS
17 STOCK FOR PURPOSES OF ALLOWING PROMPT
18 PAYMENT.—Subject to such regulations as the
19 Finance Board may prescribe, a bank may
20 treat, for purposes of subparagraph (C), the
21 submission by a member of a notice of with-
22 drawal of membership under subsection (e)(1)
23 as an application by such member under sub-
24 paragraph (A) to retire that portion of such
25 member’s investment in the capital stock of the

1 bank as exceeds the minimum investment
2 amount applicable to such member.

3 “(8) RETIREMENT OF STOCK DISTRICT-WIDE.—

4 “(A) IN GENERAL.—Upon a determination
5 of the board of directors of a bank, a bank may
6 retire all, or any portion, of the outstanding
7 stock of the bank in excess of the total of the
8 minimum investment amounts of all the mem-
9 bers of the bank, if the board of directors deter-
10 mines that the bank is adequately capitalized,
11 and would remain adequately capitalized if all
12 the stock of the bank which—

13 “(i) the bank proposes to retire under
14 this subparagraph; and

15 “(ii) is subject to pending applications
16 for retirement, and pending notices of ter-
17 mination of or withdrawal from member-
18 ship,

19 were deducted from the bank’s capital.

20 “(B) RETIREMENT REQUIRED TO BE MADE
21 ON A PRO RATA BASIS.—The determination of
22 the amount of shares held by each member of
23 a bank which are subject to retirement pursu-
24 ant to a determination by the board of directors

1 of the bank in accordance with subparagraph
2 (A) shall be made on a pro rata basis.

3 “(C) RETIREMENT SUBJECT TO MINIMUM
4 INVESTMENT REQUIREMENTS.—No retirement
5 of shares held by a member of a bank may be
6 made under this section to the extent such re-
7 tirement of shares would cause the amount of
8 such member’s remaining investment in the
9 capital stock of the bank after such retirement
10 to fall below the minimum investment amount
11 applicable to such member.

12 “(9) PAYMENT AND CANCELLATION.—In the
13 case of any retirement of stock of a Federal home
14 loan bank in accordance with this subsection, the
15 bank shall—

16 “(A) at the election of the bank—

17 (i) pay the member an amount equal
18 to the product of the number of shares of
19 stock retired and the par value of such
20 stock; or

21 (ii) credit such amount, in whole or in
22 part, against any indebtedness of the mem-
23 ber to the bank, including any outstanding
24 prepayment fees; and

25 “(B) cancel the shares so retired.

1 “(10) ISSUANCE AND RETIREMENT OF WHOLE
2 SHARES.—The board of directors of each bank may
3 provide for such adjustments in amounts of any
4 stock to be issued or retired as may be appropriate
5 in order that stock may be issued or retired only in
6 entire shares.

7 “(11) MINIMUM INVESTMENT AMOUNT DE-
8 FINED.—For purposes of this subsection, the term
9 ‘minimum investment amount’ means, with respect
10 to any member of a Federal home loan bank, the
11 minimum amount required, under this subsection, to
12 be invested by such member in such bank.”.

13 (c) TERMINATION OF MEMBERSHIP.—Section 6(e) of
14 the Federal Home Loan Bank Act (12 U.S.C. 1426(e))
15 is amended to read as follows:

16 “(e) TERMINATION OF MEMBERSHIP.—

17 “(1) VOLUNTARY WITHDRAWAL FROM MEMBER-
18 SHIP.—

19 “(A) IN GENERAL.—Any member of a
20 Federal home loan bank may withdraw from
21 membership in such bank by—

22 “(i) filing a written notice of the
23 member’s intention to withdraw with the
24 board of directors of the bank; and

1 “(ii) paying a fee equal to 0.1 percent
2 of the minimum investment amount appli-
3 cable to such member under subsection
4 (b).

5 “(B) RESCISSION OF NOTICE.—Any mem-
6 ber of a Federal home loan bank may rescind
7 any notice submitted to the board of directors
8 of the bank in accordance with subparagraph
9 (A) at any time before the member receives any
10 payment in connection with any retirement of
11 such member’s stock in the bank pursuant to
12 such notice (other than any payment made pur-
13 suant to a determination by the board of direc-
14 tors under subsection (b)(6)(D).

15 “(C) LIMITATION ON AUTHORITY TO VOTE
16 SHARES WHILE NOTICE IS PENDING.—No mem-
17 ber may vote the capital stock of a Federal
18 home loan bank on any matter while a notice
19 by such member of withdrawal from member-
20 ship of the bank is pending before the board of
21 directors of the bank.

22 “(2) REMOVAL FROM MEMBERSHIP.—The
23 board of directors of any Federal home loan bank
24 may remove any member from membership, if—

1 “(A) in the opinion of the board of direc-
2 tors, such member has failed to comply with a
3 provision of this Act or any other applicable
4 law; or

5 “(B) the member has been determined to
6 be insolvent, or otherwise subject to the ap-
7 pointment of a conservator, receiver, or other
8 legal custodian, by a state or Federal authority
9 with regulatory and supervisory responsibility
10 for such member.

11 “(2) LIQUIDATION OF DEBT.—

12 “(A) IN GENERAL.—If any member’s
13 membership in a Federal home loan bank is ter-
14 minated for any reason, the indebtedness of
15 such member to the Federal home loan bank
16 shall be liquidated in an orderly manner (as de-
17 termined by the bank).

18 “(B) TREATMENT AS PREPAYMENT.—Any
19 liquidation of indebtedness pursuant to sub-
20 paragraph (A) shall be treated as a prepayment
21 of any such indebtedness, and shall be subject
22 to any penalties or other fees applicable to such
23 prepayment.

24 “(C) RETURN OF COLLATERAL.—Upon the
25 liquidation of indebtedness of a member pursu-

1 ant to subparagraph (A), the member shall be
2 entitled to the return of any collateral relating
3 to the indebtedness.

4 “(3) SURRENDER AND CANCELLATION OF
5 STOCK.—If any member’s membership in a Federal
6 home loan bank is terminated for any reason, the
7 capital stock in the bank owned by such member
8 shall be surrendered and canceled after the liquida-
9 tion of any indebtedness (of the member to the
10 bank) is completed pursuant to paragraph (2).

11 “(4) PAYMENT ON CANCELED STOCK.—

12 “(A) IN GENERAL.—Upon the surrender
13 and cancellation of any capital stock of a mem-
14 ber in a Federal home loan bank in accordance
15 with paragraph (3), the member shall be paid
16 an amount equal to the product of the number
17 of shares of stock canceled and the par value of
18 such stock.

19 “(B) WITHHOLDING OF PAYMENT IN CASE
20 OF UNDERCAPITALIZED BANK.—If the Finance
21 Board finds that a Federal home loan bank is
22 less than adequately capitalized, or would be
23 less than adequately capitalized if all the shares
24 of stock in such bank which are the subject of
25 pending applications for stock retirement and

1 notices of withdrawal were immediately de-
2 ducted from the bank's capital, the Finance
3 Board may order the bank to—

4 “(i) withhold the amount to be paid
5 required under subparagraph (A) with re-
6 spect to any stock for up to 12 months;
7 and

8 “(ii) in the case of a critically
9 undercapitalized bank (as defined by the
10 Finance Board in accordance with section
11 28), withhold a pro rata share of the
12 amount to be paid with respect to such
13 stock under subparagraph (A) equal to the
14 additional capital which members of the
15 bank are required to contribute to the
16 bank under a capital restoration plan im-
17 posed by the Finance Board in accordance
18 with section 28, until such capital restora-
19 tion plan has been terminated by the Fi-
20 nance Board.”.

21 (d) REDUCTION OF PERIOD REQUIRED BEFORE
22 WITHDRAWN MEMBER MAY RESUME MEMBERSHIP.—
23 Section 6(h) of the Federal Home Loan Bank Act (12
24 U.S.C. 1426(h)) is amended—

25 (1) by striking “10” and inserting “5”; and

1 (2) by inserting before the period at the end “,
2 except that any institution that withdrew from mem-
3 bership in any such bank before the date of the en-
4 actment of the Federal Home Loan Bank Mod-
5 ernization Act of 1995 may acquire membership in
6 a Federal Home Loan Bank at any time after such
7 date subject to the requirements of this Act.”

8 (e) ELIGIBILITY OF NON-QTL SAVINGS ASSOCIA-
9 TIONS TO OBTAIN NEW ADVANCES AND MAINTAIN AD-
10 VANCES.—Section 10(m)(3)(B) of the Home Owners’
11 Loan Act (12 U.S.C. 1467a(m)(3)(B)) is amended—

12 (1) in clause (i), by striking subclause (III) and
13 redesignating subclause (IV) as subclause (III); and

14 (2) in clause (ii), by striking subclause (II).

15 (f) VOLUNTARY MEMBERSHIP OF FEDERAL SAVINGS
16 ASSOCIATIONS.—Section 5(f) of the Home Owners’ Loan
17 Act (12 U.S.C. 1464(f)) is amended to read as follows:

18 “(f) VOLUNTARY MEMBERSHIP IN FEDERAL HOME
19 LOAN BANK.—Each Federal savings association may
20 qualify for membership in a Federal home loan bank in
21 the manner provided in the Federal Home Loan Bank
22 Act.”.

23 **SEC. 6. CAPITAL REQUIREMENTS.**

24 (a) ESTABLISHMENT OF CAPITAL REQUIREMENTS.—
25 The Federal Home Loan Bank Act (12 U.S.C. 1421 et

1 seq.) is amended by redesignating sections 28, 29, and 30
2 as sections 29, 30, and 31, respectively, and by inserting
3 after section 27 the following new section:

4 **“SEC. 28. BANK CAPITAL REQUIREMENTS.**

5 “(a) IN GENERAL.—

6 “(1) UNIFORM CAPITAL STANDARDS.—The Fi-
7 nance Board shall, by regulation, establish a uni-
8 form capital requirement for Federal home loan
9 banks which shall take into consideration interest
10 rate risk, credit risk, and all other risks and obliga-
11 tions associated with the operation of the banks.

12 “(2) MINIMUM TOTAL TANGIBLE CAPITAL RE-
13 QUIREMENT.—At a minimum, the regulations pre-
14 scribed by the Finance Board under paragraph (1)
15 shall require each Federal home loan bank to main-
16 tain total tangible capital in an amount which is
17 equal to or greater than the greater of—

18 “(A) the sum of—

19 “(i) 2.5 percent of the bank’s total as-
20 sets; and

21 “(ii) 0.45 percent of the bank’s net
22 off-balance sheet exposure; or

23 “(B) 10 percent of the bank’s risk-weight-
24 ed assets.

1 “(3) TOTAL TANGIBLE CAPITAL DEFINED.—
2 For purposes of this section, the term ‘total tangible
3 capital’ means capital stock and retained earnings.

4 “(b) CAPITAL CLASSIFICATIONS.—

5 “(1) IN GENERAL.—Before the end of the 120-
6 day period beginning on the date of the enactment
7 of the Federal Home Loan Bank System Moderniza-
8 tion Act of 1995, the Finance Board shall prescribe
9 standards for classifying the capital adequacy of
10 Federal home loan banks in accordance with the fol-
11 lowing capital categories:

12 “(A) Adequately capitalized.

13 “(B) Undercapitalized.

14 “(C) Significantly undercapitalized.

15 “(D) Critically undercapitalized.

16 “(2) MINIMUM REQUIREMENTS FOR ADE-
17 QUATELY CAPITALIZED CATEGORY.—Under the
18 standards established by the Finance Board under
19 paragraph (1) a bank may not be classified as ade-
20 quately capitalized unless the bank—

21 “(A) meets the minimum tangible capital
22 requirements referred to in subsection (a); and

23 “(B) maintains additional capital as may
24 be prescribed by the Finance Board to ensure
25 that the bank has sufficient capital to account

1 for the bank's exposure to interest-rate risk,
2 credit risk, and all other risks and obligations
3 associated with operating the bank.

4 “(3) QUARTERLY EVALUATION OF CAPITAL
5 ADEQUACY.—

6 “(A) IN GENERAL.—The Finance Board
7 shall

8 “(i) evaluate the capital adequacy of
9 each Federal home loan bank at least once
10 in each calendar quarter; and

11 “(ii) classify the capital adequacy of
12 the bank in accordance with the categories
13 established pursuant to paragraph (1).

14 “(B) JUDICIAL REVIEW.—For the purpose
15 of obtaining judicial review of—

16 “(i) any classification of the capital
17 adequacy of a Federal home loan bank
18 under subparagraph (A); or

19 “(ii) any action taken by the Finance
20 Board pursuant to such classification,
21 the classification, or the action taken pursuant
22 to a classification, shall be treated as a final
23 order of the Finance Board.

24 “(c) CAPITAL AND INCOME RESTORATION PLANS.—

1 “(1) IN GENERAL.—The Finance Board shall
2 prescribe regulations which require any Federal
3 home loan bank that is less than adequately capital-
4 ized to file an acceptable capital and income restora-
5 tion plan with the Finance Board.

6 “(2) CONTENTS OF PLAN.—A capital and in-
7 come restoration plan of a Federal home loan bank
8 shall demonstrate the actions the bank will take to
9 become adequately capitalized and to increase earn-
10 ings and the time frame within which such goals will
11 be achieved.

12 “(3) AUTHORITY TO PROHIBIT DISTRIBUTI-
13 ONS.—In addition to any other actions which the
14 Finance Board may take against an undercapitalized
15 Federal home loan bank which—

16 “(A) does not submit an acceptable capital
17 restoration plan; or

18 “(B) does not substantially comply with a
19 capital restoration plan that has been accepted
20 by the Finance Board,

21 the Finance Board may prohibit such Bank from
22 making any capital distribution until the bank is
23 adequately capitalized.

24 “(d) OWNERSHIP INTEREST IN CAPITAL.—

1 “(1) IN GENERAL.—Notwithstanding any provi-
2 sion of this Act or any other provision of law, each
3 Federal home loan bank and the members of each
4 bank shall have an ownership interest in, and a
5 property right in, the paid-in-capital and retained
6 earnings of the bank.

7 “(2) DESCRIPTION OF INTEREST.—The owner-
8 ship interests and property rights of members re-
9 ferred to in paragraph (1) with respect to a Federal
10 home loan bank shall be the same in all respects as
11 the ownership interest in, and property right in, the
12 paid-in-capital and retained earnings of a private
13 for-profit business corporation organized under the
14 laws of the State in which such bank is located.

15 “(3) SHARES TREATED AS EVIDENCE OF OWN-
16 ERSHIP INTEREST.—The shares of a Federal home
17 loan bank which are held by a member shall be
18 treated as evidence of ownership interest and prop-
19 erty right of the member with respect to the paid-
20 in-capital and retained earnings of such bank.”.

21 **SEC. 7. MANAGEMENT OF BANKS.**

22 Section 7 of the Federal Home Loan Bank Act (12
23 U.S.C. 1427) is amended to read as follows:

24 **“SEC. 7. MANAGEMENT OF BANKS.**

25 “(a) BOARD OF DIRECTORS.—

1 “(1) COMPOSITION OF BOARD.—Except as oth-
2 erwise provided in this section, the management of
3 each Federal home loan bank shall be vested in a
4 board of directors consisting of 14 directors selected
5 as follows:

6 “(A) 8 shall be elected by the members of
7 the bank as provided in paragraph (5).

8 “(B) 6 shall be appointed by the President
9 of the United States.

10 “(2) QUALIFICATIONS.—

11 “(A) IN GENERAL.—Each director of a
12 Federal home loan bank shall be a citizen of the
13 United States and a bona fide resident of the
14 district in which such bank is located.

15 “(B) DISQUALIFICATION.—An individual
16 who is an officer or director of a member that
17 fails to meet any applicable capital requirement
18 shall not be qualified to be a director on the
19 board of directors of a Federal home loan bank.

20 “(3) STATE REPRESENTATIONAL CRITERIA.—

21 “(A) IN GENERAL.—The number of elected
22 directors of a Federal home loan bank from
23 each State within the district of such bank shall
24 bear the same approximate relationship to the
25 total number of elected directors of such bank

1 as the total amount which the members of the
2 bank whose principal places of business are lo-
3 cated in such State are required to invest in
4 the stock of the bank under section 6(b) bears
5 to the total amount which all members of such
6 bank are required to invest in the bank under
7 such section.

8 “(B) TRANSITION PROVISION.—Notwith-
9 standing subparagraph (A), the composition of
10 the boards of directors of the 12 Federal home
11 loan banks immediately after the effective date
12 of the Federal Home Loan Bank System Mod-
13 ernization Act of 1995 shall be the same as the
14 composition of such boards of directors on Jan-
15 uary 1, 1995.

16 “(C) DISCRETIONARY INCREASE IN OVER-
17 ALL NUMBER OF DIRECTORS.—In order to en-
18 sure director representation on the board of di-
19 rectors of a Federal home loan bank consistent
20 with this paragraph, the board of directors of
21 the bank may—

22 “(i) increase the number of elected di-
23 rectors on the board of directors; and

24 “(ii) increase the number of appointed
25 directors to an amount not less than one-

1 half and not more than three-quarters of
2 the number of elected directors.

3 “(D) MANDATORY INCREASE TO ACHIEVE
4 MINIMUM STATE REPRESENTATION.—If, at any
5 time, the number of elected directors of a Fed-
6 eral home loan bank is less than the number of
7 States in the district of such bank, the board of
8 directors of the bank shall increase the number
9 of elected directors on such board of directors
10 to a number at least equal to the number of
11 States in such district.

12 “(E) MAXIMUM NUMBER FROM ANY
13 STATE.—Not more than 6 directors on the
14 board of directors of any Federal home loan
15 bank may be residents of the same State.

16 “(F) NO DECREASE IN STATE REPRESENTATION.—The number of elected directors on
17 the board of directors of any Federal home loan
18 bank from any State may not decrease below
19 the number of elected directors on the board of
20 directors from such State as of January 1,
21 1995.

22 “(4) CHAIRPERSON AND VICE CHAIRPERSON.—
23 The board of directors of each Federal home loan
24 bank shall elect—
25

1 “(A) 1 of the directors of the bank to be
2 the chairperson of the board of directors; and

3 “(B) 1 of the directors of the bank to be
4 vice chairperson of the board of directors.

5 “(5) PROVISIONS APPLICABLE TO APPOINTED
6 DIRECTORS.—

7 “(A) REPRESENTATIONAL REQUIRE-
8 MENT.—At least 2 of the directors of each Fed-
9 eral home loan bank who are appointed by the
10 President shall be appointed from among rep-
11 resentatives of organizations with more than a
12 2-year history of representing consumer or com-
13 munity interests on banking services, credit
14 needs, housing, or financial consumer protec-
15 tions.

16 “(B) CONFLICT OF INTEREST PROVI-
17 SION.—No director on the board of directors of
18 a Federal home loan bank who is appointed
19 pursuant to this subsection may, during such
20 director’s term of office—

21 “(i) serve as an officer of any Federal
22 home loan bank or as a director or officer
23 of any member of a bank; or

24 “(ii) hold shares, or any other finan-
25 cial interest in, any member of a bank.

1 “(6) PROVISIONS APPLICABLE TO ELECTED DI-
2 RECTORS.—

3 “(A) DESIGNATION OF STATE TO BE REP-
4 RESENTED.—Each position of elected director
5 on the board of directors of any Federal home
6 loan bank shall be designated by the board of
7 directors as a position to be filled by a director
8 representing the members of the bank whose
9 principal places of business are located in a
10 particular State.

11 “(B) QUALIFICATION.—Only officers and
12 directors of members whose principal places of
13 business are located in a State shall be qualified
14 to serve as a director representing such State.

15 “(C) NOMINATION OF DIRECTORS.—All
16 members (of a Federal home loan bank) whose
17 principal places of business are located in any
18 State may nominate any qualified individual for
19 election as a director representing such State.

20 “(D) VOTING PROCEDURE.—In any elec-
21 tion of a director of a Federal home loan bank,
22 each member whose principal place of business
23 is located in the State which such director rep-
24 resents may cast for such office a number of
25 votes equal to the lesser of—

1 “(i) the minimum number of shares of
2 the capital stock of such bank in which
3 such member is required, under section
4 6(b), to be invested as of the end of the
5 calendar year immediately preceding the
6 election, as determined by the board of di-
7 rectors of the Federal home loan bank; and

8 “(ii) the average of the minimum
9 number of shares of such stock in which all
10 members whose principal places of business
11 are located in such State are required,
12 under section 6(b), to be invested as of the
13 end of the calendar year immediately pre-
14 ceding the election, as so determined.

15 “(E) PLURALITY DECISION.—Each posi-
16 tion of elected director of a Federal home loan
17 bank shall be filled by the nominee, for such po-
18 sition, who receives a larger number of the
19 votes cast in an election held for the purpose of
20 filling such position than any other nominee.

21 “(7) TERMS.—

22 “(A) IN GENERAL.—The term of each di-
23 rector who is elected or appointed to the board
24 of directors of a Federal home loan bank after
25 the date of the enactment of the Federal Home

1 Loan Bank System Modernization Act of 1995
2 shall be 4 years.

3 “(B) TERM LIMIT.—No individual may
4 serve as a director on the board of directors of
5 a Federal home loan bank for more than 2 full
6 consecutive 4-year terms.

7 “(C) INTERIM APPOINTMENTS.—Any di-
8 rector appointed or elected to fill a vacancy oc-
9 curring before the expiration of the term for
10 which such director’s predecessor was appointed
11 or elected shall be appointed or elected only for
12 the remainder of such term.

13 “(D) CONTINUATION OF SERVICE.—Each
14 director of a Federal home loan bank may con-
15 tinue to serve after the expiration of the term
16 to which such director was appointed or elected
17 until a successor has been qualified.

18 “(8) VACANCIES.—

19 “(A) APPOINTED DIRECTOR.—Any vacancy
20 occurring in the position of appointed director
21 of a Federal home loan bank shall be filled in
22 the manner in which the original appointment
23 was made.

24 “(B) ELECTED DIRECTOR.—Any vacancy
25 occurring in the position of elected director of

1 a Federal home loan bank shall be filled by an
2 affirmative vote of a majority of the remaining
3 directors of such bank, without regard to
4 whether such remaining directors constitute a
5 quorum of the board of directors.

6 “(C) VACANCY AS A RESULT OF DISQUALI-
7 FICATION OF DIRECTOR.—

8 “(i) IN GENERAL.—If any director of
9 a Federal home loan bank ceases to meet
10 any qualification for such position—

11 “(I) the position shall imme-
12 diately become vacant by operation of
13 law; and

14 “(II) service by such director in
15 such position shall cease.

16 “(ii) CONTINUATION.—Notwithstand-
17 ing clause (i), an appointed director of a
18 Federal home loan bank whose position be-
19 came vacant pursuant to such clause may
20 continue to serve in such position until a
21 successor has been qualified.

22 “(9) REGULATIONS GOVERNING NOMINATIONS
23 AND ELECTIONS.—The bylaws of each Federal home
24 loan bank shall provide procedures for the nomina-

1 tion and election of directors on the board of direc-
2 tors of the bank.

3 “(10) DEFINITIONS.—For purposes of this sub-
4 section, the following definitions shall apply:

5 “(A) MEMBER.—The term ‘member’
6 means, with respect to any year, any institution
7 which is a member of a Federal home loan bank
8 and was a member of such bank at the end of
9 the immediately preceding calendar year.

10 “(B) STATE.—The term ‘State’ means any
11 State, the District of Columbia, and the Com-
12 monwealth of Puerto Rico.

13 “(b) POWERS OF BOARDS OF DIRECTORS.—The
14 board of directors of each Federal home loan bank shall
15 have all power necessary to exercise the responsibility of
16 such board with respect to such bank, including the follow-
17 ing powers:

18 “(1) Establish financial and other performance
19 targets.

20 “(2) Conduct studies of trends of home or other
21 property values, methods of appraisals, state and
22 Federal laws, regulations, policies, and procedures
23 relevant to the operations of the bank and the mem-
24 bers of the bank, and such other subjects as the
25 board of directors may consider to be useful for the

1 general guidance of the policies and operations of
2 the bank and institutions authorized to secure ad-
3 vances from the bank.

4 “(3) Establish credit policy and policy for man-
5 agement of the bank’s investments.

6 “(4) Establish policy regarding the bank’s in-
7 terest rate risk.

8 “(5) Determine dividends.

9 “(6) Establish policy regarding the documenta-
10 tion required for advances.

11 “(7) Establish policy regarding item processing
12 pricing.

13 “(8) Establish policy regarding the sale and
14 purchase of, and participations in, advances.

15 “(9) Establish policy regarding lending to mem-
16 bers that are insolvent or not in compliance with ap-
17 plicable capital requirements.

18 “(10) Establish policy regarding—

19 “(A) lending to and borrowing from the
20 Federal home loan banks; and

21 “(B) making deposits in and accepting de-
22 posits from such banks.

23 “(11) Establish policy regarding the community
24 investment program.

1 “(12) Establish policy regarding incentives for
2 community support by member institutions.

3 “(13) Establish policy regarding publication of
4 community support activities of member institutions.

5 “(14) Establish policy regarding the develop-
6 ment and implementation of the business plan of the
7 bank.

8 “(15) Approve the budget of the bank and
9 modifications to such budget.

10 “(16) Approve the bylaws of the bank and
11 modifications to such bylaws.

12 “(17) Establish the travel policy of the bank.

13 “(18) Determine the location of meetings of
14 boards of directors.

15 “(19) Determine the eligibility of individuals to
16 serve as directors and conduct elections of directors.

17 “(20) Establish policy regarding audit plans
18 and charters of the audit committee and audit direc-
19 tor of the bank and select independent accountants
20 to prepare the bank’s financial reports.

21 “(21) Establish policy regarding charitable do-
22 nations and membership in organizations.

23 “(22) Establish policy regarding mandatory re-
24 tirement of directors, officers and employees.

1 “(23) Establish policy regarding gold and gold-
2 related transactions.

3 “(24) Establish policy regarding indemnifica-
4 tion of directors, officers, employees, and agents.

5 “(25) Establish policy regarding the disaster re-
6 covery plan of the bank.

7 “(26) Establish the records retention policy of
8 the bank.

9 “(c) DUTIES OF DIRECTORS.—The board of directors
10 of each Federal home loan bank shall—

11 “(1) administer the affairs of the bank fairly
12 and impartially and without discrimination in favor
13 of or against any member borrower; and

14 “(2) subject to the provisions of this Act, ex-
15 tend to each institution authorized to secure ad-
16 vances such advances as may be made safely and
17 reasonably with due regard for—

18 “(A) the claims and demands of other in-
19 stitutions; and

20 “(B) the maintenance of adequate credit
21 standing for the bank and the bank’s obliga-
22 tions.”.

1 **SEC. 8. MODIFICATION OF ANNUAL CONTRIBUTION TO THE**
2 **RESOLUTION FUNDING CORPORATION.**

3 (a) FUNDING OF INTEREST PAYMENTS BY THE RES-
4 OLUTION FUNDING CORPORATION.—Subsection
5 21B(f)(2)(C) of the Federal Home Loan Bank Act (12
6 U.S.C. 1441b(f)(2)(C)) is amended to read as follows:

7 “(C) PAYMENTS BY FEDERAL HOME LOAN
8 BANKS.—

9 “(i) IN GENERAL.—To the extent the
10 amounts available pursuant to subpara-
11 graphs (A) and (B) are insufficient to
12 cover the amount of interest payments, the
13 Federal home loan banks shall pay to the
14 Funding Corporation each calendar year
15 \$300,000,000.

16 “(ii) INDIVIDUAL BANK SHARE.—
17 Each Federal home loan bank’s share of
18 the amount required to be paid under
19 clause (i) for any year shall be determined
20 by dividing—

21 “(I) the daily average minimum
22 level of tangible capital which such
23 bank was required to maintain in
24 order to comply with the bank’s mini-
25 mum capital requirement for the ade-
26 quately capitalized category estab-

1 lished pursuant to section 28(b)(2);
2 by

3 “(II) the sum of the daily aver-
4 age minimum levels of tangible capital
5 which all the banks were required to
6 maintain in order to comply with each
7 such bank’s minimum capital require-
8 ment for the adequately capitalized
9 category.”

10 (b) BANK CONTRIBUTIONS TO THE BANK’S AFFORD-
11 ABLE HOUSING PROGRAM.—

12 “(1) 1995.—Subsection 10(j)(5)(C) of the Fed-
13 eral Home Loan Bank Act (12 U.S.C.
14 1430(j)(5)(C)) is amended to read as follows:

15 “(C) In 1995, the greater of—

16 “(i) 10 percent of the net income of
17 the bank in the preceding year; or

18 “(ii) such prorated sum as the Fi-
19 nance Board may determine to be nec-
20 essary to assure that the aggregate con-
21 tribution of all the Federal home loan
22 banks shall not be less than \$100,000,000
23 for 1995.”

24 (c) 1996 AND SUBSEQUENT YEARS.—Subsection
25 10(j)(5) of the Federal Home Loan Bank Act (12 U.S.C.

1 1430(j)(5)) is amended by adding at the end the following
2 new subparagraph:

3 “(D) In 1996 and subsequent years, 10
4 percent of the net income of the bank in the
5 preceding year, as determined after deducting
6 the payment made by each Federal home loan
7 bank to the Funding Corporation under section
8 21B(f)(2)(C).”.

9 **SEC. 9. COMMUNITY SUPPORT REQUIREMENTS.**

10 Subsection (g) of section 10 of the Federal Home
11 Loan Bank Act (12 U.S.C. 1430(g)) is amended by adding
12 at the end the following new paragraph:

13 “(3) SAFE HARBOR FOR MEMBER’S RECEIVING
14 CRA RATINGS OF SATISFACTORY OR BETTER.—Not-
15 withstanding paragraphs (1) and (2), any member
16 which receives a rating of satisfactory or outstand-
17 ing pursuant to section 807 of the Community Rein-
18 vestment Act of 1977 in such member’s most recent
19 examination shall be treated as having satisfied the
20 requirements of such paragraphs.”.

21 **SEC. 10. TECHNICAL AND CONFORMING AMENDMENTS.**

22 (a) SECTION 9.—Section 9 of the Federal Home
23 Loan Bank Act (12 U.S.C. 1429) is amended—

24 (1) in the 2d sentence, by striking “with the
25 approval of the Board”; and

1 (2) in the 3d sentence, by striking “, subject to
2 the approval of the Board,”.

3 (b) SECTION 10.—

4 (1) Subsection (a) of section 10 of the Federal
5 Home Loan Bank Act (12 U.S.C. 1430(a)) is
6 amended—

7 (A) in the 1st sentence before paragraph
8 (1), by striking “or section 11(g) of this Act”;

9 (B) in the 2d sentence before paragraph
10 (1), by striking “housing finance” and inserting
11 “mortgage assets”;

12 (C) in the 2d sentence of paragraph (5),
13 by striking “and the Board”; and

14 (D) in the last sentence of paragraph (5),
15 by striking “Board” and inserting “bank”.

16 (2) The last sentence of section 10(b) of the
17 Federal Home Loan Bank Act (12 U.S.C. 1430(b))
18 is amended by striking “Board” and inserting
19 “bank”.

20 (3) Section 10(c) of the Federal Home Loan
21 Bank Act (12 U.S.C. 1430(c)) is amended—

22 (A) in the 1st sentence, by striking
23 “Board” and inserting “bank”; and

24 (B) by striking the 2d sentence.

1 (4) The last sentence of section 10(d) of the
2 Federal Home Loan Bank Act (12 U.S.C. 1430(d))
3 is amended by striking “Subject to the approval of
4 the Board, any” and inserting “Any”.

5 (5) Section 10 of the Federal Home Loan Bank
6 Act (12 U.S.C. 1430) is amended by striking the 1st
7 of the 2 subsections designated as subsection (e).

8 (c) SECTION 10b.—Subsection (a) of section 10b of
9 the Federal Home Loan Bank Act (12 U.S.C. 1430b) is
10 amended—

11 (1) by striking “Board” and inserting “bank”;
12 and

13 (2) by inserting “home” before “mortgage
14 loan”.

15 (d) SECTION 11.—

16 (1) Subsection (a) of section 11 of the Federal
17 Home Loan Bank Act (12 U.S.C. 1431(a)) is
18 amended—

19 (A) by striking “(a) Each Federal Home
20 Loan Bank” and inserting “(a) BORROWING
21 AUTHORITY.—

22 “(1) IN GENERAL.—Each Federal home loan
23 bank”;

24 (B) by striking “, subject to rules and reg-
25 ulations prescribed by the Board”;

1 (C) by striking “Board” and inserting
2 “board of directors of the bank”; and

3 (D) by adding at the end the following new
4 paragraph:

5 “(2) BORROWING THROUGH THE OFFICE OF FI-
6 NANCE CORPORATION ONLY.—Notwithstanding
7 paragraph (1), all notes, bonds, and debentures is-
8 sued by any Federal home loan bank shall be issued
9 through the Office of Finance Corporation.”

10 (2) Subsection (b) of section 11 of the Federal
11 Home Loan Bank Act (12 U.S.C. 1431(b)) is
12 amended to read as follows:

13 “(b) ISSUANCE OF FEDERAL HOME LOAN BANK
14 BONDS.—

15 “(1) IN GENERAL.—Effective as of the date the
16 Finance Board transfers the functions of the Office
17 of Finance to the Office of Finance Corporation pur-
18 suant to section 4(a)(3), the Office of Finance Cor-
19 poration may issue consolidated Federal home loan
20 bank bonds and other consolidated obligations on be-
21 half of the banks.

22 “(2) JOINT AND SEVERAL OBLIGATION; TERMS
23 AND CONDITIONS.—Consolidated obligations issued
24 by the Office of Finance Corporation under para-
25 graph (1) shall—

1 “(A) be the joint and several obligations of
2 all the Federal home loan banks; and

3 “(B) shall be issued upon such terms and
4 conditions as shall be established by the Office
5 of Finance Corporation.”.

6 (3) Section 11 of the Federal Home Loan Bank
7 Act (12 U.S.C. 1431) is amended by striking sub-
8 sections (c) and (d) and by redesignating subsections
9 (e), (f), (g), (h), (i), (j) and (k) as subsections (c),
10 (d), (e), (f), (g), (h) and (i), respectively.

11 (4) Subsection (d) of section 11 of the Federal
12 Home Loan Bank Act (as so redesignated by para-
13 graph (3)) is amended to read as follows:

14 “(d) REDISCOUNT OF NOTES HELD BY OTHER
15 BANKS; PURCHASE OF BONDS OF OTHER BANKS.—The
16 Federal home loan banks may—

17 “(1) rediscount the discounted notes of mem-
18 bers held by other Federal home loan banks;

19 “(2) make loans to, or make deposits with,
20 other Federal home loan banks; or

21 “(3) purchase any bonds or debentures issued
22 under this section.”.

23 (e) REPEAL OF SECTIONS 2A AND 2B.—The Federal
24 Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amend-
25 ed by striking sections 2A and 2B.

1 **SEC. 11. INCORPORATION OF BANKS; CORPORATE POWERS.**

2 Section 12 of the Federal Home Loan Bank Act is
3 amended to read as follows:

4 **“SEC. 12. INCORPORATION OF BANKS; CORPORATE POW-**
5 **ERS.**

6 “(a) ORGANIZATIONAL CERTIFICATES.—

7 “(1) CUSTODIANSHIP.—The Finance Board
8 shall be the custodian of the organizational certifi-
9 cates of the Federal home loan banks previously
10 filed with the Federal Home Loan Bank Board (as
11 in existence before the end of the 60-day period be-
12 ginning on the date of the enactment of the Finan-
13 cial Institutions Reform, Recovery, and Enforcement
14 Act of 1989) or the Finance Board.

15 “(2) REPLACEMENT OF LOST OR DESTROYED
16 CERTIFICATE.—If the organizational certificate of a
17 Federal home loan bank is lost or destroyed, the
18 board of directors of the bank shall provide the Fi-
19 nance Board with a substitute certificate containing
20 such information as the Finance Board may require.

21 “(3) AMENDMENT IN CASE OF MERGER, COM-
22 BINATION, OR CONSOLIDATION.—If 2 or more Fed-
23 eral home loan banks merge, combine, or otherwise
24 consolidate, the resulting bank shall provide the Fi-
25 nance Board with an amended organizational certifi-

1 cate containing such information as the Finance
2 Board may require.

3 “(b) CORPORATE STATUS.—Each Federal home loan
4 bank shall be a corporation.

5 “(c) POWERS.—Each Federal home loan bank shall
6 have the following powers:

7 “(1) To adopt, alter, and use a corporate seal.

8 “(2) To make contracts.

9 “(3) To purchase or lease and hold or dispose
10 of such real estate as may be necessary or conven-
11 ient for the transaction of the business of the bank.

12 “(4) To sue and be sued, to complain, and to
13 defend, in any court of competent jurisdiction.

14 “(5) To select, employ, and fix the compensa-
15 tion of such officers, employees, attorneys, and
16 agents as the board of directors determines to be
17 necessary for the transaction of the business of the
18 bank.

19 “(6) To define the duties of, and require bonds
20 of, officers, employees, attorneys, and agents of the
21 bank and fix the penalties of any such bonds.

22 “(7) To dismiss at pleasure officers, employees,
23 attorneys, and agents of the bank.

24 “(8) By the board of directors, to prescribe,
25 amend, and repeal bylaws and policies governing the

1 manner in which the affairs of the bank may be ad-
2 ministered.

3 “(9) Such incidental powers as are not incon-
4 sistent with the provisions of this Act and are cus-
5 tomary and usual in corporations generally.

6 “(d) PROHIBITION ON EXCESSIVE COMPENSATION.—

7 “(1) IN GENERAL.—The Finance Board shall
8 prohibit the Federal home loan banks from provid-
9 ing compensation to any employee of the bank that
10 is not reasonable and comparable with compensation
11 for employment in other similar businesses (includ-
12 ing other financial institutions or major financial
13 services companies) involving similar duties and re-
14 sponsibilities.

15 “(2) LIMITATION ON FINANCE BOARD’S AU-
16 THORITY TO SET COMPENSATION.—In carrying out
17 paragraph (1), the Finance Board may not prescribe
18 or set a specific level or range of compensation.”.

19 **SEC. 12. LIQUIDATION OR REORGANIZATION.**

20 Section 25 of the Federal Home Loan Bank Act (12
21 U.S.C. 1445) is amended by striking “the Board under
22 this Act” and inserting “operation of law”.

1 **SEC. 13. DEFINITIONS.**

2 (a) FINANCE BOARD DEFINED.—Paragraph (1) of
3 section 2 of the Federal Home Loan Bank Act (12 U.S.C.
4 1422(1)) is amended to read as follows:

5 “(1) FINANCE BOARD.—The term ‘Finance
6 Board’ means the Federal Housing Finance Board
7 established under section 3.”

8 “(b) HOME MORTGAGE LOAN DEFINED.—Section 2
9 of the Federal Home Loan Bank Act (12 U.S.C. 1422)
10 is amended by striking paragraphs (5) and (6) and insert-
11 ing the following new paragraph:

12 “(5) HOME MORTGAGE LOAN.—

13 “(A) IN GENERAL.—The term ‘home mort-
14 gage loan’ means a loan made by a member or
15 a nonmember borrower upon the security of—

16 “(i) a mortgage, deed of trust or other
17 security arrangement upon qualified real
18 estate, in fee simple; or

19 “(ii) on a qualified leasehold—

20 “(I) under a lease which has a
21 period to maturity of not less than 99
22 years and is renewable; or

23 “(II) under a lease having a pe-
24 riod of not less than 50 years to run
25 from the date the mortgage, deed of

1 trust, or other security arrangement
2 was executed.

3 “(B) CERTAIN LOANS INCLUDED.—The
4 term ‘home mortgage loan’ includes—

5 “(i) such classes of first liens as are
6 commonly given to secure advances on real
7 estate, under the laws of the State in
8 which the real estate is located, by institu-
9 tions authorized under this Act to become
10 members of a Federal home loan bank;
11 and

12 “(ii) the credit instruments, if any, se-
13 cured by such liens.

14 “(C) QUALIFIED REAL ESTATE; QUALIFIED
15 LEASEHOLD.—The terms ‘qualified real estate’
16 and ‘qualified leasehold’ mean real estate upon
17 which is located, or which comprises or in-
18 cludes, 1 or more homes or other dwelling
19 units.

20 “(D) DEFINITION OF FURTHER TERMS.—
21 The Finance Board may define any term used
22 in this paragraph.”.

23 (c) RESIDENTIAL MORTGAGE ASSETS DEFINED.—
24 Section 2 of the Federal Home Loan Bank Act (12 U.S.C.
25 1422) is amended—

1 (1) by redesignating paragraphs (7), (8), (9),
2 (10), (11), and (12) as paragraphs (6), (7), (8), (9),
3 (10), (11), respectively; and

4 (2) by adding at the end the following new
5 paragraph:

6 “(12) RESIDENTIAL MORTGAGE ASSETS.—The
7 term ‘residential mortgage asset’—

8 “(A) means a home mortgage, deed of
9 trust, or other security arrangement upon real
10 estate that is solely residential; and

11 “(B) includes any mortgage pass-through
12 security or mortgage debt security representing
13 an interest in, or which is collateralized by, a
14 home mortgage loan.”

15 (d) REGULATED FINANCIAL INSTITUTION DE-
16 FINED.—Section 2 of the Federal Home Loan Bank Act
17 (12 U.S.C. 1422) is amended by adding after paragraph
18 (12) (as added by subsection (c) of this section) the follow-
19 ing new paragraph:

20 “(13) REGULATED FINANCIAL INSTITUTION.—

21 The term ‘regulated financial institution’ means—

22 “(A) any insured depository institution;
23 and

24 “(B) any building and loan association,
25 saving and loan association, cooperative bank,

1 homestead association, or savings bank which is
2 duly organized under the laws of any state or
3 of the United States.”.

4 (e) CAPITAL DISTRIBUTION DEFINED.—Section 2 of
5 the Federal Home Loan Bank Act (12 U.S.C. 1422) is
6 amended by adding after paragraph (13) (as added by
7 subsection (d) of this section) the following new para-
8 graph:

9 “(14) CAPITAL DISTRIBUTION.—The term ‘cap-
10 ital distribution’ means—

11 “(A) any dividend or other distribution in
12 cash or other property made with respect to any
13 shares of, or other ownership interest in, a Fed-
14 eral home loan bank, other than a dividend con-
15 sisting only of shares of any such bank;

16 “(B) any payment in cash or other prop-
17 erty made by a Federal home loan bank to re-
18 purchase, redeem, retire, or otherwise acquire
19 any of the shares of the bank, including any ex-
20 tension of credit made to finance an acquisition
21 by a bank of such shares; and

22 “(C) any transaction that the Finance
23 Board determines by regulation to be, in sub-
24 stance, a distribution of capital of a Federal
25 home loan bank.”.

1 **SEC. 14. EFFECTIVE DATE.**

2 Except as otherwise expressly provided in this Act,
3 this Act and the amendments made by this Act shall take
4 effect on the first January 1 which occurs after the date
5 of the enactment of this Act.

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