



VCIA Legislative Alert: FHFA

September 4, 2014

Dear VCIA Members,

The Federal Housing Finance Agency (FHFA) has proposed a rule that would revise the requirements for financial institutions to apply for and retain membership in one of the 12 Federal Home Loan Banks (FHLBs). The proposed rule would revise FHFA's existing Bank membership regulation "to ensure that members maintain a commitment to housing finance and that only eligible entities can gain access to FHLB advances and the benefits of membership".

In the proposed rule, the FHFA would define "insurance company" to mean a company that has as its primary business the underwriting of insurance for nonaffiliated persons. This would continue to include traditional insurance companies but would effectively exclude captive insurers from membership and prevent entities not eligible for membership from gaining access to FHLB advances through a captive insurer. Membership of existing captive insurers would be "sunset" over five years with defined limits on advances.

VCIA is very concerned about this proposed definition as it categorically excludes captives that might otherwise qualify to participate in the FHLB program. It provides no legitimate reason to keep captives out of this market. Working in coordination with Vermont's Department of Financial Regulation, we plan to provide comments objecting to this provision. We will make our comments available to you as soon as we send them.

In the meantime, interested parties can submit comments on this proposed rule within 60 days after the rule is published in the Federal Register. Comments should be submitted to the Federal Housing Finance Agency, Division of Bank Regulation, 400 7th Street, S.W., Washington, DC 20024 or via www.FHFA.gov.

If you have any questions, please feel free to contact me at smith@vcia.com. Thank you.

Sincerely,

Richard Smith
VCIA President

You have received this VCIA Legislative Alert as a member benefit of VCIA. Please contact Richard Smith at smith@vcia.com with any comments or questions. Your membership in VCIA helps keep the entire captive industry strong with VCIA working on your behalf in Montpelier, Vermont and Washington, DC.