

Support Testimony on SB 102

My name is Rick Metsger, and I am writing in support of SB 102 on behalf of The Federal Home Loan Bank of Des Moines.

At its core, SB 102 simply harmonizes state and federal law when it comes to how collateral is treated for loans made to members from the Federal Home Loan Bank System.

The Federal Home Loan Bank system was created by congress in 1932 to help provide critical financing for home ownership. There are 11 regional banks across the U.S.

The bank is a cooperative, owned by its member institutions, primarily credit unions and community banks and also some insurance companies, like life insurance companies that are involved in home finance, and, since 2008, community development financial institutions.

Federal Home Loan Banks make loans to their members to provide capital for origination of home loans and for liquidity purposes. The Federal Home Loan Banks are also required by law to directly contribute 10% of net income to affordable housing by providing grants to non-profit organizations, governments, housing authorities and other qualifying organizations for affordable housing projects. In 2024, Federal Home Loan Bank of Des Moines also voluntarily contributed an additional 5% of net income to projects promoting affordable housing and community development.

Since the 1990s, the Federal Home Loan Bank-Des Moines, just one of the 11 regional banks in the system, has been awarded over \$700 million to provide affordable housing opportunities.

A recent example is in conjunction with Oregon State Credit Union.

Oregon State Credit Union submitted a grant application to the FHLB Des Moines and has been awarded a \$3 to \$1 grant in support of their own donation for Cornerstone Community Housing in Eugene to jumpstart a project there. Cornerstone is a 501c3 nonprofit with a mission to build quality affordable housing communities for people on limited incomes and provide support services designed for personal growth and economic independence.

Federal law requires the Federal Home Loan Bank to receive secured collateral for loans made to its members and to have immediate access to that collateral in the event

of a receivership. In the event of a failure of a federal depository institution, the federal law provides certainty on the Home Loan Bank's secured creditor position and critical access to collateral. Since insurance companies are creatures of state laws that do not provide that same certainty, the protections available to a Home Loan Bank in a receivership are less clear.

Without this legislation, the FHLB will continue to provide less borrowing capacity for insurance companies against the same collateral than it would for a federally insured depository institution, which results in less liquidity for insurance companies to support home ownership.

The proposed legislation would bring certainty regarding FHLB's rights under the law, create parity with federal law covering banks and credit unions, and it would allow FHLB to lend to its Oregon insurance company members on terms as favorable as they are able to provide to Oregon's bank and credit union members today.

This legislation has been recommended by the National Conference of Insurance legislators and, To date, in the last few years, over half the states have now adopted this legislation to harmonize state and federal law on this matter.

This summer, we worked with the Oregon Department of Justice and the Insurance Division of DCBS and their recommended changes to the bill are included in SB 102.

We urge the passage of this legislation as a small but important piece of the puzzle in advancing home ownership accessibility in Oregon.