

**(c) Duties.** Individually and collectively, it shall be the specific duty of the directors of each Bank to exercise their best efforts and energies to carry into effect the policies and program of the Board in the operation of the Bank. The directors shall hold such meetings and perform such other duties as are set out in the bylaws adopted by the Bank and approved by the Board.\*† (Sec. 7 (c), (d), (e), (i), (j), 47 Stat. 730, 731, as amended by sec. 3, 49 Stat. 294; 12 U.S.C. 1427 (c), (d), (e), (i), (j), and Sup.)

**2.5 Officers and employees—(a) Selection and compensation.** The appointment and compensation of officers and salaried attorneys of each Bank shall be subject to the specific approval of the Board, but employment and compensation of other employees shall be deemed to be approved by the Board if provided for in a budget approved by the Board. Annual salaries set forth in the approved budget shall represent the total compensation of officers and employees, except that bonuses or gratuities of not more than ten dollars per officer or employee per year may be granted. The Board disapproves the practice of nepotism in the selection of personnel in the Banks. Election of officers shall be in accordance with the bylaws.

**(b) Duties.** In addition to the duties of officers prescribed in the Bank's bylaws and in other sections of this chapter, it shall be the specific duty of the officers of the Bank to give prompt consideration to applications for charters for Federal savings and loan associations, for insurance, and for investment by the Home Owners' Loan Corporation in savings and loan associations. Each such application, together with the recommendation of all available officers of the Bank, shall be promptly forwarded to the Board. In the event any officer of the Bank disagrees with the recommendation, he shall make a separate report which shall also be forwarded with the application.\*† (Sec. 12, 47 Stat. 735; 12 U.S.C. 1432)

**2.6 Minutes.** Each Bank shall keep minutes of the meetings of its stockholders, board of directors, and executive committee, as prescribed by the bylaws.\*† (Sec. 12, 47 Stat. 735; 12 U.S.C. 1432)

### PART 3—MEMBERS OF BANKS

Sec.	Sec.
3.1 Eligibility of members.	(d) Excess stock subscriptions.
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(b) Institutions holding junior mortgages.	(f) Treatment of amounts paid in on stock subscription.
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(d) Board action on applications.	3.7 Withdrawal and removal from membership.
(e) Examinations of applicants; appraisals.	(a) Procedure for withdrawal.
3.3 Stock subscription.	(b) Cancellation of withdrawal notice.
(a) Subscription form.	(c) Procedure for removal.
(b) Minimum stock subscription.	
(c) Adjustments in stock holdings.	

**Section 3.1 Eligibility of members—(a) Home mortgage lending.** Institutions otherwise eligible to become members which have heretofore followed the practice of making home mortgages as demand loans, loans for less than six years or as loans giving the holder an option to mature them in less than six years, but which loans are in the ordinary course of business permitted to stand until amortized by long-term periodical payments or to stand for several years provided interest and taxes are paid, without making additional charges for extension or renewal, may be accepted as members of a Bank provided such institutions agree that while members of the Federal Home Loan Bank System, they will make the larger part of their home mortgage loans on a long-term amortized basis.

**(b) Institutions holding junior mortgages.** An institution holding junior mortgages, if otherwise eligible, may be admitted to membership, if such institution by change of charter or bylaws or by resolution of its governing body, commits itself not to make, take or hold additional junior mortgages while a member of the Federal Home Loan Bank System, except (1) such as are subsequent to first liens owned by it, (2) junior purchase money mortgages taken as a part of the purchase price of property sold by it, or (3) such as are necessary to protect the institution's investments.\*† (Sec. 4 (a), 47 Stat. 726; 12 U.S.C. 1424 (a))

\*§§ 3.1 to 3.7, inclusive, issued under the authority contained in sec. 17 of the Federal Home Loan Bank Act, 47 Stat. 736; 12 U.S.C. 1437. Citations of more specific authority for the issuance of particular sections and of statutory provisions interpreted or applied are given in parentheses at the end of specific sections.

†In §§ 3.1 to 3.7, inclusive, the section numbers correspond with the respective section numbers in Rules and regulations for the Federal Home Loan Bank System, Federal Home Loan Bank Board, effective June 1, 1938.

**3.2 Application for membership—(a) Application form.** Upon the request of an institution desiring to become a member of a Bank, the Bank may supply such institution with forms approved by the Board for application for membership and stock subscription which shall be used by each applicant. Each applicant shall file in duplicate its application for membership with the Bank of the district in which it is located.

**(b) Requests by applicants for examination and appraisal.** Where an applicant for membership is aware of the fact that its financial condition will not permit it to qualify for membership without an examination, upon its formal request, a field examination and/or appraisal will be made by the Examining Division of the Board in lieu of requiring the filing of the customary statistical data in support of its application. The cost of such examinations, as computed by the Board, shall be paid by the applicant.

**(c) Examination and review of application.** The officers of the Bank shall promptly consider the application for membership, together with such supplemental information as may be available to them with respect to the eligibility of the applicant, and shall report their recommendations thereon to the board of directors or to the executive committee of the Bank, which shall consider the officers'

\*†For statutory and source citations, see note to § 3.1.

report and shall then transmit the application to the Board with its recommendations thereon as provided in the bylaws. If the application has not been transmitted to the Board within two weeks of the date of the receipt of the application by the Bank, the chief administrative officer of the Bank shall notify the Governor of the receipt of the application and the reasons for the delay in its transmittal to the Board.

**(d) Board action on applications.** The Board, after considering the recommendation of the Bank, will act upon the application and inform the Bank of such action. The Bank will inform the applicant of such action, and, if the application is approved, transmit to the applicant the membership certificate received from the Board.

**(e) Examinations of applicants; appraisals.** If the Board finds that it cannot act upon the application without further examination, notification to that effect shall be furnished the applicant through the Bank. The applicant then (if other than a Federal savings and loan association) may either withdraw its application or request such examination and/or appraisal as in the judgment of the Board may be necessary to determine its eligibility. Such examination shall be made by the Examining Division of the Board and the cost thereof, as computed by the Board, shall be paid by the applicant.\*† (Sec. 4 (a), 47 Stat. 726; 12 U.S.C. 1424 (a))

**3.3 Stock subscription—(a) Subscription form.** Duly executed subscription for stock shall be made by the applicant at the time of filing application for membership.

**(b) Minimum stock subscription.** When a member has filed with the Bank the report required by § 3.4, the Bank shall notify the member if an additional subscription to its capital stock is required in order to comply with the Act. If the member shall fail to make such subscription promptly, the Bank shall inform the Board.

**(c) Adjustments in stock holdings.** The board of directors of any Bank may increase or decrease the amount of stock of any member from time to time so that the stock held by each member shall conform to the provisions of subsection (c) of section 6 of the Act (47 Stat. 727, 48 Stat. 1264; 12 U.S.C. 1426 (c)). In any case in which the amount of stock held by a member is decreased upon proper application of such member, the Bank shall pay for each share of stock, upon its surrender, an amount equal to the value thereof, which value shall be determined as provided in subsection (i) of section 6 of the Act (47 Stat. 729; 12 U.S.C. 1426 (i)), or, at its election, apply the whole or any part of such payment as a credit upon the indebtedness of the member to the Bank. A Bank may require a member to give 30 days' written notice of its intention to make an application to the Bank for a decrease in the amount of stock held by it. In no case shall there be a reduction in the amount of stock held by any member to an amount less than that required by subsection (c) of section 10 of the Act (47 Stat. 732; 12 U.S.C. 1430 (c)). The board of directors of any Bank may, by resolution, designate the

duly constituted executive committee or any officer of such Bank to exercise the powers granted by this paragraph.

**(d) Excess stock subscriptions.** A member, subject to the approval of the Bank, may subscribe to the capital stock of the Bank of which it is a member in such larger amount than the minimum amount specified by the provisions of subsection (c) of section 6 of the Act (47 Stat. 727, 48 Stat. 1264; 12 U.S.C. 1426 (c)) as it may desire, subject to the provisions of the law under which such member operates.

**(e) Payments on stock subscription.** An applicant may pay for stock subscribed in installments, as provided in subsection (d) of section 6 of the Act (47 Stat. 728; 12 U.S.C. 1426 (d)). In the event of substantial delay between the time of filing of the application and notification of such applicant's admission to membership, provided the applicant has furnished all information required and complied with the laws and regulations of the Board, such applicant may be allowed to make its second payment upon admission and succeeding payments as above provided.

**(f) Treatment of amounts paid in on stock subscription.** The amounts paid on stock subscriptions by applicants shall be treated by the Banks as non-interest bearing deposits held in trust and entered in a special liability account on the books of the Bank, until the application is approved or withdrawn.

**(g) Transfer or hypothecation of stock.** A member desiring to dispose of or transfer its stock shall make application for Board approval through the Bank of which it is a member. If after such Board approval, an institution shall cease to be a member of a Bank by reason of the transfer of its stock in the Bank to another institution or by reason of the cancelation of such stock and the refunding of the value thereof by the Bank or by any other procedure authorized by law and the rules and regulations made thereunder, the Bank shall promptly notify the Secretary to the Board of such fact and the name and address of such institution ceasing to be a member.\*† (Sec. 6 (c), (d), (h), (i), (j), 47 Stat. 727-729, sec. 509, 48 Stat. 1264; 12 U.S.C. 1426 (c), (d), (h), (i), (j))

**3.4 Reports.** Each member shall be required to furnish at least annually a report of its financial condition and operations, on forms prescribed by the Board.\*†

**3.5 Examination of members.** Examinations, when required on account of the inadequacy of State examinations for the purposes of the Banks, shall be made at least annually, as prescribed by the Board, and the cost of such examinations, as determined by the Board, shall be paid by the member.\*† (Sec. 8, 47 Stat. 731; 12 U.S.C. 1428)

**3.6 Official membership insignia.** Each member is authorized to display the approved design of insignia of membership on its letterheads, share accounts books, advertising, and similar material and to display the insignia on its windows or the exterior of its

\*†For statutory and source citations, see note to § 3.1.

quarters. Members are likewise authorized to use the words "Member Federal Home Loan Bank System" in plain lettering in similar instances.\*†

**3.7 Withdrawal and removal from membership—(a) Procedure for withdrawal.** When a member shall have filed with a Bank notice of its intention to withdraw from membership, the Bank shall submit to the Board such notice together with a statement of the amount of stock owned by the member, the amount of its indebtedness to the Bank, the arrangements proposed for the liquidation of such indebtedness, the reason for withdrawal and its recommendation thereon.

**(b) Cancellation of withdrawal notice.** A member, having filed notice of intention to withdraw from membership, may withdraw such application at any time by notifying the Board within the six months' period, even though the Board has taken formal action in granting the application.

**(c) Procedure for removal.** When, in the judgment of the Board, cause for the removal of any member exists, the member will be notified to this effect and of the time and place of the holding of a hearing for the determination of whether or not such institution shall be retained as a member. Representatives of the institution so notified, may appear at the hearing, which shall be conducted by the Review Committee of the Board at Washington, D. C. The Review Committee will consider such matters presented at the hearing and make recommendations to the Board, with a report of such hearings, and the Board will take such action as may appear appropriate. If a member applies for permission to withdraw but cause for removal exists, the application for withdrawal may be treated as a waiver of hearing: for example, where notice of intention to withdraw has been filed by a receiver in the case of insolvency.\*† (Sec. 6 (i), 47 Stat. 729; 12 U.S.C. 1426 (i))

## PART 4—OPERATIONS OF THE BANKS

Sec.	Sec.
4.1 General powers.	(d) Redemption prior to maturity.
(a) Bank offices.	(e) Lost, stolen, or destroyed debentures and interim receipts.
(b) Investments required by subsection (g) of section 11 of the Act.	(f) Default.
(c) Investment of excess funds.	(g) Amendments.
(d) Investment of reserves required by section 16 of the Act.	4.3 Accounting.
(e) Transfer of funds between banks.	4.4 Budgets.
(f) Deposits from members.	4.5 Reports.
(g) Agency powers.	4.6 Surety bonds and insurance.
(h) Trustee powers.	(a) Surety bonds.
4.2 Consolidated debentures.	(b) Insurance.
(a) Issuance of debentures.	4.7 Safe-keeping accounts.
(b) Form of debentures.	4.8 Securities held in trust or as collateral.
(c) Transactions (transfers, exchanges, redemptions, etc.).	4.9 Depositaries.
	4.10 Donations.

**Section 4.1 General powers—(a) Bank offices.** No Bank shall enter into any contract for the lease of quarters until such proposed