

## REGULATIONS

Pub. L. 110-289, div. A, title I, §1142(b), July 30, 2008, 122 Stat. 2732, provided that: “Not later than the expiration of the 180-day period beginning on the date of enactment of this Act [July 30, 2008], the Director of the Federal Housing Finance Agency shall issue regulations to carry out section 1364(b) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [12 U.S.C. 4614(b)] (as added by this section), relating to capital classifications for the Federal Home Loan Banks.”

**§ 4615. Supervisory actions applicable to undercapitalized regulated entities**

**(a) Mandatory actions**

**(1) Required monitoring**

The Director shall—

(A) closely monitor the condition of any undercapitalized regulated entity;

(B) closely monitor compliance with the capital restoration plan, restrictions, and requirements imposed on an undercapitalized regulated entity under this section; and

(C) periodically review the plan, restrictions, and requirements applicable to an undercapitalized regulated entity to determine whether the plan, restrictions, and requirements are achieving the purpose of this section.

**(2) Capital restoration plan**

A regulated entity that is classified as undercapitalized shall, within the time period provided in section 4622(b) and (d) of this title, submit to the Director a capital restoration plan that complies with section 4622 of this title and carry out the plan after approval.

**(3) Restriction on capital distributions**

A regulated entity that is classified as undercapitalized may not make any capital distribution that would result in the regulated entity being reclassified as significantly undercapitalized or critically undercapitalized.

**(4) Restriction of asset growth**

An undercapitalized regulated entity shall not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding calendar quarter, unless—

(A) the Director has accepted the capital restoration plan of the regulated entity;

(B) any increase in total assets is consistent with the capital restoration plan; and

(C) the ratio of tangible equity to assets of the regulated entity increases during the calendar quarter at a rate sufficient to enable the regulated entity to become adequately capitalized within a reasonable time.

**(5) Prior approval of acquisitions and new activities**

An undercapitalized regulated entity shall not, directly or indirectly, acquire any interest in any entity or engage in any new activity, unless—

(A) the Director has accepted the capital restoration plan of the regulated entity, the regulated entity is implementing the plan,

and the Director determines that the proposed action is consistent with and will further the achievement of the plan; or

(B) the Director determines that the proposed action will further the purpose of this subchapter.

**(b) Reclassification from undercapitalized to significantly undercapitalized**

The Director shall reclassify as significantly undercapitalized a regulated entity that is classified as undercapitalized (and the regulated entity shall be subject to the provisions of section 4616 of this title) if—

(1) the regulated entity does not submit a capital restoration plan that is substantially in compliance with section 4622 of this title within the applicable period or the Director does not approve the capital restoration plan submitted by the regulated entity; or

(2) the Director determines that the regulated entity has failed to comply with the capital restoration plan and fulfill the schedule for the plan approved by the Director in any material respect.

**(c) Other discretionary safeguards**

The Director may take, with respect to an undercapitalized regulated entity, any of the actions authorized to be taken under section 4616 of this title with respect to a significantly undercapitalized regulated entity, if the Director determines that such actions are necessary to carry out the purpose of this subchapter.

(Pub. L. 102-550, title XIII, §1365, Oct. 28, 1992, 106 Stat. 3978; Pub. L. 110-289, div. A, title I, §1143, July 30, 2008, 122 Stat. 2732.)

## AMENDMENTS

2008—Subsec. (a)(1). Pub. L. 110-289, §1143(4)(B), added par. (1). Former par. (1) redesignated (2).

Pub. L. 110-289, §1143(2), substituted “A regulated entity” for “An enterprise”.

Subsec. (a)(2). Pub. L. 110-289, §1143(4)(A), redesignated par. (1) as (2). Former par. (2) redesignated (3).

Pub. L. 110-289, §1143(1), (2), substituted “the regulated entity” for “the enterprise” and “A regulated entity” for “An enterprise”.

Subsec. (a)(3). Pub. L. 110-289, §1143(4)(A), redesignated par. (2) as (3).

Subsec. (a)(4), (5). Pub. L. 110-289, §1143(4)(C), added pars. (4) and (5).

Subsec. (b). Pub. L. 110-289, §1143(5)(A), (B), substituted “Reclassification” for “Discretionary reclassification” in heading and “shall” for “may” in introductory provisions.

Pub. L. 110-289, §1143(1), (3), substituted “a regulated entity” for “an enterprise” and “the regulated entity” for “the enterprise” in introductory provisions.

Subsec. (b)(1). Pub. L. 110-289, §1143(1), substituted “the regulated entity” for “the enterprise” in two places.

Subsec. (b)(2). Pub. L. 110-289, §1143(5)(C), struck out “make, in good faith, reasonable efforts necessary to” before “comply with” and inserted “in any material respect” before period at end.

Pub. L. 110-289, §1143(1), substituted “the regulated entity” for “the enterprise”.

Subsec. (c). Pub. L. 110-289, §1143(6), added subsec. (c) and struck out former subsec. (c). Prior to amendment, text read as follows: “This section shall take effect upon the expiration of the 1-year period beginning on the date of the effectiveness of the regulations issued under section 4611(e) of this title establishing the risk-based capital test.”

**§ 4616. Supervisory actions applicable to significantly undercapitalized regulated entities**

**(a) Mandatory supervisory actions**

**(1) Capital restoration plan**

A regulated entity that is classified as significantly undercapitalized shall, within the time period under section 4622(b) and (d) of this title, submit to the Director a capital restoration plan that complies with section 4622 of this title and carry out the plan after approval.

**(2) Restrictions on capital distributions**

**(A) Prior approval**

A regulated entity that is classified as significantly undercapitalized may not make any capital distribution that would result in the regulated entity being reclassified as critically undercapitalized. A regulated entity that is classified as significantly undercapitalized may not make any other capital distribution unless the Director approves the distribution.

**(B) Standard for approval**

The Director may approve a capital distribution by a regulated entity classified as significantly undercapitalized only if the Director determines that the distribution (i) will enhance the ability of the regulated entity to meet the risk-based capital level and the minimum capital level for the regulated entity promptly, (ii) will contribute to the long-term financial safety and soundness of the regulated entity, or (iii) is otherwise in the public interest.

**(b) Specific actions**

In addition to any other actions taken by the Director (including actions under subsection (a) of this section), the Director shall carry out this section by taking, at any time, 1 or more of the following actions with respect to a regulated entity that is classified as significantly undercapitalized:

**(1) Limitation on increase in obligations**

Limit any increase in, or order the reduction of, any obligations of the regulated entity, including off-balance sheet obligations.

**(2) Limitation on growth**

Limit or prohibit the growth of the assets of the regulated entity or require contraction of the assets of the regulated entity.

**(3) Acquisition of new capital**

Require the regulated entity to acquire new capital in a form and amount determined by the Director.

**(4) Restriction of activities**

Require the regulated entity to terminate, reduce, or modify any activity that the Director determines creates excessive risk to the regulated entity.

**(5) Improvement of management**

Take 1 or more of the following actions:

**(A) New election of board**

Order a new election for the board of directors of the regulated entity.

**(B) Dismissal of directors or executive officers**

Require the regulated entity to dismiss from office any director or executive officer who had held office for more than 180 days immediately before the date on which the regulated entity became undercapitalized. Dismissal under this subparagraph shall not be construed to be a removal pursuant to the enforcement powers of the Director under section 4636a of this title.

**(C) Employ qualified executive officers**

Require the regulated entity to employ qualified executive officers (who, if the Director so specifies, shall be subject to approval by the Director).

**(6) Reclassification from significantly to critically undercapitalized**

The Director may reclassify as critically undercapitalized a regulated entity that is classified as significantly undercapitalized (and the regulated entity shall be subject to the provisions of section 4617 of this title) if—

(A) the regulated entity does not submit a capital restoration plan that is substantially in compliance with section 4622 of this title within the applicable period or the Director does not approve the capital restoration plan submitted by the regulated entity; or

(B) the Director determines that the regulated entity has failed to make, in good faith, reasonable efforts necessary to comply with the capital restoration plan and fulfill the schedule for the plan approved by the Director.

**(7) Other action**

Require the regulated entity to take any other action that the Director determines will better carry out the purpose of this section than any of the other actions specified in this subsection.

**(c) Restriction on compensation of executive officers**

A regulated entity that is classified as significantly undercapitalized in accordance with section 4614 of this title may not, without prior written approval by the Director—

(1) pay any bonus to any executive officer; or

(2) provide compensation to any executive officer at a rate exceeding the average rate of compensation of that officer (excluding bonuses, stock options, and profit sharing) during the 12 calendar months preceding the calendar month in which the regulated entity became significantly undercapitalized.

(Pub. L. 102-550, title XIII, §1366, Oct. 28, 1992, 106 Stat. 3978; Pub. L. 110-289, div. A, title I, §1144, July 30, 2008, 122 Stat. 2733.)

AMENDMENTS

2008—Subsec. (a)(1). Pub. L. 110-289, §1144(3), substituted “A regulated entity” for “An enterprise”.

Subsec. (a)(2)(A). Pub. L. 110-289, §1144(1)–(3), substituted “A regulated entity” for “An enterprise” in two places, “the regulated entity” for “the enterprise”, and, in second sentence, “undercapitalized” for “undercapitalized enterprise”.

Subsec. (a)(2)(B). Pub. L. 110-289, §1144(2), (4), substituted “a regulated entity” for “an enterprise” and