

# WASHINGTON REPORT

## DECEMBER 2019

While the proverbial oxygen was sucked out of the room in December by the impeachment proceedings against President Trump and related court cases, Congress did manage to fund the government. The 12 appropriations bills passed by Congress eliminated the threat of a government shutdown prior to the holidays and will fund the government through the end of the fiscal year (September 30, 2020). The House also passed the US-Mexico-Canada Agreement (USMCA), the replacement for NAFTA, sending it to the Senate for consideration in early 2020.

### **FHLBANK MEMBERSHIP REQUEST FOR INPUT**

The housing finance reform proposal released by the Treasury Department in September called for the Federal Housing Finance Agency (FHFA) to reconsider its 2016 rule that barred captive insurance companies from FHLBank membership. FHFA has indicated its intent to issue a Request for Input (RFI) on FHLBank membership, expected in mid to late January. However, rather than focus on any particular aspect of membership, FHFA is expected to broaden the scope of the RFI to seek holistic comments on membership, including the possibility of both expansion and contraction. Past efforts to change FHLBank membership included an attempt at restricting or eliminating large financial institution members, which would have significantly impacted the FHLBanks' ability to access capital markets with the scale and scope that has made them a reliable source of competitively priced funding for community financial institutions across the nation.

As an advocate for the FHLBanks, your opinion is extremely important. Please be on the lookout for the membership RFI and submit comments accordingly.

The membership issue can reasonably be divided into three separate, but linked components.

Captive Insurance Companies – these are entities that are chartered by a company that is not otherwise eligible for FHLBank membership. The parent company of a captive is generally not subject to regulatory capital rules and may not hold eligible collateral at the member level.

Large Members: Large financial institutions have long been members of the FHLBank System and have added to its dynamic makeup. Limiting large member access would increase the borrowing costs for smaller members who rely on the FHLBanks for access to the capital markets.

New Member Classes: Since the financial crisis, mortgage brokers and Real Estate Investment Trusts (REITs) have come to dominate the mortgage market. Legislation expanding the Federal Home Loan Bank Act's criteria for membership would be required in order to allow these entities to become eligible for direct FHLBank membership.

## **CANNABIS BANKING**

SAFE Banking Act: The Secure and Fair Enforcement Banking Act of 2019 generally prohibits a federal banking regulator from penalizing a depository institution for providing banking services to legitimate marijuana-related businesses. The bill passed the House in September and was referred to the Senate for consideration.

In recent weeks, Senate Banking Committee Chairman Mike Crapo (R-Idaho) released a statement expressing and outlining his opposition to the House-passed version of the bill. The statement also calls for public comment on potential solutions to address a number of problems he has identified, which include concerns with public health, money laundering, FinCen authorities and resources, interstate commerce, and the elimination of Operation Choke Point.

While not a positive development in terms of the bill's prospects for passage, Crapo's statement can be viewed as the Senator taking a thoughtful approach to solving the problems he has with the legislation in its current form.

## **OPPORTUNITY FOR ACTION: SHAREHOLDER EVENTS**

FHLBank Atlanta is looking for opportunities to create and hold events with members of Congress that showcase the work you do in your communities every day. Possible ideas include banker roundtable discussions with the small businesses you fund, or visits to developments that have been funded in part by our Affordable Housing Program.

The goal of these events is to connect you with your representatives in Washington and show them how we work together to provide funding for housing, small businesses, and other development opportunities that enrich the communities you serve. These events could also include local community leaders and media, highlighting the good works your institutions do at the local level.

We want your feedback and ideas on ways to make these most impactful for everyone involved. If you are interested in hosting or participating in one of these events, or if you have feedback or ideas for an event, please call or email Michael Huff at 202.436.5494 or MHuff@fhlbatl.com.

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