



BILL NO.: Senate Bill 606
TITLE: Finance and Procurement – State Treasury - Collateral
POSITION: **SUPPORT**
DATE: March 7, 2012
COMMITTEE: Budget and Taxation
CONTACT: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** Senate Bill 606. This bill would add a letter of credit issued by a Federal Home Loan Bank to the list of collateral that can be used to secure public funds that the State has on deposit with financial institutions.

The Federal Home Loan Banks (FHLB) are a group of cooperatives that lending institutions use to finance housing and economic development. The Maryland Attorney General recently issued a Letter of Advice regarding the State Treasurer's acceptance of Letters of Credit (LOCs) from a Federal Home Loan Bank (FHLB) as security for public unit deposits. The Attorney General advised that the current Maryland statute is ambiguous and therefore does not recognize FHLB LOCs.

Certain local governments currently have LOCs from FHLBs as collateral to secure funds being held by the State Treasurer. This legislation would clarify that the State Treasurer can accept FHLB letters of credit as collateral to secure these funds.

MACo urges the Committee to give SB 606 a **FAVORABLE** report.