

**Follow Up to June 25, 2019 Question
From Board Member Chairman Collins**

Re: *FHLB used as Collateral for CDs*

Question:

Chairman Collins requested an explanation about how letters of credit from a Federal Home Loan Bank (FHLB) can be used to collateralize a deposit of public funds.

Answer:

HB 2928 passed in the 85th Texas Legislature Session.

HB 2928 – PFIA 2256.009(a) and 2256.010(a)

- HB 2928 makes two minor revisions.
 - The first, to Section 2256.009(a), specifically includes obligations of the **Federal Home Loan Banks** (FHLB) as authorized investments.
 - This solves a potential problem created by the Attorney General's opinion #KP-0128 that questioned whether the FHLB would be considered a U.S. agency or instrumentality for purposes of the PFIA.
 - HB 2928 also modifies Section 2256.010(a) by adding a reference to Chapter 2257 (the Public Funds Collateral Act) in the section that describes the means for securing a certificate of deposit.
 - This clarifies that certificates of deposit can be secured by an FHLB letter of credit.

Resource:

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