To strengthen the ability of the Federal Home Loan Bank system to provide critical financing to address the economic crisis caused by the COVID–19 pandemic and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. TORRES of New York introduced the following bill; which was referred to the Committee on

A BILL

To strengthen the ability of the Federal Home Loan Bank system to provide critical financing to address the economic crisis caused by the COVID–19 pandemic and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE.

This Act may be cited as the “Federal Home Loan Banks’ Mission Implementation Act”.

SEC. 2. PURPOSE.

The purpose of this Act is to promote economic recovery in response to the COVID–19 pandemic and to meet the short- and long-term housing and community economic development needs of low-income communities, including Tribal communities, by—

(1) increasing the ability of the Federal Home Loan Banks to accept, as collateral, small business loans guaranteed by the Small Business Administration;

(2) authorizing the Federal Home Loan Banks to accept government insured or guaranteed loans as collateral to support COVID–19 programs;

(3) allowing Federal Home Loan Bank members that are community development financial institutions or credit unions to pledge community financial institution collateral, such as small business, small agriculture, and community development loans;

(4) increasing funding for the Affordable Housing Program required to be established by each Federal Home Loan Bank under section 10(j) of the Federal Home Loan Bank Act (12 U.S.C. 1430(j))
and establishing a 2-percent set aside of the Affordable Housing Program amount for federally recognized Indian Tribes and communities; and

(5) requiring each Federal Home Loan Bank to establish a community economic development investment program within the Federal Home Loan Bank system to generate financial opportunity, create jobs, and stimulate economic development in distressed urban, rural, Tribal, and suburban communities in the United States.

SEC. 3. FHLB ADVANCES SECURED BY SBA LOANS.

Section 7 of the Small Business Act (15 U.S.C. 636) is amended by adding at the end the following:

“(o) FEDERAL HOME LOAN BANK ADVANCES.—

“(1) DEFINITION OF BANK.—In this subsection, the term ‘Bank’ means a Federal Home Loan Bank, as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422).

“(2) ADVANCES.—A Bank that, in the exercise of its authority under section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) to make secured advances, accepts as collateral a loan guaranteed by the Administration under this Act or any other provision of law, including loans guaranteed under section 7(a)—
“(A) may exercise all of the rights and remedies contained in any pledge or similar security agreement between the Bank and the lending or participating institution that made or purchased the loan; and

“(B) in the event of default on the loan, shall possess the same rights and remedies as such a lending or participating institution would possess in the same circumstance, including collecting monies due on the guarantee directly from the Administration.

“(3) TRANSFER OF GUARANTEE.—In the event that a Bank forecloses upon a guaranteed loan that was accepted as collateral under paragraph (2), the Bank may be the beneficiary of the guarantee obligation of the Administration on the loan.”.

SEC. 4. MAKING GOVERNMENT GUARANTEED LOANS IN RESPONSE TO THE COVID–19 CRISIS ELIGIBLE COLLATERAL FOR THE FEDERAL HOME LOAN BANKS.

Section 10(a)(3) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)(3)) is amended by adding at the end the following:

“(F) Loans guaranteed or insured by the United States Government or any agency there-
of and made by any member under programs or
facilities established by the Secretary of the
Treasury or the Board of Governors of the Fed-
eral Reserve System under the CARES Act
(Public Law 116–136) or other similar pro-
grams or facilities in subsequently enacted Acts
to address the impact to the economy from the
COVID–19 crisis, or other similar programs or
facilities established under section 13(3) of the
Federal Reserve Act (12 U.S.C. 343(3)).
“(G) Loans guaranteed by the Small Busi-
ness Administration under the Small Business
Act (15 U.S.C. 631 et seq.) or any other provi-
sion of law.”.

SEC. 5. ADDING CREDIT UNIONS TO THE DEFINITION OF
COMMUNITY FINANCIAL INSTITUTIONS AND
EXPANDING THE PURPOSES OF ADVANCES
AND COLLATERAL AVAILABLE TO CERTAIN
COMMUNITY DEVELOPMENT FINANCIAL IN-
STITUTIONS.

(a) DEFINITIONS.—Section 2 of the Federal Home
Loan Bank Act (12 U.S.C. 1422) is amended in para-
graph (10)—
(1) by striking “INSTITUTION.—” and all that
follows through “The term” and inserting “INSTITU-
TION.—The term”;

(2) in subparagraph (A)(i), by inserting “(12
U.S.C. 1811 et seq.) or the Federal Credit Union
Act (12 U.S.C. 1751 et seq.)” before the semicolon;

(3) by renumbering clauses (i) and (ii) as sub-
paragraphs (A) and (B), respectively, and adjusting
the margins accordingly; and

(4) by adding at the end the following:

“(C) has been certified as a community de-
velopment financial institution (as such term is
defined in section 103 of the Riegle Community
Development and Regulatory Improvement Act
of 1994 (12 U.S.C. 4702) by the Secretary of
the Treasury;

“(D) COLLATERAL PLEDGED BY COMMU-
NITY DEVELOPMENT FINANCIAL INSTITU-
TION.—Any asset pledged as collateral by a
Community Financial Development Institution
to secure an advance from a Federal Home
Loan Bank shall be exempt from sections 701
et seq. and 1101 et seq. of title 11, United
States Code, and any proceeding thereunder.”.
SEC. 6. LETTERS OF CREDIT ON TAX EXEMPT BONDS.

(a) IN GENERAL.—Clause (iv) of section 149(b)(3)(A) of the Internal Revenue Code of 1986 is amended by striking “a bond during the period beginning on the date of the enactment of this clause and ending on December 31, 2010” and inserting “a municipal bond (as defined in section 75(b)(1)) on or after the date of enactment of the Federal Home Loan Banks’ Mission Implementation Act”.

(b) SAFETY AND SOUNDNESS REQUIREMENTS.—Subparagraph (E) of section 149(b)(3) of the Internal Revenue Code of 1986 is amended by striking “which are at least” and all that follows through the period and inserting “as are established by the Director of the Federal Housing Finance Agency from time to time.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to guarantees made after the date of enactment of this Act.

SEC. 7. AFFORDABLE HOUSING PROGRAM.

(a) IN GENERAL.—Section 10(j) of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended—

(1) in paragraph (3)—

(A) in the matter preceding subparagraph (A), by striking “such as the following:” and inserting “such as—”; 

(B) in subparagraph (A)—
(i) by inserting “the” before “purchase”; and

(ii) by striking the comma at the end and inserting a semicolon;

(C) in subparagraph (B)—

(i) by inserting “the” before “purchase”; and

(ii) by striking “and” at the end;

(D) in subparagraph (C)—

(i) by inserting “the” before “purchase”; and

(ii) by striking the period at the end and inserting a semicolon; and

(iii) by adding at the end the following:

“(D) the purchase or rehabilitation of housing financed by a community land trust; and

“(E) the purchase or rehabilitation of housing in qualified manufactured home communities.”; and

(2) in paragraph (5)(C)—

(A) by striking “10 percent” and inserting “20 percent”; and
(B) by adding at the end the following:

‘Of such contribution, an amount equal to not less than 2 percent of 20 percent of the preceding year’s net income shall be provided as advances to benefit federally recognized Indian Tribes or communities, which may include a Bank providing advances outside of the district of the Bank and shall provide grants or subsidized advances through the Affordable Housing Program benefitting federally recognized Indian Tribes and communities, which includes grants and awards outside of the district of a Bank.’.

(b) DEFINITIONS.—Section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422) is amended by adding at the end the following:

“(14) MANUFACTURED HOME.—The term ‘manufactured home’ has the meaning given the term in section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

“(15) QUALIFIED MANUFACTURED HOME COMMUNITY.—

“(A) IN GENERAL.—The term ‘qualified manufactured home community’ means—
“(i) a cooperative controlled by residents or a nonprofit or municipal housing corporation established pursuant to the laws of the State in which the property used as a manufactured home community is located; and

“(ii)(I) in the case of a community owned by a cooperative corporation or membership nonprofit, with membership interests that are sold on a non-appreciating basis, has only 1 class of membership consisting solely of residents and homeowners that occupy a home in that manufactured home community; or

“(II) in the case of a community owned by a nonprofit corporation—

“(aa) the nonprofit exists for the purposes of preserving and improving affordable housing and is primarily for residential purposes; and

“(bb) the intent of the nonprofit in acquiring the community is for the purposes of preserving and improving the manufactured home community.
“(B) GOVERNANCE.—An entity shall not be treated as a qualified manufactured home community unless governance of the entity is carried out by members elected to a board of directors with voting structured equitably among all members.”.

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

Section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended—

(1) in subsection (c), by striking “Federal home loan bank” and inserting “Federal Home Loan Bank”;

(2) in subsection (j)—

(A) in paragraph (2), in the matter preceding subparagraph (A), by striking “Board’s regulations” and inserting “regulations promulgated by the Director”;

(B) in paragraph (6)(C), in the second sentence, by striking “Board’s decision” and inserting “decision of the Director”;

(C) in paragraph (8), in the matter preceding subparagraph (A), by striking “paragraph” and inserting “subsection”;

(D) in paragraph (12)—

(i) in subparagraph (A)—
(I) by inserting “IN GENERAL.—
” before “The Director”; and

(II) by striking “to the Congress
and”; and

(ii) in subparagraph (B), by inserting

“ANALYSES.—” before “The analyses”; and

(E) in paragraph (13), in the matter pre-
ceding subparagraph (A), by striking “sub-
section—” and inserting “subsection:”.

SEC. 8. COMMUNITY INVESTMENT CASH ADVANCE AND
COMMUNITY ECONOMIC DEVELOPMENT
GRANTS PROGRAM.

(a) IN GENERAL.—Section 10 of the Federal Home
Loan Bank Act (12 U.S.C. 1430) is amended by inserting
after subsection (e) the following:

“(f) COMMUNITY INVESTMENT CASH ADVANCE AND
COMMUNITY ECONOMIC DEVELOPMENT PROGRAM.—

“(1) IN GENERAL.—Pursuant to regulations
promulgated by the Director, each Bank—

“(A) may establish community investment
cash advance programs to provide financing for
members or nonmember mortgagees eligible to
receive advances under section 10b to provide
projects targeted to certain economic develop-
ment activities and specific beneficiaries, including certain geographic areas and at certain targeted income levels established by the Bank with the prior approval of Director; and

“(B) shall provide targeted community economic development grants and lending.

“(2) Mixed-use Projects.—With respect to a project funded under a program established under this subsection involving a combination of housing projects and economic development projects, only the economic development components of the project shall be required to meet the appropriate targeted income level for the program.

“(3) Pricing and Availability of Advances.—A Bank shall price advances to members under this subsection as provided in section 1266.5 of title 12, Code of Federal Regulations, or any successor regulation, and may price such advances at rates below the price of advances of similar amounts, maturities, and terms made pursuant to subsection (a).

“(4) Advances to Non-Member Mortgagees Eligible to Receive Advances.—

“(A) In General.—A Bank may offer advances under a program established under this
subsection to non-member mortgagees eligible to receive advances under subsection (b) at the Bank's option.

“(B) PRICING.—A Bank shall price advances under this paragraph to non-member mortgagees eligible to receive advances under section 10b as provided in section 1266.17 of title 12, Code of Federal Regulations, or any successor regulation, and may price such advances at rates below the price of advances of similar amounts, maturities, and terms made pursuant to section 10b.

“(5) PRICING PASS-THROUGH.—A Bank may require that borrowers receiving advances made under a program established under this subsection pass through the benefit of any price reduction from regular advance pricing to borrowers of the Bank.

“(6) DISCOUNT FUND.—

“(A) IN GENERAL.—A Bank may establish a discount fund that the Bank may use to reduce the price of advances made under a program established under this subsection below the advance prices provided for by part 1292 of title 12, Code of Federal Regulations, or any successor regulation.
“(B) Fair distribution scheme.—Price reductions made through a discount fund under subparagraph (A) shall be made in accordance with a fair distribution scheme.

“(7) Community economic developing grants and lending.—

“(A) Definitions.—In this paragraph:

“(i) Eligible entity.—The term ‘eligible entity’ means—

“(I) a locally owned nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code or a community development corporation—

“(aa) that has experience in developing and managing economic development projects;

“(bb) that is governed by a board of directors consisting of residents of the community and business and civic leaders; and

“(cc) the principal purpose of which is to plan, develop, or
manage low-income housing or community development projects;

“(II) a non-depository community development financial institution, as defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702), that is certified by the Community Development Financial Institutions Fund under section 1805.201 of title 12, Code of Federal Regulations, or any successor regulation;

“(III) a federally recognized Indian Tribe or community; or

“(IV) a regional or national non-profit community development or cooperative development intermediary.

“(ii) LOW-INCOME COMMUNITY.—The term ‘low-income community’ has the meaning given the term in section 45D(e) of the Internal Revenue Code of 1986.

“(iii) RURAL COMMUNITY.—The term ‘rural community’ means a city, town, or Census Designated Place with a population
of not more than 20,000, according to the
most recent decennial census conducted by
the Bureau of the Census.

“(iv) Very low-income household.—The term ‘very low-income household’ means a household with an income
that is not greater than 50 percent of the
area median income.

“(B) Requirement.—Each Bank shall
establish a program to provide advances to
members engaged in lending to eligible entities
for economic development activities that serve
low-income or rural communities.

“(C) Use of funds.—The entire amount
of a grant or advance provided under this para-
graph—

“(i) shall be used for eligible activities
under paragraph (7)(D); and

“(ii) shall not be used for the purpose
of financial education or to support a
sports stadium or arena.

“(D) Eligible activities.—Economic
development activities that are eligible to be
carried out under this paragraph include—
“(i) providing grants and equity investments, including those that capitalize a revolving loan fund of a Treasury-certified non-depository community development financial institution for eligible economic development activities;

“(ii) providing awards consistent with awards provided under section 680 of the Community Block Grant Act (42 U.S.C. 9921);

“(iii) financing business transitions to worker-owned cooperatives or financing the sales of business assets to employees or community stakeholders that preserve jobs in low- and moderate-income communities;

“(iv) financing capital expenditures, such as the purchase of equipment or real property for nonprofit organizations, including child care or health care facilities in low-income communities, that provide service to low-income households;

“(v) financing operating expenses for nonprofit community development organizations engaged in community economic
development activities benefitting very low-income households;

“(vi) water, road, broadband, clean energy, or municipal infrastructure investments, including investments to address climate change, in lands owned by federally-recognized Indian Tribes or communities and economically distressed and economically distressed rural communities;

“(vii) providing community facilities or infrastructure, including public transit, green space consisting of parks with trees and shrubbery, heat-reflecting road and sidewalk upgrades, tornado shelters, public restrooms, or environmental cooling locations accessible to the public in low-income communities; and

“(viii) any other activity established by the Director in consultation with the Banks and advisory councils of the Banks, Congress, and the public.

“(E) PRIORITIES FOR MAKING GRANTS AND ADVANCES.—In using amounts provided under this paragraph, each Bank member shall give priority to qualified projects such as—
“(i) advances for mixed-use housing developments that provide economic activity and affordable housing for low-income and rural communities;

“(ii) advances for child care facilities that serve low-income households;

“(iii) advances for programs that provide economic opportunities for formerly incarcerated individuals;

“(iv) advances that enable conversion to employee- or community-owned companies or financing the sales of business assets to employees or community stakeholders;

“(v) advances to established regional and national intermediary organizations that already receive Federal funds and have the capacity to deliver economic development activities to low-income households; and

“(vi) any other priority established by the Director in consultation with the Banks, advisory councils of the Banks, Congress, and the public.
“(F) Requirements for projects in rural communities.—With respect to a project carried out by an eligible entity in a rural community under this paragraph—

“(i) not less than 51 percent of the population served by the project shall reside in the rural community;

“(ii) the projects shall primarily serve and benefit rural residents and communities; and

“(iii) the rural community shall be within the jurisdiction of the eligible entity.

“(G) Report.—Each member receiving a grant or advance under this paragraph shall report annually to the Bank making the grant or advance concerning the use by the member of the grant or advance.

“(H) Contribution to program.—Each Bank shall annually contribute 10 percent of the preceding year’s net income, or such prorated sums as may be required to ensure that the aggregate contribution of the Banks shall not be less than $100,000,000 for each such year, to support grants and advances made under this paragraph. Of such contribution, an
amount equal to not less than 2 percent of 10 percent of the preceding year’s net income shall be provided as advances to benefit federally rec-
ognized Indian Tribes or communities, which may include a Bank providing advances outside of the district of the Bank.”.