



HF 3108 addresses a gap in Minnesota’s treatment of collateral securing a federally-chartered home loan bank (FHLB) when lending to a Minnesota-based insurance company.

This consensus legislation has been negotiated with the MN Dept of Commerce which is not opposed to the bill in its current form. We are not aware of any objections to the bill, including from the insurance industry.

HF 3108 clarifies the respective rights of the State of MN and a FHLB when it becomes necessary for the state to appoint a receiver to oversee a delinquency proceeding involving an insurance company. The bill gives the receiver seven (7) days to impose a stay on collateral otherwise pledged to support a loan from a FHLB to an insurance company customer. Thereafter, a FHLB can pursue whatever remedies are necessary to protect its security interest in the insurance company’s assets that were pledged to the FHLB.

HF 3108 also will require a FHLB bank to repurchase any outstanding FHLB capital stock owned by the insurance company to the extent it exceeds minimum membership requirements.

HF 3108 specifies a process to be followed by a FHLB after receiving a request from the receiver, which includes release of any insurance company collateral following satisfaction of the FHLB outstanding loan amount. Alternatively, a FHLB can be required to offer options for the insurance company borrower to restructure outstanding debt just as in a traditional bankruptcy proceeding.