

(Pub. L. 110-289, div. A, title II, §1208, July 30, 2008, 122 Stat. 2788.)

#### REFERENCES IN TEXT

The Trust Indenture Act of 1939, referred to in subsec. (a)(4), is title III of act May 27, 1933, ch. 38, as added Aug. 3, 1939, ch. 411, 53 Stat. 1149, which is classified generally to subchapter III (§77aaa et seq.) of chapter 2A of Title 15, Commerce and Trade. For complete classification of this Act to the Code, see section 77aaa of Title 15 and Tables.

#### CODIFICATION

Section was enacted as part of the Housing and Economic Recovery Act of 2008, and also as part of the Federal Housing Finance Regulatory Reform Act of 2008, and not as part of the Federal Home Loan Bank Act which comprises this chapter.

### § 1427. Directors

#### (a) Number; election; qualifications; conflicts of interest

##### (1) In general

Subject to paragraphs (2) through (4), the management of each Federal Home Loan Bank shall be vested in a board of 13 directors, or such other number as the Director determines appropriate.

##### (2) Board makeup

The board of directors of each Bank shall be comprised of—

(A) member directors, who shall comprise at least the majority of the members of the board of directors; and

(B) independent directors, who shall comprise not fewer than  $\frac{2}{3}$  of the members of the board of directors.

##### (3) Selection criteria

###### (A) In general

Each member of the board of directors shall be—

(i) elected by plurality vote of the members, in accordance with procedures established under this section; and

(ii) a citizen of the United States.

###### (B) Independent director criteria

###### (i) In general

Each independent director that is not a public interest director under clause (ii) shall have demonstrated knowledge of, or experience in, financial management, auditing and accounting, risk management practices, derivatives, project development, or organizational management, or such other knowledge or expertise as the Director may provide by regulation.

###### (ii) Public interest

Not fewer than 2 of the independent directors shall have more than 4 years of experience in representing consumer or community interests on banking services, credit needs, housing, or financial consumer protections.

###### (iii) Conflicts of interest

No independent director may, during the term of service on the board of directors, serve as an officer of any Federal Home

Loan Bank or as a director, officer, or employee of any member of a Bank, or of any person that receives advances from a Bank.

#### (4) Definitions

For purposes of this section, the following definitions shall apply:

##### (A) Independent director

The terms “independent director” and “independent directorship” mean a member of the board of directors of a Federal Home Loan Bank who is a bona fide resident of the district in which the Federal Home Loan Bank is located, or the directorship held by such a person, respectively.

##### (B) Member director

The terms “member director” and “member directorship” mean a member of the board of directors of a Federal Home Loan Bank who is an officer or director of a member institution that is located in the district in which the Federal Home Loan Bank is located, or the directorship held by such a person, respectively.

#### (b) Directorships

##### (1) Member directorships

Each member directorship shall be designated by the Director as representing the members located in a particular State, and shall be filled by a person who is an officer or director of a member located in that State, each of which members shall be entitled to nominate an eligible person for such directorship, and such office shall be filled from such nominees by a plurality of the votes which such members may cast in an election held for the purpose of filling such office, in which election each such member may cast for such office a number of votes equal to the number of shares of stock in such bank required by this chapter to be held by such member at the end of the calendar year next preceding the election, as determined pursuant to regulation of the Director, but not in excess of the average number of shares of stock in such bank required by this chapter to be held at the end of such calendar year by the respective members of such bank located in such State, as so determined. No person who is an officer or director of a member that fails to meet any applicable capital requirement is eligible to hold the office of Federal Home Loan Bank director. As used in this subsection and in subsection (c) of this section, the term “member” means a member of a Federal home loan bank which was a member of such bank at the end of such calendar year.

##### (2) Independent directorships

###### (A) Elections

Each independent director—

(i) shall be elected by the members entitled to vote, from among eligible persons nominated, after consultation with the Advisory Council of the Bank, by the board of directors of the Bank; and

(ii) shall be elected by a plurality of the votes of the members of the Bank at large,

with each member having the number of votes for each such directorship as it has under paragraph (1) in an election to fill member directorships.

**(B) Criteria**

Nominees shall meet all applicable requirements prescribed in this section.

**(C) Nomination and election procedures**

Procedures for nomination and election of independent directors shall be prescribed by the bylaws of each Federal Home Loan Bank, in a manner consistent with the rules and regulations of the Agency.

**(c) Apportionment among States in bank district; designation of State location**

The number of member directorships designated as representing the members located in each separate State in a bank district shall be determined by the Director in the approximate ratio of the percentage of the required stock, as determined pursuant to regulation of the Director, of the members located in that State at the end of the calendar year next preceding the date of the election to the total required stock, as so determined, of all members of such bank at the end of such year, except that in the case of each State such number shall not be less than one and shall not be more than six. Notwithstanding any other provision of this section, (A) except as provided in clause (B) of this sentence, if at any time the number of member directorships so designated as representing the members located in any State would not be at least equal to the total number of elective directorships which, on December 31, 1960, were filled by officers or directors of members whose principal places of business were located in such State, the Director shall add to the board of directors of the bank of the district in which such State is located such number of member directorships, and shall so designate the directorship or directorships thus added, that the number of member directorships designated as representing the members located in such State will equal said total number, and (B) clause (A) of this sentence shall not apply to the directorships of any Federal Home Loan Bank resulting from the merger of any 2 or more such Banks. Any member directorship so added shall exist only until the expiration of its first term. The Director shall, with respect to each member of a Federal home loan bank, designate the State in the district of such bank in which such member shall, for the purposes of this subsection and subsection (b) of this section, be deemed to be located, and may from time to time change any such designation, but if the principal place of business of any such member is located in a State of such district it shall be the duty of the Director to designate such State as the State in which such member shall, for said purposes, be deemed to be located. As used in the second sentence of this subsection, the term "total number of elective directorships" means the total number of elective directorships on the board of directors of the bank of the district in which such State was located on December 31, 1960, and the term "members" where used for the second time in such sentence means members of such bank.

**(d) Terms; rules and regulations governing nominations and elections**

The term of each director shall be 4 years. The board of directors of each Federal home loan bank and the Director shall adjust the terms of members first elected after July 30, 2008, to ensure that the terms of the members of the board of directors are staggered with approximately  $\frac{1}{4}$  of the terms expiring each year. If any person, before or after, or partly before and partly after, September 8, 1961, has been elected to each of three consecutive full terms as a director of a Federal home loan bank and has served for all or part of each of said terms, such person shall not be eligible for election to a directorship of such bank for a term which begins earlier than two years after the expiration of the last expiring of said three terms. The Director is authorized to prescribe such rules and regulations as it may deem necessary or appropriate for the nomination and election of directors of Federal home loan banks, including, without limitation on the generality of the foregoing, rules and regulations with respect to the breaking of ties and with respect to the inclusion of more than one directorship on a single ballot and the methods of voting and of determining the results of voting in such cases.

**(e) Continuation of existing terms; directorship for the Commonwealth of Puerto Rico**

Each term, outstanding on the effective date of the amendment to this section abolishing the division of elective directors into classes, of an elective or appointive directorship then existing shall continue until its original date of expiration, and any elective or appointive directorship in existence on said date shall continue to exist to the same extent as if it had been established by or under this section on or after said date. The Director in its<sup>1</sup> discretion may shorten the next succeeding term of any such elective directorship to one year, and may fill such term by appointment. The term "States" or "State" as used in this section shall mean the States of the Union, the District of Columbia, and the Commonwealth of Puerto Rico. The Director, by regulation or otherwise, may add an additional elective directorship to the board of directors of the bank of any district in which the Commonwealth of Puerto Rico is included at the time such directorship is added and which does not then include five or more States, may fix the commencement and the duration, which shall not exceed two years, of the initial term of any directorship so added, and may fill any such initial term by appointment: *Provided*, That (1) any directorship added pursuant to the foregoing provisions of this sentence shall be designated by the Director, pursuant to subsection (b) of this section, as representing the members located in the Commonwealth of Puerto Rico, (2) such designation of such directorship shall not be changed, and (3) such directorship shall automatically cease to exist if and when the Commonwealth of Puerto Rico ceases to be included in such district.

<sup>1</sup> So in original.

**(f) Vacancies****(1) In general**

A Bank director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

**(2) Election process**

In the event of a vacancy in any Bank directorship, such vacancy shall be filled by an affirmative vote of a majority of the remaining Bank directors, regardless of whether such remaining Bank directors constitute a quorum of the Bank's board of directors. A Bank director so elected shall satisfy the requirements for eligibility which were applicable to his predecessor. If any Bank director shall cease to have any qualification set forth in this section, the office held by such person shall immediately become vacant, and such person shall not continue to act as a Bank director.

**(g) Chairperson and Vice Chairperson****(1) Election**

The Chairperson and Vice Chairperson of the board of directors of each Federal home loan bank shall be elected by a majority of all the directors of such bank from among the directors of the bank.

**(2) Terms**

The term of office of the Chairperson and the Vice Chairperson of the board of directors of a Federal home loan bank shall be 2 years.

**(3) Acting Chairperson**

In the event of a vacancy in the position of Chairperson of the board of directors or during the absence or disability of the Chairperson, the Vice Chairperson shall act as Chairperson.

**(4) Procedures**

The board of directors of each Federal home loan bank shall establish procedures, in the bylaws of such board, for designating an acting chairperson for any period during which the Chairperson and the Vice Chairperson are not available to carry out the requirements of that position for any reason and removing any person from any such position for good cause.

**(h) Appointment where members hold less than \$1,000,000 of capital stock**

If at any time when nominations are required members shall hold less than \$1,000,000 of the capital stock of the Federal home loan bank, the Director shall appoint a director or directors to fill the place or places for which such nominations are required, and the Director may, prior to the filing of the certificate mentioned in section 1432 of this title, appoint directors who shall be respectively designated by it as appointive directors and as member directors, in accordance with the provisions of this section.

**(i) Directors' compensation****(1) In general**

Each bank may pay its directors reasonable compensation for the time required of them, and their necessary expenses, in the performance of their duties, in accordance with the resolutions adopted by such directors, subject to the approval of the board.

**(2) Annual report**

The Director shall include, in the annual report submitted to the Congress pursuant to section 4521 of this title, information regarding the compensation and expenses paid by the Federal Home Loan Banks to the directors on the boards of directors of the Banks.

**(j) Duties of directors**

Such board of directors shall administer the affairs of the bank fairly and impartially and without discrimination in favor of or against any member, and shall, subject to the provisions hereof, extend to each institution authorized to secure advances such advances as may be made safely and reasonably with due regard for the claims and demands of other institutions, and with due regard to the maintenance of adequate credit standing for the Federal Home Loan Bank and its obligations.

**(k) Indemnification of directors, officers, and employees**

The board of directors of each Bank shall determine the terms and conditions under which such Bank may indemnify its directors, officers, employees or agents.

**(l)<sup>2</sup> Withholding of compensation**

Notwithstanding any other provision of this section, a Federal Home Loan Bank shall not transfer, disburse, or pay compensation to any executive officer, or enter into an agreement with such executive officer, without the approval of the Director, for matters being reviewed under section 4518 of this title.

**(l)<sup>2</sup> Transition rule**

Any member of the board of directors of a Bank elected or appointed in accordance with this section prior to July 30, 2008, may continue to serve as a member of that board of directors for the remainder of the existing term of service.

(July 22, 1932, ch. 522, §7, 47 Stat. 730; May 28, 1935, ch. 150, §3, 49 Stat. 294; Aug. 11, 1955, ch. 783, title I, §109(a)(2), 69 Stat. 640; Pub. L. 86-349, §§1, 2, Sept. 22, 1959, 73 Stat. 625; Pub. L. 87-211, §1, Sept. 8, 1961, 75 Stat. 486; Pub. L. 87-676, Sept. 19, 1962, 76 Stat. 559; Pub. L. 93-541, §3, Dec. 26, 1974, 88 Stat. 1739; Pub. L. 101-73, title VII, §§707, 710(b)(4), Aug. 9, 1989, 103 Stat. 417, 418; Pub. L. 106-102, title VI, §606(a), (b), Nov. 12, 1999, 113 Stat. 1452, 1453; Pub. L. 110-289, div. A, title I, §1113(b)(3), title II, §§1202, 1204(8)-(10), July 30, 2008, 122 Stat. 2678, 2783, 2786.)

## REFERENCES IN TEXT

The effective date of the amendment to this section, referred to in subsec. (e), probably means the effective date of Pub. L. 87-211. See Effective Date of 1961 Amendment note below.

## CODIFICATION

Section 1202(2) of Pub. L. 110-289, which directed amendment of this section by substituting "member" for "elective" wherever appearing other than in subsecs. (d), (e), and (f), was executed by making the substitution in subsec. (h) but not in subsecs. (b) and (c) to reflect the probable intent of Congress and subsequent amendment by Pub. L. 110-289, §1202(3)(A), (4)(A). See 2008 Amendment notes below.

<sup>2</sup> So in original. Two subsecs. (l) have been enacted.

## AMENDMENTS

2008—Subsec. (a). Pub. L. 110-289, § 1202(1), added subsec. (a) and struck out former subsec. (a) which related to number, appointment and election, qualifications, and conflicts of interest of Federal Home Loan Bank directors.

Subsec. (b). Pub. L. 110-289, § 1202(3), designated existing provisions as par. (1), inserted subsec. (b) and par. (1) headings, substituted “Each member directorship” for “Each elective directorship”, and added par. (2).

Pub. L. 110-289, § 1202(2), which directed substitution of “member” for “elective” wherever appearing, was not executed in subsec. (b) because of subsequent amendment by Pub. L. 110-289, § 1202(3)(A). See Amendment and Codification notes above.

Subsec. (b)(1). Pub. L. 110-289, § 1204(8), substituted “the Director” for “the Board” in two places.

Subsec. (c). Pub. L. 110-289, § 1204(8), (9), substituted “the Director” for “the Board” wherever appearing and “The Director” for “The Board”.

Pub. L. 110-289, § 1202(4)(B), in second sentence, inserted “(A) except as provided in clause (B) of this sentence,” before “if at any time” and “, and (B) clause (A) of this sentence shall not apply to the directorships of any Federal Home Loan Bank resulting from the merger of any 2 or more such Banks” before period at end.

Pub. L. 110-289, § 1202(4)(A), substituted “member” for “elective” wherever appearing before “directorship” or “directorships”, except second place appearing in second sentence and each place appearing in fifth sentence.

Pub. L. 110-289, § 1202(2), which directed substitution of “member” for “elective” wherever appearing, was not executed in subsec. (c) because of subsequent amendment by Pub. L. 110-289, § 1202(4)(A). See Amendment and Codification notes above.

Subsec. (d). Pub. L. 110-289, § 1204(9), (10), substituted “the Director” for “the Finance Board” and “The Director” for “The Board”.

Pub. L. 110-289, § 1202(5), in first sentence, struck out “, whether elected or appointed,” after “each director” and substituted “4 years” for “3 years”, in second sentence, struck out “or appointed” after “first elected” and substituted “July 30, 2008” for “November 12, 1999” and “¼” for “½”, and in third sentence, substituted “a” for “an elective” after “full terms as” and after “for election to” and struck out “in any elective directorship or elective directorships” after “Federal home loan bank”.

Subsec. (e). Pub. L. 110-289, § 1204(8), (9), substituted “The Director” for “The Board” in two places and “the Director” for “the Board”.

Subsec. (f)(1). Pub. L. 110-289, § 1202(6)(B), struck out “appointed or” before “elected” in two places.

Subsec. (f)(2), (3). Pub. L. 110-289, § 1202(6)(A), (C), redesignated par. (3) as (2), substituted “Election process” for “Elected bank directors” in heading, struck out “elective” after “in any” and after “If any” in text, and struck out former par. (2). Prior to amendment, text of par. (2) read as follows: “In the event of a vacancy in any appointive Bank directorship, such vacancy shall be filled through appointment by the Board for the unexpired term. If any appointive Bank director shall cease to have the qualifications set forth in subsection (a) of this section, the office held by such person shall immediately become vacant, but such person may continue to act as a Bank director until his or her successor assumes the vacated office or the term of such office expires, whichever occurs first.”

Subsec. (h). Pub. L. 110-290, § 1204(8), substituted “the Director” for “the Board” in two places.

Pub. L. 110-289, § 1202(2), substituted “member” for “elective”.

Subsec. (i). Pub. L. 110-289, § 1202(7), substituted “Each” for “Subject to paragraph (2), each” in par. (1), added par. (2), and struck out former par. (2) which related to limitations on compensation of members of the board of directors of a Federal home loan bank.

Subsec. (l). Pub. L. 110-289, § 1202(8), added subsec. (l) relating to transition rule.

Pub. L. 110-289, § 1113(b), added subsec. (l) relating to withholding of compensation.

1999—Subsec. (a). Pub. L. 106-102, § 606(a)(1), substituted “, and each of whom shall be either a bona fide resident of the district in which such bank is located or an officer or director of a member of such bank located in that district” for “and bona fide residents of the district in which such bank is located”.

Subsec. (d). Pub. L. 106-102, § 606(a)(2), substituted “The term of each director, whether elected or appointed, shall be 3 years. The board of directors of each Federal home loan bank and the Finance Board shall adjust the terms of members first elected or appointed after November 12, 1999, to ensure that the terms of the members of the board of directors are staggered with approximately ⅓ of the terms expiring each year.” for “The term of each elective directorship shall be two years and the term of each appointive directorship shall be four years.”

Subsec. (g). Pub. L. 106-102, § 606(a)(3), added subsec. (g) and struck out former subsec. (g) which read as follows: “The Board shall designate one of the directors of each bank to be chairman, and one to be vice chairman, of the board of directors of such bank.”

Subsec. (i). Pub. L. 106-102, § 606(b), inserted heading, designated existing provisions as par. (1), inserted heading, substituted “Subject to paragraph (2), each bank may pay its directors” for “Each bank may pay its directors”, and added par. (2).

1989—Subsec. (a). Pub. L. 101-73, § 707(1), inserted provisions relating to requirements for at least 2 of the directors and provisions respecting conflicts of interests, and substituted provisions relating to appointment under section 1422a of this title for provisions relating to appointment under section 1437(b) of this title.

Subsec. (b). Pub. L. 101-73, § 707(2), inserted after first sentence “No person who is an officer or director of a member that fails to meet any applicable capital requirement is eligible to hold the office of Federal Home Loan Bank director.”

Subsec. (f). Pub. L. 101-73, § 707(3), amended subsec. (f) generally. Prior to amendment, subsec. (f) read as follows: “In the event of a vacancy in any appointive or elective directorship, such vacancy shall be filled through appointment by the Board for the unexpired term: *Provided*, That if any director shall cease to have the qualifications set forth in subsection (a) of this section, or if any elective director shall cease to have any qualification set forth in this section, the office held by such director shall immediately become vacant, but such director may continue to act as such director until his successor assumes the vacated office or the term of such office expires, whichever shall first occur.”

Subsec. (j). Pub. L. 101-73, § 710(b)(4), struck out “or nonmember borrower” after “against any member”.

Subsec. (k). Pub. L. 101-73, § 707(4), added subsec. (k).

1974—Subsec. (a). Pub. L. 93-541 increased number of directors from twelve to fourteen, increased number of appointive directors from four to six, and in proviso relating to districts including five or more States, substituted provisions authorizing increase of appointive directors to a number not exceeding three-fourths the number of elective directors for provisions authorizing increase of appointive directors to a number not exceeding one-half the number of elective directors.

1962—Subsec. (e). Pub. L. 87-676 included Commonwealth of Puerto Rico within term “States” or “State”, and authorized Board to add an additional elective directorship to board of bank of any district in which Commonwealth of Puerto Rico is included at time such directorship is added and which doesn’t include five or more States, and to fill such initial term by appointment, provided, that any such added directorship shall be designated as representing members in Commonwealth of Puerto Rico, that such designation shall not be changed, and that such directorship shall cease to exist if and when Commonwealth of Puerto Rico ceases to be included in such district.

1961—Subsec. (a). Pub. L. 87-211 authorized Board to increase appointive directors in any district which includes five or more States to a number not exceeding one-half number of elective directors, directed Board to exercise its authority to increase the elective directors to a number at least equal to number of States in a district whenever number of elective directors in district is not at least equal to number of States in district, and struck out provisions which related to apportionment of additional elective directors, required at least one but not more than three elective directors from any of the States in any district in which number of elective directors is increased, limited number of elective directors in any one district to not more than eleven, and defined term "States". See subsec. (c) of this section.

Subsec. (b). Pub. L. 87-211 amended subsection generally, substituting provisions relating to designation of elective directorships, nominations for such office, manner of election, and voting power of each member, for provisions which required four directors to be appointed by Board, limited their term of office to four years, and which authorized Board to increase total number of appointive directors to not more than one-half total number of elective directors in cases where number of elective directors has been increased. See subsec. (a) of this section.

Subsec. (c). Pub. L. 87-211 required number of elective directorships designated as representing members located in each separate State in a bank district to be determined by Board in approximate ratio of percentage of required stock of members located in that State at end of calendar year next preceding date of election to total required stock of all members of such bank at end of such year, except that in case of each State such number shall not be less than one and not more than six, directed Board, in cases where number of elective directorships in any State would not be at least equal to total number of elective directorships in such State on Dec. 31, 1960, to add such number of elective directorships so that their number will equal such total number, provided that an elective directorship so added shall exist only until expiration of its first term, authorized designation of State location of each member, defined terms "total number of elective directorships" and "members", and struck out provisions which related to election of two directors from each of classes A, B, and C and limited their term of office to two years. See subsec. (d) of this section.

Subsec. (d). Pub. L. 87-211 established term of each elective directorship at two years and of each appointive directorship at four years, restricted eligibility for election of persons elected to each of three consecutive full terms and who have served for all or part of each of said terms, empowered Board to prescribe rules and regulations for nomination and election of directors, and struck out provisions which required two directors to be elected by members of bank without regard to classes and limited their term of office to two years.

Subsec. (e). Pub. L. 87-211 amended subsection generally, substituting provisions permitting continuation of terms of elective and appointive directorships, empowering Board to shorten next succeeding term of any elective directorship to one year and to fill such term by appointment, defining terms "States" and "State", for provisions which required the Board to divide members of each bank into either group A, B, or C, permitted each member to nominate persons for election as directors of class corresponding to group to which member belongs, and limited each member to one vote for each director in its class.

Subsec. (f). Pub. L. 87-211 substituted "In the event of a vacancy in any appointive or elective directorship, such vacancy shall be filled through appointment by the Board for the unexpired term" for "Any director appointed or elected as provided in this section to fill a vacancy shall hold office only until the expiration of the term of his predecessor", and inserted proviso stating that if any director ceases to have the qualifications set forth in this section his office shall imme-

diately become vacant but permits him to act as such director until his successor assumes the vacated office or the term of his office expires, whichever first occurs.

Subsec. (g). Pub. L. 87-211 reenacted subsec. (g) without change.

Subsec. (h). Pub. L. 87-211 authorized Board, prior to filing of the certificate mentioned in section 1432 of this title, to appoint directors and required Board to designate appointees as either appointive or elective directors, and struck out provisions which permitted directors appointed under this subsection to serve until expiration of the calendar year during which they took office.

1959—Subsec. (a). Pub. L. 86-349, §1, authorized increase of up to 13 in number of elective directors of bank having district which includes five or more States.

Subsec. (b). Pub. L. 86-349, §2, authorized increase in number of appointive directors of up to one-half number of elective directors in district in which number of elective directors were increased pursuant to subsec. (a), and provided for expiration of term of initial incumbent of any office so established.

1955—Subsec. (a). Act Aug. 11, 1955, authorized an increase in number of elective directors of any Federal Home Loan Bank having a district which includes five or more States.

1935—Act May 28, 1935, amended subsecs. (a) to (c) generally, added subsec. (d), and redesignated former subsecs. (d) to (i) as (e) to (j).

#### EFFECTIVE DATE OF 1961 AMENDMENT

Pub. L. 87-211, §2, Sept. 8, 1961, 75 Stat. 488, provided that: "The amendment made by this Act [amending this section] shall take effect on the second day of the first calendar year which begins after the date of enactment of this Act [Sept. 8, 1961]."

#### EFFECTIVE DATE OF 1935 AMENDMENT

Act May 28, 1935, ch. 150, §3, 49 Stat. 294, provided that the amendment made by that section is effective Jan. 1, 1936.

### § 1428. Examination of State laws, regulations, and procedures; studies of values, etc.

The Director shall cause to be made from time to time examinations of the laws of the various States of the United States and the regulations and procedure thereunder governing conditions under which institutions of the kinds which may become members or nonmember borrowers under this chapter are permitted to be formed or to do business, or relating to the conveying or recording of land titles, or to homestead and other rights, or to the enforcement of the rights of holders of mortgages on lands securing loans, or otherwise. If any such examination shall indicate, in the opinion of the Director, that under the laws of any such State or the regulations or procedure thereunder there would be inadequate protection to a Federal Home Loan Bank in making or collecting advances under this chapter, the Director may withhold or limit the operation of any Federal Home Loan Bank in such State until satisfactory conditions of law, regulation, or procedure shall be established. In any State where State examination of members or nonmember borrowers is deemed inadequate for the purposes of the Federal Home Loan Banks, the Director shall establish such examination, all or part of the cost of which may be considered as part of the cost of making advances in such State. The banks and/or the Director may make studies of trends of home and other property values, methods of appraisals, and other