To strengthen the ability of the Federal Home Loan Bank system to provide critical financing to address the economic crisis caused by the COVID–19 and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2021

Mr. Torres of New York introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Ways and Means, and Small Business, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To strengthen the ability of the Federal Home Loan Bank system to provide critical financing to address the economic crisis caused by the COVID–19 and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, and for other purposes.

1. 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 Banks’ Mission Implementation Act”.

SEC. 2. PURPOSE.

The purpose of this Act is to promote economic recovery in response to the COVID–19 pandemic and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, by—

(1) increasing the ability of the Federal Home Loan Banks to accept, as collateral, small business loans guaranteed by the Small Business Administration;

(2) authorizing the Federal Home Loan Banks to accept government guaranteed loans as collateral to support COVID–19 programs;

(3) allowing community development financial institutions and credit unions to pledge community financial institution collateral, such as small business, small agriculture, and community development loans, and enable the Federal Housing Finance Agency to raise the threshold for qualification as a community financial institution;

(4) providing letters of credit to provide liquidity, and support, stabilize and strengthen local, Tribal, State and Federal governmental entities public
unit deposits, housing and community development
efforts, and vital public financing;

(5) increasing funding for the Affordable Hous-
ing Program established by each Federal Home
Loan Bank under section 10(j) of the Federal Home
Loan Bank Act (12 U.S.C. 1430(j)) and establishing
a 2-percent set aside for Native American Tribes;
and

(6) creating a community economic development
investment program within the Federal Home Loan
Bank system to generate financial opportunity, cre-
ate jobs, and stimulate economic development in dis-
tressed urban, rural, Tribal, and suburban commu-
nities in the United States.

SEC. 3. FHLB ADVANCES SECURED BY SBA LOANS.

Section 7 of the Small Business Act (15 U.S.C. 636)
is amended by adding at the end the following:

“(o) FEDERAL HOME LOAN BANK ADVANCES.—

“(1) DEFINITION OF BANK.—In this sub-
section, the term ‘Bank’ means a Federal Home
Loan Bank, as defined in section 2 of the Federal

“(2) ADVANCES.—A Bank that, in the exercise
of its authority under section 10 of the Federal
Home Loan Bank Act (12 U.S.C. 1430) to make se-
cured advances, accepts as collateral a loan guaranteed by the Administration under this Act or any other provision of law, including loans guaranteed under section 7(a)—

“(A) may exercise all of the rights and remedies contained in any pledge or similar security agreement between the Bank and the lending or participating institution that made or purchased the loan; and

“(B) in the event of default on the loan, shall possess the same rights and remedies as such a lending or participating institution would possess in the same circumstance, including collecting monies due on the guarantee directly from the Administration.

“(3) **Transfer of Guarantee.**—With respect to a guaranteed loan that a Bank accepts as collateral under paragraph (2), the guarantee obligation of the Administration on the loan shall transfer to the Bank.”.
SEC. 4. MAKING GOVERNMENT GUARANTEED LOANS IN RESPONSE TO THE COVID–19 CRISIS ELIGIBLE COLLATERAL FOR THE FEDERAL HOME LOAN BANKS.

Section 10(a)(3) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)(3)) is amended by adding at the end the following:

“(F) Loans guaranteed or insured by the United States Government or any agency thereof and made by any member under programs or facilities established by the Secretary of the Treasury or the Board of Governors of the Federal Reserve System under the CARES Act (Public Law 116–136) or other similar programs or facilities in subsequently enacted Acts to address the impact to the economy from the COVID–19 crisis, including other similar programs or facilities established under section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)).

“(G) Loans guaranteed by the Small Business Administration under the Small Business Act (15 U.S.C. 631 et seq.) or any other provision of law.”.
SEC. 5. ADDING CREDIT UNIONS TO THE DEFINITION OF
COMMUNITY FINANCIAL INSTITUTIONS AND
EXPANDING THE PURPOSES OF ADVANCES
AND COLLATERAL AVAILABLE TO CERTAIN
COMMUNITY DEVELOPMENT FINANCIAL IN-
STITUTIONS.

(a) In General.—Section 10(a) of the Federal
Home Loan Bank Act (12 U.S.C. 1430(a)) is amended—
(1) in paragraph (2)(B), by inserting “or qualifi-
ying community development financial institution”
after “community financial institution”; and
(2) in paragraph (3)(E), by inserting “or quali-
ying community development financial institution”
after “community financial institution”.

(b) Definitions.—Section 2 of the Federal Home
Loan Bank Act (12 U.S.C. 1422) is amended—
(1) in paragraph (10)—
(A) by striking “INSTITUTION.—” and all
that follows through “The term” and inserting
“INSTITUTION.—The term”;
(B) by striking subparagraph (B);
(C) by redesignating clauses (i) and (ii) as
subparagraphs (A) and (B), respectively, and
adjusting the margins accordingly;
(D) in subparagraph (A), as so redesig-
nated, by inserting “(12 U.S.C. 1811 et seq.)
or the Federal Credit Union Act (12 U.S.C. 1751 et seq.)” before the semicolon; and

(E) in subparagraph (B), as so redesignated, by striking “$1,000,000,000” and inserting “assets at a level set by the Agency, but not more than $10,000,000,000”; and

(2) by adding at the end the following:

“(13) QUALIFYING COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION.—The term ‘qualifying community development financial institution’ means an entity that—

“(A) has been certified as a community development financial institution (as such term is defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702) by the Secretary of the Treasury; and

“(B) satisfies the average total assets threshold requirement for a community financial institution set forth in paragraph (10).”.

SEC. 6. STANDBY LETTERS OF CREDIT.

The Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amended—
(1) in section 2 (12 U.S.C. 1422), as amended by section 5 of this Act, is amended by adding at the end the following:

“(14) EMPLOYEE- OR COMMUNITY-OWNED COMPANY.—The term ‘employee- or community-owned company’ means—

“(A) an organization described in section 1381 of the Internal Revenue Code of 1986;

“(B) an eligible worker-owned cooperative, as defined in section 1042(c)(2) of the Internal Revenue Code of 1986; and

“(C) an employee stock ownership plan, as defined in section 4975(e)(7) of the Internal Revenue Code of 1986, which meets the requirements of section 409 of such Code.”; and

(2) in section 11 (12 U.S.C. 1431), by adding at the end the following:

“(m) STANDBY LETTERS OF CREDIT.—

“(1) IN GENERAL.—Each Federal Home Loan Bank is authorized to issue and confirm standby letters of credit, secured by collateral eligible to secure advances, to support any activity permitted under law or regulation applicable to the member or non-member mortgagee eligible to receive advances under section 10b, subject to safety and soundness over-
sight, including the purposes described in paragraph (2).

“(2) PURPOSES.—Each Bank is authorized to issue or confirm on behalf of members or non-member mortgagees standby letters of credit that comply with the requirements of this subsection for any of the following purposes:

“(A) To assist members or non-member mortgagees in facilitating residential housing finance.

“(B) To assist members or non-member mortgagees in facilitating community lending.

“(C) To assist members or non-member mortgagees with asset or liability management.

“(D) To provide members or non-member mortgagees with liquidity or other funding.

“(E) To assist members in facilitating business retention or facilitating business transition to employee- or community-owned companies or assisting those companies.’’.

SEC. 7. LETTERS OF CREDIT ON TAX EXEMPT BONDS.

(a) IN GENERAL.—Clause (iv) of section 149(b)(3)(A) of the Internal Revenue Code of 1986 is amended by striking ‘‘a bond during the period beginning on the date of the enactment of this clause and ending
on December 31, 2010” and inserting “a municipal bond
(as defined in section 75(b)(1)) on or after the date of
enactment of the Federal Home Loan Banks’ Mission Im-
plementation Act”.

(b) SAFETY AND SOUNDNESS REQUIREMENTS.—
Subparagraph (E) of section 149(b)(3) of the Internal
Revenue Code of 1986 is amended by striking “which are
at least” and all that follows through the period and in-
serting “as are established by the Director of the Federal
Housing Finance Agency from time to time.”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to guarantees made after the date
of enactment of this Act.

(d) SUNSET.—Effective on the date that is 2 years
after the date on which the Federal Emergency Manage-
ment Agency terminates the emergency declared on March
13, 2020 by the President under the Robert T. Stafford
Disaster Relief and Emergency Assistance Act (42 U.S.C.
4121 et seq.) relating to the Coronavirus Disease 2019
(COVID–19) pandemic, section 149(b)(3) of the Internal
Revenue Code of 1986 is amended—

(1) in subparagraph (A)(iv), by striking “a mu-
nicipal bond (as defined in section 75(b)(1)) on or
after the date of enactment of the Federal Home
Loan Banks’ Mission Implementation Act” and in-

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serting “a bond during the period beginning on the
date of the enactment of this clause and ending on
December 31, 2010”; and

(2) in subparagraph (E), by striking “as are es-

established by the Director of the Federal Housing Fi-nance Agency from time to time” and inserting

“which are at least as stringent as such require-

ments which apply under regulations applicable to

such guarantees by Federal home loan banks as in
effect on April 9, 2008”.

SEC. 8. AFFORDABLE HOUSING PROGRAM.

(a) IN GENERAL.—Section 10 of the Federal Home

Loan Act (12 U.S.C. 1430) is amended—

(1) in subsection (j)—

(A) in paragraph (3)—

(i) in the matter preceding subpara-

graph (A), by striking “such as the fol-

lowing:” and inserting “such as—”;

(ii) in subparagraph (A)—

(I) by inserting “the” before

“purchase”; and

(II) by striking the comma at the

end and inserting a semicolon;

(iii) in subparagraph (B)—
(I) by inserting “the” before “purchase”; and
(II) by striking “and” at the end;
(iv) in subparagraph (C)—
(I) by inserting “the” before “purchase”; and
(II) by striking the period at the end and inserting a semicolon; and
(v) by adding at the end the following:
“(D) the purchase or rehabilitation of housing financed by a community land trust; and
“(E) the purchase or rehabilitation of housing in qualified manufactured home communities owned by nonprofit organizations or the residents.”; and
(B) in paragraph (5)(C)—
(i) by striking “10” and inserting “20”;
(ii) by striking “100,000,000” and inserting “200,000,000”; and
(iii) by adding at the end the following: “Of such contribution, an amount equal to not less than 2 percent of 20 percent of the preceding year’s net income
shall be used to support subsidized grants or advances through the Affordable Housing Program benefitting federally recognized Indian Tribes and communities, which includes awards outside of the district of a Bank.”.

(b) DEFINITIONS.—Section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422), as amended by section 6 of this Act, is amended by adding at the end the following:

“(16) MANUFACTURED HOME.—The term ‘manufactured home’ has the meaning given the term in section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

“(17) QUALIFIED MANUFACTURED HOME COMMUNITY.—

“(A) IN GENERAL.—The term ‘qualified manufactured home community’ means—

“(i) a cooperative controlled by residents or a nonprofit or municipal housing corporation established pursuant to the laws of the State in which the property used as a manufactured home community is located; and
“(ii)(I) in the case of a community owned by a cooperative corporation or membership nonprofit, with membership interests that are sold on a non-appreciating basis, has only 1 class of membership consisting solely of residents and homeowners that occupy a home in that manufactured home community; or

“(II) in the case of a community owned by a nonprofit corporation—

“(aa) the nonprofit exists for the purposes of preserving and improving affordable housing and is primarily for residential purposes; and

“(bb) the intent of the nonprofit in acquiring the community is for the purposes of preserving and improving the manufactured home community.

“(B) Governance.—An entity shall not be treated as a qualified manufactured home community unless governance of the entity is carried out by members elected to a board of directors with voting structured equitably among all members.”.
(c) TECHNICAL AND CONFORMING AMENDMENTS.—
Section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended—

(1) in subsection (c), by striking “Federal home loan bank” and inserting “Federal Home Loan Bank”;

(2) in subsection (h)(2), by striking “section 10(a) of this Act” and inserting “subsection (a)”;

and

(3) in subsection (j)—

(A) in paragraph (2), in the matter preced ing subparagraph (A), by striking “Board’s regulations” and inserting “regulations promul gated by the Director”;

(B) in paragraph (6)—

(i) in subparagraph (A), by striking “this paragraph” and inserting “paragraph (5)”;

(ii) in subparagraph (C), in the second sentence, by striking “Board’s decision” and inserting “decision of the Director”; and

(iii) in subparagraph (F), by inserting “NOTIFICATION.—” before “The Director”;

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(C) in paragraph (8), in the matter preceding subparagraph (A), by striking “paragraph” and inserting “subsection”;

(D) in paragraph (12)—

(i) in subparagraph (A), by inserting “IN GENERAL.—” before “The Director”;

and

(ii) in subparagraph (B), by inserting “ANALYSES.—” before “The analyses”;

and

(E) in paragraph (13), in the matter preceding subparagraph (A), by striking “subsection—” and inserting “subsection:”.

SEC. 9. COMMUNITY INVESTMENT CASH ADVANCE AND COMMUNITY ECONOMIC DEVELOPMENT PROGRAM.

(a) IN GENERAL.—Section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended by inserting after subsection (e) the following:

“(f) COMMUNITY INVESTMENT CASH ADVANCE AND COMMUNITY ECONOMIC DEVELOPMENT PROGRAM.—

“(1) IN GENERAL.—Pursuant to regulations promulgated by the Director, each Bank—

“(A) may establish community investment cash advance programs to provide financing for
members or nonmember mortgagees eligible to receive advances under section 10b to provide projects targeted to certain economic development activities and specific beneficiaries, including certain geographic areas and at certain targeted income levels established by the Bank with the prior approval of Director; and

“(B) shall provide targeted community economic development grants and lending.

“(2) MIXED-USE PROJECTS.—With respect to a project funded under a program established under this subsection involving a combination of housing projects and economic development projects, only the economic development components of the project shall be required to meet the appropriate targeted income level for the program.

“(3) PRICING AND AVAILABILITY OF ADVANCES.—A Bank shall price advances to members under this subsection as provided in section 1266.5 of title 12, Code of Federal Regulations, or any successor regulation, and may price such advances at rates below the price of advances of similar amounts, maturities, and terms made pursuant to subsection (a).
“(4) ADVANCES TO NON-MEMBER MORTGAGEES
ELIGIBLE TO RECEIVE ADVANCES.—

“(A) IN GENERAL.—A Bank may offer ad-
vances under a program established under this
subsection to non-member mortgagees eligible
to receive advances under subsection (b) at the
Bank’s option.

“(B) PRICING.—A Bank shall price ad-
vances under this paragraph to non-member
mortgagees eligible to receive advances under
section 10b as provided in section 1266.17 of
title 12, Code of Federal Regulations, or any
successor regulation, and may price such ad-
vances at rates below the price of advances of
similar amounts, maturities, and terms made
pursuant to section 10b.

“(5) PRICING PASS-THROUGH.—A Bank may
require that borrowers receiving advances made
under a program established under this subsection
pass through the benefit of any price reduction from
regular advance pricing to borrowers of the Bank.

“(6) DISCOUNT FUND.—

“(A) IN GENERAL.—A Bank may establish
a discount fund that the Bank may use to re-
duce the price of advances made under a pro-
gram established under this subsection below the advance prices provided for by part 1292 of title 12, Code of Federal Regulations, or any successor regulation.

“(B) FAIR DISTRIBUTION SCHEME.—Price reductions made through a discount fund under subparagraph (A) shall be made in accordance with a fair distribution scheme.

“(7) COMMUNITY ECONOMIC DEVELOPING GRANTS AND LENDING.—

“(A) DEFINITIONS.—In this paragraph:

“(i) ELIGIBLE ENTITY.—The term ‘eligible entity’ means—

“(I) a locally owned nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code or a community development corporation—

“(aa) that has experience in developing and managing economic development projects;

“(bb) that is governed by a board of directors consisting of
residents of the community and
business and civic leaders; and

“(cc) the principal purpose
of which is to plan, develop, or
manage low-income housing or
community development projects;

“(II) a non-depository commu-
nity development financial institution,
as defined in section 103 of the Riegle
Community Development and Regu-
latory Improvement Act of 1994 (12
U.S.C. 4702), that is certified by the
Community Development Financial
Institutions Fund under section
1805.201 of title 12, Code of Federal
Regulations, or any successor regula-
tion;

“(III) a federally recognized In-
dian Tribe or community; or

“(IV) a regional or national non-
profit community development or co-
operative development intermediary.

“(ii) LOW-INCOME COMMUNITY.—The
term ‘low-income community’ has the
meaning given the term in section 45D(e) of the Internal Revenue Code of 1986.

“(iii) RURAL COMMUNITY.—The term ‘rural community’ means a city, town, or Census Designated Place with a population of not more than 20,000, according to the most recent decennial census conducted by the Bureau of the Census.

“(iv) VERY LOW-INCOME HOUSEHOLD.—The term ‘very low-income household’ means a household with an income that is not greater than 50 percent of the area median income.

“(B) REQUIREMENT.—Each Bank shall establish a program to provide grants or subsidize the interest rate on advances to members engaged in lending to eligible entities for economic development activities that serve low-income or rural communities.

“(C) USE OF FUNDS.—The entire amount of a grant or subsidized advance provided under this paragraph—

“(i) shall benefit the communities assisted by the recipient of the grant or subsidized advance;
“(ii) shall not be used for the purpose of financial education or to support a sports stadium or arena; and

“(iii) shall provide at least 2 percent of grants or advance funds to benefit federally recognized Indian Tribes or communities, which may include a Bank providing grants or advance funds outside of the district of the Bank.

“(D) ELIGIBLE ACTIVITIES.—Economic development activities that are eligible to be carried out under this paragraph include—

“(i) providing grants and equity investments, including those that capitalize a revolving loan fund of a Treasury-certified non-depository community development financial institution for eligible economic development activities similar to the authority provided within the Affordable Housing Program under subsection (j);

“(ii) providing awards consistent with awards provided under section 680 of the Community Block Grant Act (42 U.S.C. 9921);
“(iii) financing business transitions to worker-owned cooperatives or financing the sales of business assets to employees or community stakeholders that preserve jobs in low- and moderate-income communities;

“(iv) financing capital expenditures, such as the purchase of equipment or real property for nonprofit organizations, including child care or health care facilities in low-income communities, that provide service to low-income households;

“(v) financing operating expenses for nonprofit community development organizations engaged in community economic development activities benefitting very low-income households;

“(vi) water, road, broadband, clean energy, or municipal infrastructure investments, including investments to address climate change, in Native American tribal lands and economically distressed rural communities;

“(vii) providing community facilities or infrastructure, including public transit, green space consisting of parks with trees
and shrubbery, heat-reflecting road and sidewalk upgrades, tornado shelters, public restrooms, or environmental cooling locations accessible to the public in low-income communities; and

“(viii) any other activity established by the Director in consultation with Congress, the Federal Home Loan Banks and their housing advisory councils, and the public.

“(E) PRIORITIES FOR MAKING GRANTS AND ADVANCES.—In using amounts provided under this paragraph, each Bank member shall give priority to qualified projects such as—

“(i) grants or advances for mixed-use housing developments that provide economic activity and affordable housing for low-income and rural communities;

“(ii) grants or advances for child care facilities that serve low-income households;

“(iii) grants or advances for programs that provide economic opportunities for formerly incarcerated individuals;

“(iv) grants or advances that enable conversion to employee- or community-
owned companies or financing the sales of business assets to employees or community stakeholders;

“(v) grants or advances to established regional and national intermediary organizations that already receive Federal funds and have the capacity to deliver economic development activities to low-income households; and

“(vi) any other priority established by the Agency in consultation with the Banks, Bank members, housing advisory councils of the Banks, Congress, and the public.

“(F) REQUIREMENTS FOR PROJECTS IN RURAL COMMUNITIES.—With respect to a project carried out by an eligible entity in a rural community under this paragraph—

“(i) not less than 51 percent of the population served by the project shall reside in the rural community;

“(ii) the projects shall primarily serve and benefit rural residents and communities; and

“(iii) the rural community shall be within the jurisdiction of the eligible entity.
“(G) REPORT.—Each member receiving a
grant or advance under this paragraph shall re-
port annually to the Bank making the grant or
advance concerning the use by the member of
the grant or advance.

“(H) CONTRIBUTION TO PROGRAM.—Each
Bank shall annually contribute 10 percent of
the preceding year’s net income, or such pro-
rated sums as may be required to ensure that
the aggregate contribution of the Banks shall
not be less than $100,000,000 for each such
year, to support grants and subsidized advances
made under this paragraph.”.