
SENATE BILL 5400

State of Washington

67th Legislature

2021 Regular Session

By Senator Mullet

1 AN ACT Relating to federal home loan bank rights regarding
2 collateral pledged by insurer members; and adding a new section to
3 chapter 48.31 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.31
6 RCW to read as follows:

7 (1) The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

9 (a) "Federal home loan bank" means a federal home loan bank
10 established under the federal home loan bank act, 12 U.S.C. Sec.
11 1421, et seq.

12 (b) "Insurer member" means an insurer who is a member of a
13 federal home loan bank.

14 (2) Notwithstanding any other provision to the contrary, no
15 federal home loan bank shall be stayed, enjoined, or prohibited from
16 exercising its rights regarding collateral pledged by an insurer
17 member.

18 (3) If a federal home loan bank exercises its rights regarding
19 collateral pledged by an insurer member who is subject to a
20 delinquency proceeding, the federal home loan bank shall repurchase
21 any outstanding capital stock that is in excess of that amount of

1 federal home loan bank stock that the insurer member is required to
2 hold as a minimum investment, to the extent the federal home loan
3 bank in good faith determines the repurchase to be permissible under
4 applicable laws, regulations, regulatory obligations, and the federal
5 home loan bank's capital plan, and consistent with the federal home
6 loan bank's current capital stock practices applicable to its entire
7 membership.

8 (4) Following the appointment of a receiver for an insurer
9 member, the federal home loan bank shall, within 10 business days
10 after a request from a receiver, provide a process and establish a
11 timeline for the following:

12 (a) The release of collateral that exceeds the amount required to
13 support secured obligations remaining after the repayment of loans as
14 determined in accordance with the applicable agreements between the
15 federal home loan bank and the insurer member;

16 (b) The release of any of the insurer member's collateral
17 remaining in the federal home loan bank's possession following
18 repayment of all outstanding secured obligations of the insurer
19 member in full;

20 (c) The payment of fees owed by the insurer member and the
21 operation of deposits and other accounts of the insurer member with
22 the federal home loan bank; and

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

26 (5) Upon request from a receiver, the federal home loan bank
27 shall provide any available options for an insurer member subject to
28 a delinquency proceeding to renew or restructure a loan to defer
29 associated prepayment fees, subject to market conditions, the terms
30 of any loans outstanding to the insurer member, the applicable
31 policies of the federal home loan bank, and the federal home loan
32 bank's compliance with federal laws and regulations.

33 (6) Notwithstanding any other provision of law to the contrary,
34 the receiver for an insurer member shall not void any transfer of, or
35 any obligation to transfer, money or any other property arising under
36 or in connection with any federal home loan bank security agreement,
37 or any pledge, security, collateral, or guarantee agreement, or any
38 other similar arrangement or credit enhancement relating to a federal
39 home loan bank security agreement made in the ordinary course of
40 business and in compliance with the applicable federal home loan bank

1 agreement. However, a transfer may be avoided under this subsection
2 if the transfer was made with intent to hinder, delay, or defraud the
3 insurer member, the receiver for the insurer member, or existing or
4 future creditors. This subsection shall not affect a receiver's
5 rights regarding advances to an insurer member in delinquency
6 proceedings under 12 C.F.R. Part 1266.4.

7 (7) The provisions of RCW 48.31.040, 48.31.050, 48.31.060, and
8 48.31.200 do not apply to a federal home loan bank exercising its
9 rights regarding collateral pledged by an insurer member.

--- END ---