[DISCUSSION DRAFT]

119TH CONGRESS
2D SESSION

H. R. ____

To amend the Federal Home Loan Bank Act to clarify capital requirements for the Federal Home Loan Banks.

IN THE HOUSE OF REPRESENTATIVES

M__. ____________ introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To amend the Federal Home Loan Bank Act to clarify capital requirements for the Federal Home Loan Banks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Federal Home Loan Bank Capital Clarification Act of 2026’’.

SEC. 2. AMENDMENTS TO CAPITAL STRUCTURE PROVISIONS.

Section 6 of the Federal Home Loan Bank Act (12 U.S.C. 1426) is amended—

(1) in subsection (a)—

(A) in paragraph (2), by adding at the end the following:

"(C) CERTAIN RISK-FREE ASSETS NOT INCLUDED IN TOTAL ASSETS.—For purposes of this paragraph, the term 'total assets' does not include risk-free assets held to satisfy applicable liquidity requirements, including—

"(i) book-value holdings of obligations of the United States Treasury; and

"(ii) such other substantially similar assets as the Director may determine by regulation or order.

"(D) LIMITATION.—For purposes of this paragraph, the minimum amount of total capital required may not exceed 5 percent of the total assets of the bank.";

(B) in paragraph (5)—

(i) in subparagraph (A)(ii), by striking the "and" at the end;

(ii) in subparagraph (B), by striking clause (iv) and inserting the following:

"(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; and''; and

(iii) by adding at the end the following new subparagraphs:

''(C) all capital of a Federal home loan bank, without exception, shall be considered available to absorb losses of the bank.''; and

(C) by adding at the end the following:

''(7) TREATMENT OF TOTAL CAPITAL AMOUNTS.—For purposes of this subsection, all amounts included in total capital under paragraph (5)(B) shall be deemed—

''(A) available to absorb losses incurred by the bank; and

''(B) available to satisfy compliance with—

''(i) the leverage requirement under paragraph (2);

''(ii) the minimum amount of total capital under paragraph (2)(B); and

''(iii) the risk-based capital requirements under paragraph (3).

''(8) TREATMENT OF ALL CAPITAL AMOUNTS.—For purposes of paragraphs (2) and (3), all capital of a Federal home loan bank shall be considered available to satisfy compliance with—

"(A) the leverage requirement under paragraph (2);

"(B) the minimum amount of total capital required under paragraph (2)(B); and

"(C) the risk-based capital requirements under paragraph (3);"; and

(2) in subsection (c)—

(A) in paragraph (1)—

(i) in subparagraph (A), by inserting after the first sentence the following: "The minimum amount of members' total investment in the capital stock of the bank shall be not less than 2 percent of the total assets of the bank.";

(ii) in subparagraph (C), by inserting after "minimum stock investment established for members" the following: ", together with the minimum retained earnings amount required under paragraph (7),"; and

(B) by adding at the end the following new paragraph:

"(7) MINIMUM RETAINED EARNINGS AMOUNT.—

"(A) IN GENERAL.—Each capital structure plan shall provide for a minimum retained earnings amount for the bank.

"(B) DETERMINATION AND APPROVAL.—The minimum retained earnings amount shall be determined by the bank and shall be subject to approval by the Director.

"(C) REVIEW CRITERIA.—In reviewing a minimum retained earnings amount under subparagraph (B), the Director shall ensure that the amount appropriately balances—

"(i) risk-management objectives, including ensuring that members' capital stock investment in the bank has an extremely low probability of becoming other than temporarily impaired; and

"(ii) the objective of allowing the bank to provide competitive returns on capital to members, including through dividends, on a secondary basis consistent with safety and soundness.

"(D) LIMITATION.—A bank may not make a distribution that would cause the bank to fall below the minimum retained earnings amount approved under this paragraph.".

SEC. 3. RULEMAKING.

Not later than 180 days after the date of enactment of this Act, the Director of the Federal Housing Finance Agency shall issue such regulations and orders as may be necessary to carry out the amendments made by this Act.

SEC. 4. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date that is 1 year after the date of enactment of this Act, except that the Director of the Federal Housing Finance Agency may take such actions before that date as are necessary to implement this Act.