



State of Washington  
**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**DIVISION OF BANKS**

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**ISGC – 2008 – 007 – DOB**

November 4, 2008

[REDACTED]

RE: FHLB Seattle Letter of Credit Program – Exemption from RCW 30.04.140

Dear Mr. Champagne:

You have inquired about RCW 30.04.140 in relation to the participation of Washington state-chartered banks (“Members”) in the Letter of Credit Program (“Program”) as members of the Federal Home Loan Bank of Seattle (“FHLB”). You have represented that, distinct from the Program itself, Members that happen to participate in the Program, as a condition of FHLB Membership, also give FHLB a blanket security interest in all of their eligible collateral<sup>1</sup> to secure any indebtedness owed by the Member to the FHLB.<sup>2</sup> Under these representations of the Program, the pledge of “eligible collateral” (securities and assets of the bank) collateralizes a separate *loan* made by FHLB to the Member. It is *not* per se a “pledge or hypothecat[ion] [of] any of its securities or assets to any depositor.” Accordingly, based upon these representations, Washington State-chartered banks participating in the Program as Members of FHLB would not violate RCW 30.04.140.

Sincerely,

Joseph M. Vincent, DFI General Counsel

<sup>1</sup> Real estate related loans, securities, deposits at the FHLB, and member-owned FHLB stock.

<sup>2</sup> You have also represented that when FHLB issues a letter of credit at a Member’s request, FHLB is reducing the borrowing capacity of the Member with FHLB by a like amount to insure that the Member has sufficient collateral in the event that a draw is made on a letter of credit and FHLB then has to extend an “advance” loan to the Member to reimburse FHLB for the amount of the draw. [All advances (loans) must be fully secured by a Member’s collateral.]