

SUBJECT: Federal Home Loan Banks holding local government and agency funds

COMMITTEE: Financial Institutions — favorable, without amendment

VOTE: 6 ayes — Marchant, Carona, Elkins, Giddings, Gutierrez, Patterson

0 nays

3 absent — Grusendorf, Hudson, Romo

SENATE VOTE: On final passage — April 12 — 31-0

WITNESSES: None

BACKGROUND: The 12 federal home loan banks are federal institutions and are regulated by the Federal Housing Finance Board. The Federal Home Loan Bank of Dallas has assets of \$18 billion. In 1993 the Legislature allowed federal home loan banks to be custodians for securities pledged to secure deposits of state funds.

DIGEST: SB 1037 would add federal home loan banks to the list of institutions eligible to be custodian of securities pledged to secure deposits of state agency and local government funds. The bill would take effect immediately if approved by a two-thirds vote of the membership of each house.

SUPPORTERS SAY: SB 1037 would allow federal home loan banks (in Texas the Federal Home Loan Bank of Dallas) to be custodians of securities pledged by financial institutions to secure state agency and local government deposits. Since 1989 state and national banks have been allowed to be members of the federal home loan banks. This makes federal home loan banks natural choices as custodians for securities pledge to secure state deposits.

In 1993 the Legislature authorized federal home loan banks as custodians of securities pledged for state funds, but inadvertently omitted agency and local government funds. This bill would correct that omission. Many local governments have been using the Federal Home Loan Bank in Dallas as custodian of pledged securities based on other law, and this bill would end any doubt that this is allowed.

SB 1037
House Research Organization
page 2

OPPONENTS No apparent opposition
SAY: