FHLB Cincinnati

Introduction and Overview of Proposed Legislation

FHLB CINCINNATI®

FHLB System

- The 11 FHLBs are government-sponsored enterprises (GSEs) organized as cooperatives under an act of Congress (Federal Home Loan Bank Act of 1932).
- FHLB serve the general public by providing readily available, low-cost funding to approximately 6,700 members, thereby increasing the availability of credit for residential mortgage lending and investment in housing and community development.
- FHLBs fund their operations principally through the sale of debt securities through the Office of Finance.

FHLB CINCINNATI®

FHLB Cincinnati Members

Charter Type	Kentucky	Total	Assets	Average Asset Size*
Commercial Banks	119	343	$1.4 trillion	$3.69 billion
Thrifts/Savings Banks	8	77	$57 billion	$683 million
Credit Unions	25	143	$84 billion	$539 million
Insurance Companies	8	55	$486 billion	$8.45 billion
CDFIs	2	7	$613 million	$93 million
TOTAL	**162**	**625**	**$2.0 trillion**	

Data as of 09/30/2021. All presentation assets exclude J.P. Morgan Chase.
**Average Asset Size as of 01/01/2021.*

FHLB CINCINNATI

Proposed Legislation

Background

- For federally insured depository institutions, the FHLBs have lien priority under 12 U.S.C. §1430(e).

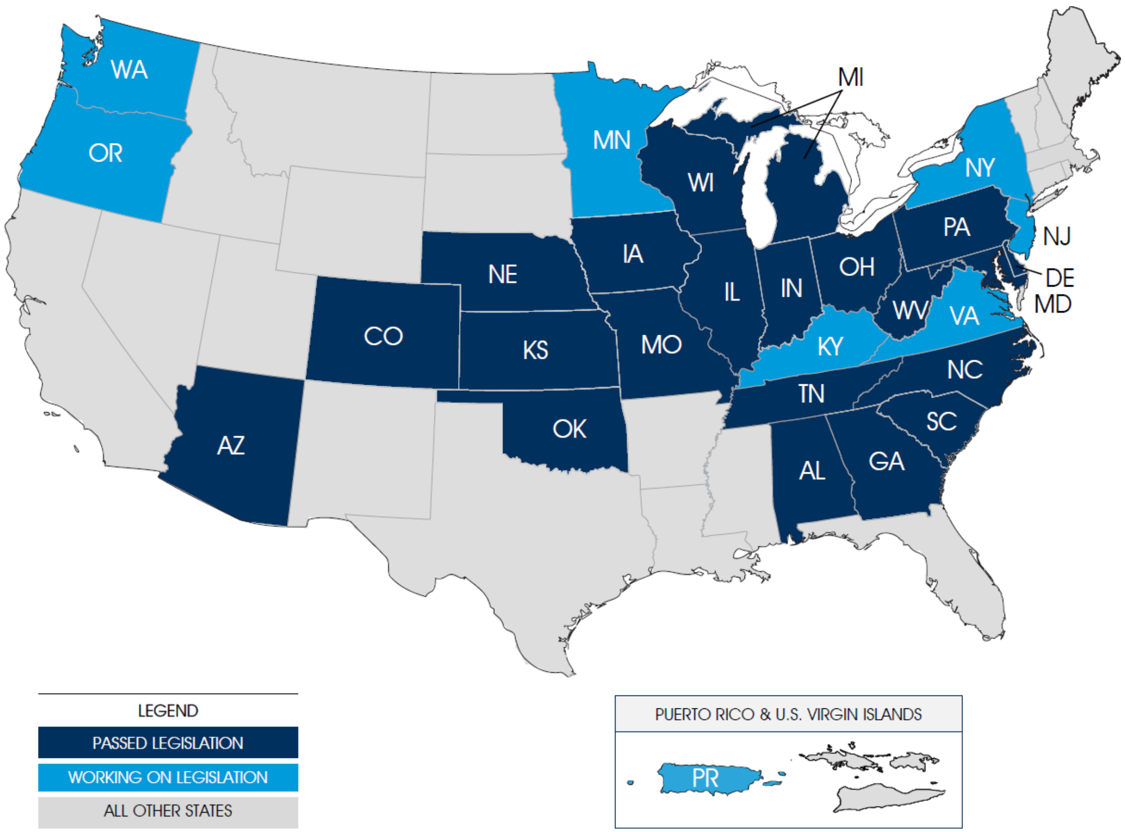
- Insurance is regulated on a state-by-state level.

- Our regulator, the FHFA, is concerned with the insolvency regimes of all 50 states because it is not clear if the statutory lien priority for the FHLBs applies to insurance companies as it does apply to insured depositories.

- FHLBs have been working around the country to amend laws in individual states to achieve parity with federal law.

FHLB CINCINNATI®

National Landscape



The language being proposed mirrors language from Ohio and Tennessee

Benefits

- Currently, Kentucky insurance companies are at a competitive disadvantage:
  - Need to over-collateralize loans as compared to insurance companies in neighboring states;
  - Need to over-collateralize loans as compared to Kentucky depository institutions.

- The proposed legislation would:
  - Help the FHLB assist KY DOI should an insolvency occur;
  - Codify documentation, reporting, and communication timelines with KY DOI & FHLB; and
  - Eliminate collateralization disparities between states and membership types.

FHLB CINCINNATI®

Legislative Recommendations

1. The FHLB would be stayed from exercising rights to collateral for ten days in the event of a delinquency proceeding.

2. After the receiver is appointed, the FHLB shall provide, within ten days, a timeline and process for release of collateral, payment of fees, and redemption or repurchase of FHLB stock.

3. The FHLB, upon request of the receiver, shall provide options regarding restructuring advances.

4. The receiver may not void a transfer of, or an obligation to transfer, money or other property arising under a FHLB security agreement made in the due course of ordinary business and when the agreement is made in compliance with the applicable federal home loan bank agreement.

5. The FHLB shall, within seven days of receipt of the redemption request, repurchase any outstanding capital stock in excess of the amount of its stock that the insurer-member is required to hold as a minimum investment.

FHLB CINCINNATI®