



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2017 Senate Bill 686

Senate Amendment 1

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2017 SENATE BILL 686

2017 Senate Bill 686 makes numerous changes to the law applicable to financial institutions, including changes relating to disclosure of information to the Federal Home Loan Bank (FHLB); reliance on third-party information in the examination of financial institutions; limits on savings bank lending to a single person; payment of interest on mandatory mortgage loan escrow accounts; security for public deposits; capital reduction by state banks; the definition of an outside sales person for overtime pay requirements; and the treatment of the FHLB in insurance company liquidation proceedings.

With particular regard to insurance company liquidation proceedings, the bill specifies that the FHLB may not be stayed, enjoined, or prohibited from exercising its rights regarding collateral pledged under a security agreement. Similarly, in such liquidation proceedings, the bill provides that a liquidator does not have the power to disavow any FHLB security agreement or avoid any transfer of money or property in connection with such an agreement as preferential, unless the transfer is made with actual intent to hinder, delay, or defraud creditors.

SENATE AMENDMENT 1

Senate Amendment 1 to the bill would eliminate the “no-stay” provisions of the bill and instead would prescribe a process under which a court may impose a 10-day stay on the FHLB. The amendment also specifies certain activities the FHLB must conduct during that time, including development of a process and timeline through which the FHLB would release excess collateral of an insurance company held by the bank; provide for the payment of fees owed by an insurance company member of the FHLB; and provide for the redemption or repurchase of excess FHLB stock held by an insurance company. The receiver may also request the FHLB to provide options for an insurer-member to renew or restructure an advance.

If the FHLB does not comply with the requirements imposed by a court during the initial 10-day stay, the stay may be extended until compliance is achieved.

BILL HISTORY

2017 Senate Bill 686 was introduced by Senator Marklein on February 5, 2018. On February 8, 2018, the Senate Committee on Revenue, Financial Institutions and Rural Issues recommended adoption of Senate Amendment 1, and passage of the bill as amended, on votes of Ayes, 5; Noes, 0.

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