

**(D) Protection for certain Federal home loan bank advances**

Notwithstanding any State law to the contrary, if a Bank makes an advance under section 1430 of this title to a State-chartered credit union that is not federally insured—

- (i) the Bank's interest in any collateral securing such advance has the same priority and is afforded the same standing and rights that the security interest would have had if the advance had been made to a federally insured credit union; and
- (ii) the Bank has the same right to access such collateral that the Bank would have had if the advance had been made to a federally insured credit union.

**(b) Location requirement**

An institution eligible to become a member under this section may become a member only of, or secure advances from, the Federal Home Loan Bank of the district in which is located the institution's principal place of business, or of the bank of a district adjoining such district, if demanded by convenience and then only with the approval of the Director.

**(c) Inspection and regulation requirements**

Notwithstanding the provisions of clause (2) of subsection (a) of this section requiring inspection and regulation under law as a condition with respect to eligibility for membership, any building and loan association which would be eligible to become a member of a Federal Home Loan Bank except for the fact that it is not subject to inspection and regulation under the banking laws or similar laws of the State in which such association is organized shall, upon subjecting itself to such inspection and regulation as the Director shall prescribe, be eligible to become a member.

(July 22, 1932, ch. 522, § 4, 47 Stat. 726; June 13, 1933, ch. 64, § 3, 48 Stat. 129; Pub. L. 101-73, title VII, §§ 701(b)(1), (3)(A), 704(a), 710(b)(1), Aug. 9, 1989, 103 Stat. 412, 415, 418; Pub. L. 106-102, title VI, § 605, Nov. 12, 1999, 113 Stat. 1452; Pub. L. 110-289, div. A, title II, §§ 1204(8), 1206, July 30, 2008, 122 Stat. 2786, 2787; Pub. L. 114-94, div. G, title LXXXII, § 82001(a), Dec. 4, 2015, 129 Stat. 1795.)

## REFERENCES IN TEXT

The Community Development Banking and Financial Institutions Act of 1994, referred to in subsec. (a)(1)(B), is subtitle A (§§ 101-121) of title I of Pub. L. 103-325, Sept. 23, 1994, 108 Stat. 2163, which is classified principally to subchapter I (§ 4701 et seq.) of chapter 47 of this title. For complete classification of subtitle A to the Code, see Short Title note set out under section 4701 of this title and Tables.

Section 461 of this title, referred to in subsec. (a)(1)(C), was in the original "section 19 of the Federal Reserve Act". Definition provisions of section 19 are classified to section 461 of this title. Other provisions of section 19 are classified to sections 142, 371b, 371b-1, 374, 374a, 463 to 466, 505, and 506 of this title.

## AMENDMENTS

2015—Subsec. (a)(5). Pub. L. 114-94 added par. (5).

2008—Subsec. (a)(1). Pub. L. 110-289, § 1206(1), which directed insertion of "community development financial institution," after "savings bank," was executed by making the insertion after "savings bank," the first time appearing.

Subsec. (a)(1)(B). Pub. L. 110-289, § 1206(2), which directed insertion of "or, in the case of a community development financial institution, is certified as a community development financial institution under the Community Development Banking and Financial Institutions Act of 1994," after "United States," was executed by making the insertion after "United States" to reflect the probable intent of Congress.

Subsecs. (a)(1)(C), (3), (b), (c). Pub. L. 110-289, § 1204(8), substituted "the Director" for "the Board" wherever appearing.

1999—Subsec. (a)(2) to (4). Pub. L. 106-102 inserted "(other than a community financial institution)" after "institution" in par. (2)(A), designated concluding provisions of par. (2) as par. (3), inserted heading and substituted "paragraph (2)" for "preceding sentence", and added par. (4).

1989—Subsec. (a). Pub. L. 101-73, § 704(a), amended subsec. (a) generally. Prior to amendment, subsec. (a) read as follows: "Any building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, or savings bank shall be eligible to become a member of, or a nonmember borrower of, a Federal Home Loan Bank if such institution (1) is duly organized under the laws of any State or of the United States; (2) is subject to inspection and regulation under the banking laws, or under similar laws, of the State or of the United States; and (3) makes such home mortgage loans as in the judgment of the board, are long-term loans (and in the case of a savings bank if, in the judgment of the board, its time deposits, as defined in section 461 of this title, warrant its making such loans). No institution shall be eligible to become a member of, or a nonmember borrower of, a Federal Home Loan Bank if, in the judgment of the board, its financial condition is such that advances may not safely be made to such institution or the character of its management or its home-financing policy is inconsistent with sound and economical home financing, or with the purposes of this chapter."

Subsec. (b). Pub. L. 101-73, § 710(b)(1), struck out "or a nonmember borrower" after "eligible to become a member".

Pub. L. 101-73, § 701(b)(1), (3)(A), substituted "Board" for "board".

Subsec. (c). Pub. L. 101-73, § 701(b)(1), (3)(A), substituted "Board" for "board".

1933—Subsec. (d). Act June 13, 1933, struck out subsec. (d) which provided for direct loans to homeowners. See chapter 12 (§ 1461 et seq.) of this title.

**§§ 1425 to 1425b. Repealed. Pub. L. 101-73, title VII, §§ 705, 716, 720, Aug. 9, 1989, 103 Stat. 416, 421, 423**

Section 1425, acts July 22, 1932, ch. 522, § 5, 47 Stat. 727; Dec. 24, 1969, Pub. L. 91-152, title IV, § 416(a), 83 Stat. 401, related to limitation on lawful contract rate of interest receivable by members and nonmember borrowers, and applicability to home mortgage loans on single-family dwellings.

Section 1425a, act July 22, 1932, ch. 522, § 5A, as added June 27, 1950, ch. 369, § 1, 64 Stat. 256; amended Aug. 11, 1955, ch. 783, title I, § 109(a)(3), 69 Stat. 640; Sept. 21, 1968, Pub. L. 90-505, § 4, 82 Stat. 856; Mar. 31, 1980, Pub. L. 96-221, title I, § 104(b), title IV, § 405, 94 Stat. 139, 158; Oct. 8, 1980, Pub. L. 96-399, title III, § 325(a), 94 Stat. 1648; Oct. 15, 1982, Pub. L. 97-320, title III, § 332, 96 Stat. 1504; Oct. 17, 1984, Pub. L. 98-479, title II, § 207, 98 Stat. 2235, related to liquidity requirements for savings and loan associations and other members.

Section 1425b, act July 22, 1932, ch. 522, § 5B, as added Sept. 21, 1966, Pub. L. 89-597, § 4, 80 Stat. 824; amended Sept. 21, 1968, Pub. L. 90-505, § 2(c), 82 Stat. 856; Dec. 23, 1969, Pub. L. 91-151, § 2(b), 83 Stat. 372; Oct. 29, 1974, Pub. L. 93-501, title I, § 103, title III, § 303, 88 Stat. 1558, 1560; Nov. 5, 1979, Pub. L. 96-104, title II, § 203, 93 Stat. 793; Dec. 28, 1979, Pub. L. 96-161, title II, § 210, 93 Stat. 1239; Mar. 31, 1980, Pub. L. 96-221, title II, § 207(b)(7)-(9), title V, § 529, 94 Stat. 144, 168, related to rate of interest pay-

able on deposits, shares or withdrawable accounts by members, insured institutions and other nonmember financial institutions.

**§ 1426. Capital structure of Federal home loan banks**

**(a) Regulations**

**(1) Capital standards**

Not later than 18 months after November 12, 1999, the Director shall issue regulations prescribing uniform capital standards applicable to each Federal home loan bank, which shall require each such bank to meet—

(A) the leverage requirement specified in paragraph (2); and

(B) the risk-based capital requirements, in accordance with paragraph (3).

**(2) Leverage requirement**

**(A) In general**

The leverage requirement shall require each Federal home loan bank to maintain a minimum amount of total capital based on the total assets of the bank and shall be 5 percent.

**(B) Treatment of stock and retained earnings**

In determining compliance with the minimum leverage ratio established under subparagraph (A), the paid-in value of the outstanding Class B stock and the amount of retained earnings shall be multiplied by 1.5, and such higher amounts shall be deemed to be capital for purposes of meeting the 5 percent minimum leverage ratio, except that a Federal home loan bank's total capital (determined without taking into account any such multiplier) shall not be less than 4 percent of the total assets of the bank.

**(3) Risk-based capital standards**

**(A) Risk-based capital standards**

The Director shall, by regulation, establish risk-based capital standards for the Federal Home Loan Banks to ensure that the Federal Home Loan Banks operate in a safe and sound manner, with sufficient permanent capital and reserves to support the risks that arise in the operations and management of the Federal Home Loans Banks.

**(B) Consideration of other risk-based standards**

In establishing the risk-based standard under subparagraph (A), the Director shall take due consideration of any risk-based capital test established pursuant to section 1361 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4611) for the enterprises (as defined in that Act [12 U.S.C. 4501 et seq.]), with such modifications as the Director determines to be appropriate to reflect differences in operations between the Federal home loan banks and those enterprises.

**(4) Other regulatory requirements**

The regulations issued by the Director under paragraph (1) shall—

(A) permit each Federal home loan bank to issue, with such rights, terms, and pref-

erences, not inconsistent with this chapter and the regulations issued hereunder, as the board of directors of that bank may approve, any 1 or more of—

(i) Class A stock, which shall be redeemable in cash and at par 6 months following submission by a member of a written notice of its intent to redeem such shares; and

(ii) Class B stock, which shall be redeemable in cash and at par 5 years following submission by a member of a written notice of its intent to redeem such shares;

(B) provide that the stock of a Federal home loan bank may be issued to and held by only members of the bank, and that a bank may not issue any stock other than as provided in this section;

(C) prescribe the manner in which stock of a Federal home loan bank may be sold, transferred, redeemed, or repurchased; and

(D) provide the manner of disposition of outstanding stock held by, and the liquidation of any claims of the Federal home loan bank against, an institution that ceases to be a member of the bank, through merger or otherwise, or that provides notice of intention to withdraw from membership in the bank.

**(5) Definitions of capital**

For purposes of determining compliance with the capital standards established under this subsection—

(A) permanent capital of a Federal home loan bank shall include—

(i) the amounts paid for the Class B stock; and

(ii) the retained earnings of the bank (as determined in accordance with generally accepted accounting principles); and

(B) total capital of a Federal home loan bank shall include—

(i) permanent capital;

(ii) the amounts paid for the Class A stock;

(iii) consistent with generally accepted accounting principles, and subject to the regulation of the Director, a general allowance for losses, which may not include any reserves or allowances made or held against specific assets; and

(iv) any other amounts from sources available to absorb losses incurred by the bank that the Director determines by regulation to be appropriate to include in determining total capital.

**(6) Transition period**

Notwithstanding any other provision of this chapter, the requirements relating to purchase and retention of capital stock of a Federal home loan bank by any member thereof in effect on the day before November 12, 1999, shall continue in effect with respect to each Federal home loan bank until the regulations required by this subsection have taken effect and the capital structure plan required by subsection (b) has been approved by the Director and implemented by such bank.