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News Release

# FHFA Proposes Revisions to Federal Home Loan Bank Membership Eligibility Requirements

FOR IMMEDIATE RELEASE

9/2/2014

**Washington, DC** – The Federal Housing Finance Agency (FHFA) today proposed a rule that would revise the requirements for financial institutions to apply for and retain membership in one of the 12 Federal Home Loan Banks (Banks). The proposed rule would revise FHFA’s existing Bank membership regulation to ensure that members maintain a commitment to housing finance and that only eligible entities can gain access to Bank advances and the benefits of membership.

FHFA Director Mel Watt in May delivered a [speech](#) before the Federal Home Loan Bank Director’s Conference where he described a number of issues, including ensuring that the Banks remain focused on their housing finance mission.

The proposed rule would:

- Establish a new quantitative test requiring all members to hold one percent of their assets in home mortgage loans (HML) and to do so on an ongoing basis. Currently, applicants for membership need only demonstrate a nominal amount of HML on their balance sheet at the time of their application, but not thereafter.
- Require certain members that are subject to the 10 percent residential mortgage loans (RML) requirement to adhere to this requirement on an ongoing basis. Currently, these members are subject to the 10 percent RML requirement only when they initially apply for membership in a Bank, but not thereafter.
- Define “insurance company” to mean a company that has as its primary business the underwriting of insurance for nonaffiliated persons. This would continue to include traditional insurance companies but would effectively exclude captive insurers from membership and prevent entities not eligible for membership from gaining access to Bank advances through a captive insurer. Membership of existing captive insurers would be “sunset” over five years with defined limits on advances.
- Clarify the standards by which an insurance company’s “principal place of business” is to be identified in determining the appropriate Bank district for membership.

Interested parties are invited to submit comments on this proposed rule within 60 days after the rule is published in the Federal Register. Comments should be submitted to the Federal Housing Finance Agency, Division of Bank Regulation, 400 7th Street, S.W., Washington, DC 20024 or via [FHFA.gov](#).

[Link to proposed rule](#) [Note: the proposed rule will also be published in the Federal Register].

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.6 trillion in funding for the U.S. mortgage markets and financial institutions.

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# FHFA

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