

[DISCUSSION DRAFT]

119TH CONGRESS
2D SESSION

H. R. _____

To amend the Federal Deposit Insurance Act to clarify the treatment of Federal Home Loan Bank advances as a source of core funding for insured depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Federal Deposit Insurance Act to clarify the treatment of Federal Home Loan Bank advances as a source of core funding for insured depository institutions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Home Loan
5 Bank Advances as Core Funding Act”.

1 **SEC. 2. TREATMENT OF FEDERAL HOME LOAN BANK AD-**
2 **VANCES AS CORE FUNDING BY FEDERAL**
3 **BANKING AGENCIES.**

4 (a) AMENDMENT TO THE FEDERAL DEPOSIT INSUR-
5 ANCE ACT.—Section 18 of the Federal Deposit Insurance
6 Act (12 U.S.C. 1828) is amended by adding at the end
7 the following new subsection:

8 “(bb) TREATMENT OF FEDERAL HOME LOAN BANK
9 ADVANCES AS CORE FUNDING.—

10 “(1) IN GENERAL.—In exercising any functions,
11 powers, and duties under this Act or any other pro-
12 vision of Federal law with respect to insured deposi-
13 tory institutions, each Federal banking agency
14 shall—

15 “(A) consider the differences between the
16 Federal Home Loan Banks established under
17 the Federal Home Loan Bank Act and other
18 providers of wholesale funding; and

19 “(B) in the agency’s regulations, guidance,
20 reporting instructions, supervisory policies, ex-
21 amination materials, and other agency interpre-
22 tations, as applicable, define ‘Federal Home
23 Loan Bank advances’ or ‘FHLB advances’ as
24 ‘core funding’ such that Federal Home Loan
25 Bank advances are treated on par with ‘core de-
26 posits’, as that term is defined in the Uniform

1 Bank Performance Report or any successor re-
2 porting framework, as funding for insured de-
3 pository institutions.

4 “(2) COORDINATION.—The Federal banking
5 agencies shall, to the maximum extent practicable,
6 act jointly and consistently, and coordinate with the
7 National Credit Union Administration, in carrying
8 out paragraph (1).

9 “(3) RULE OF CONSTRUCTION.—Nothing in
10 this subsection shall be construed to prevent a Fed-
11 eral banking agency from adopting risk-sensitive dis-
12 tinctions among sources of funding for specified
13 statutory or regulatory purposes, provided that any
14 such distinctions are consistent with paragraph (1)
15 and reflect the statutory and structural differences
16 between Federal Home Loan Bank advances and
17 other forms of wholesale funding.”.

18 (b) IMPLEMENTATION.—Not later than 18 months
19 after the date of enactment of this Act, each Federal
20 banking agency (as such term is defined in section 3 of
21 the Federal Deposit Insurance Act (12 U.S.C. 1813))
22 shall revise, as applicable, the agency’s regulations, guid-
23 ance, reporting instructions, supervisory policies, and ex-
24 amination materials to implement section 18(bb) of the

1 Federal Deposit Insurance Act, as added by subsection
2 (a).

3 **SEC. 3. TREATMENT OF FEDERAL HOME LOAN BANK AD-**
4 **VANCES AS CORE FUNDING BY THE NA-**
5 **TIONAL CREDIT UNION ADMINISTRATION.**

6 (a) AMENDMENT TO THE FEDERAL CREDIT UNION
7 ACT.—Section 120 of the Federal Credit Union Act (12
8 U.S.C. 1766) is amended by adding at the end the fol-
9 lowing new subsection:

10 “(k) TREATMENT OF FEDERAL HOME LOAN BANK
11 ADVANCES AS CORE FUNDING.—

12 “(1) IN GENERAL.—In exercising any functions,
13 powers, and duties under this Act or any other pro-
14 vision of Federal law with respect to insured credit
15 unions, the Board shall—

16 “(A) consider the differences between the
17 Federal Home Loan Banks established under
18 the Federal Home Loan Bank Act and other
19 providers of wholesale funding; and

20 “(B) in the Administration’s regulations,
21 guidance, reporting instructions, supervisory
22 policies, examination materials, and other agen-
23 cy interpretations, as applicable, define ‘Federal
24 Home Loan Bank advances’ or ‘FHLB ad-
25 vances’ as ‘core funding’ such that Federal

1 Home Loan Bank advances are treated on par
2 with core deposits or comparable core funding
3 concepts used by the Board for insured credit
4 unions as funding for insured credit unions.

5 “(2) COORDINATION.—The Board shall, to the
6 maximum extent practicable, coordinate with the
7 Federal banking agencies in carrying out paragraph
8 (1).

9 “(3) RULE OF CONSTRUCTION.—Nothing in
10 this subsection shall be construed to prevent the
11 Board from adopting risk-sensitive distinctions
12 among sources of funding for specified statutory or
13 regulatory purposes, provided that any such distinc-
14 tions are consistent with paragraph (1) and reflect
15 the statutory and structural differences between
16 Federal Home Loan Bank advances and other forms
17 of wholesale funding.”.

18 (b) IMPLEMENTATION.—Not later than 18 months
19 after the date of enactment of this Act, the National Cred-
20 it Union Administration Board shall revise, as applicable,
21 the Administration’s regulations, guidance, reporting in-
22 structions, supervisory policies, and examination materials
23 to implement section 120(k) of the Federal Credit Union
24 Act, as added by subsection (a).