

24, 378, 1431, 1436, 1464, 1716, 1717 to 1723a, 1723c and 1757 of this title, section 709 of Title 18, Crimes and Criminal Procedure, section 846 of former Title 31, Money and Finance, section 1820 [now 3720] of Title 38, Veterans' Benefits, section 612 of former Title 40, Public Buildings, Property, and Works, and sections 1452b, 3534 and 3535 of Title 42, The Public Health and Welfare, and enacted provisions set out as notes under this section and section 1721 of this title.

Section 1720 of this title, referred to in text, was repealed by Pub. L. 98-181, title I [title IV, § 483(a)], Nov. 30, 1983, 97 Stat. 1240.

CODIFICATION

Section was enacted as part of the Housing and Urban Development Act of 1968, and not as part of the National Housing Act which comprises this chapter or the Federal National Mortgage Association Charter Act which comprises this subchapter.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE

Pub. L. 90-448, title VIII, § 808, Aug. 1, 1968, 82 Stat. 545, provided that: "The amendments made by this title [enacting this section and amending sections 24, 378, 1431, 1436, 1464, 1716, 1717 to 1723a, 1723c and 1757 of this title, section 709 of Title 18, Crimes and Criminal Procedure, section 846 of former Title 31, Money and Finance, section 1820 [now 3720] of Title 38, Veterans' Benefits, section 612 of former Title 40, Public Buildings, Property, and Works, sections 1452b, 3534 and 3535 of Title 42, The Public Health and Welfare, and notes under this section and section 1721 of this title] shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act [Aug. 1, 1968], as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto."

SAVINGS PROVISION

Pub. L. 90-448, title VIII, § 809, Aug. 1, 1968, 82 Stat. 545, provided that:

"(a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 [set out above] shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act [section 1717(a)(2) of this title].

"(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act [section 1717(a)(2) of this title] or the appropriate corresponding officer thereof."

TRANSITIONAL PROVISIONS

Pub. L. 90-448, title VIII, § 810, Aug. 1, 1968, 82 Stat. 545, as amended by Pub. L. 91-609, title IX, § 901(e), Dec. 31, 1970, 84 Stat. 1807; Pub. L. 93-383, title VIII, § 806(l), Aug. 22, 1974, 88 Stat. 728; Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

"(a) On the effective date established pursuant to section 808 of this Act [set out above], each share of outstanding nonvoting common stock, with a par value of \$100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation. For the purposes of the Internal Rev-

enue Code of 1986 [formerly I.R.C. 1954, Title 26], no gain or loss is recognized by the holders of such stock on such change, and the basis and holding period of such stock in the hands of the stockholders immediately after such change are the same as the basis and holding period of such stock in their hands immediately prior to such change.

"(b), (c). [Repealed. Pub. L. 93-383, title VIII, § 806(l), Aug. 22, 1974, 88 Stat. 728].

"(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 [set out as a note above] shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association."

§ 1717. Federal National Mortgage Association and Government National Mortgage Association

(a) Creation; succession; principal and other offices

(1) There is created a body corporate to be known as the "Federal National Mortgage Association", which shall be in the Department of Housing and Urban Development. The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(2) On September 1, 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the "Association"), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 1720¹ and 1721 of this title prior to such date, including any and all liabilities incurred pursuant to subsection (c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of

¹ See References in Text note below.

venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the “corporation”), which shall retain the assets and liabilities acquired and incurred under sections 1718 and 1719 of this title prior to such date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia or the metropolitan area thereof and shall be deemed, for purposes of jurisdiction and venue in civil actions, to be a District of Columbia corporation.

(3) The partition transaction effected pursuant to the foregoing paragraph constitutes a reorganization within the meaning of section 368(a)(1)(E) of title 26; and for the purposes of such title 26, no gain or loss is recognized by the previously existing body corporate by reason of the partition, and the basis and holding period of the assets of the corporation immediately following such partition are the same as the basis and holding period of such assets immediately prior to such partition.

(b) Purchase and sale of insured and conventional mortgages; transactions in loans and advances of credit

(1) For the purposes set forth in section 1716 of this title and subject to the limitations and restrictions of this subchapter, each of the bodies corporate named in subsection (a)(2) is authorized pursuant to commitments or otherwise, to purchase, service, sell, or otherwise deal in any mortgages which are insured under this chapter or title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.], or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38; and to purchase, service, sell, or otherwise deal in any loans made or guaranteed under part B of title VI of the Public Health Service Act [42 U.S.C. 291j-1 et seq.]; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 1721(g) of this title: *Provided*, That (1) the Association may not purchase any mortgage at a price exceeding 100 per centum of the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items; (2) the Association may not purchase any mortgage, except a mortgage insured under title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.], if it is offered by, or covers property held by, a State, territorial, or municipal instrumentality; and (3) the Association may not purchase any mortgage under section 1720¹ of this title, except a mortgage insured under section 1715k of this title or subchapter VIII or section 1709(k) of this title, or under subchapter IX-A¹ with respect to a new community approved under section 1749cc-1¹ of this title, or insured under section 1715e of this title and covering property located in an urban renewal area, or a mortgage covering property located in Alas-

ka, Guam, or Hawaii, if the original principal obligation thereof exceeds or exceeded \$55,000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or \$60,000 in the case of a two- or three-family residence; or \$68,750 in the case of a four-family residence; or, in the case of a property containing more than four dwelling units, \$38,000 per dwelling unit (or such higher amount not in excess of \$45,000 per dwelling unit as the Secretary may by regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property attributable to dwelling use. Notwithstanding the provisions of clause (3) of the preceding sentence, the Association may purchase a mortgage under section 1720¹ of this title with an original principal obligation which exceeds the otherwise applicable maximum amount per dwelling unit if the mortgage is insured under section 1713(c)(3), 1715e(b)(2), 1715k(d)(3)(B)(iii), 1715l(d)(3)(ii), 1715l(d)(4)(ii), 1715v(c)(2), 1715y(e)(3), or 1715z-1 of this title. For the purposes of this subchapter, the terms “mortgages” and “home mortgages” shall be inclusive of any mortgages or other loans insured under any of the provisions of this chapter or title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.].

(2) For the purposes set forth in section 1716(a) of this title, the corporation is authorized, pursuant to commitments or otherwise, to purchase, service, sell, lend on the security of, or otherwise deal in mortgages which are not insured or guaranteed as provided in paragraph (1) (such mortgages referred to hereinafter as “conventional mortgages”). No such purchase of a conventional mortgage secured by a property comprising one- to four-family dwelling units shall be made if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum is guaranteed or insured by a qualified insurer as determined by the corporation. The corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities. For the purpose of this section, the term “conventional mortgages” shall include a mortgage, lien, or other security interest on the stock or membership certificate issued to a tenant-stockholder or resident-member of a cooperative housing cor-

poration, as defined in section 216 of title 26, and on the proprietary lease, occupancy agreement, or right of tenancy in the dwelling unit of the tenant-stockholder or resident-member in such cooperative housing corporation. The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are purchased by it; in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the corporation. Such limitations shall not exceed \$417,000 for a mortgage secured by a single-family residence, \$533,850 for a mortgage secured by a 2-family residence, \$645,300 for a mortgage secured by a 3-family residence, and \$801,950 for a mortgage secured by a 4-family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning after the effective date of the Federal Housing Finance Regulatory Reform Act of 2008, subject to the limitations in this paragraph. Each adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase, during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment, in the housing price index maintained by the Director of the Federal Housing Finance Agency (pursuant to section 4542 of this title). If the change in such house price index during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment is a decrease, then no adjustment shall be made for the next year, and the next adjustment shall take into account prior declines in the house price index, so that any adjustment shall reflect the net change in the house price index since the last adjustment. Declines in the house price index shall be accumulated and then reduce increases until subsequent increases exceed prior declines. The foregoing limitations may be increased by not to exceed 50 per centum with respect to properties located in Alaska, Guam, Hawaii, and the Virgin Islands. Such foregoing limitations shall also be increased, with respect to properties of a particular size located in any area for which 115 percent of the median house price for such size residence exceeds the foregoing limitation for such size residence, to the lesser of 150 percent of such limitation for such size residence or the amount that is equal to 115 percent of the median house price in such area for such size residence.

(3) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in loans or advances of credit for the purchase and installation of home improvements, including energy conserving improvements or solar energy systems described in the last paragraph of section 1703(a) of this title and residential energy conservation measures as described in section 210(11) of the National Energy Conservation Policy Act [42 U.S.C. 8211(11)]¹ and financed by a public utility in accordance with the requirements of title II of such Act [42 U.S.C. 8211 et seq.]. To be eligible for purchase, any such loan or advance of credit (other than a

loan or advance made with respect to energy conserving improvements or solar energy systems or residential energy conservation measures) not insured under subchapter I of this chapter shall be secured by a lien against the property to be improved.

(4) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in loans or advances of credit secured by mortgages or other liens against manufactured homes.

(5)(A) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in (i) conventional mortgages that are secured by a subordinate lien against a one- to four-family residence that is the principal residence of the mortgagor; and (ii) conventional mortgages that are secured by a subordinate lien against a property comprising five or more family dwelling units. If the corporation, pursuant to paragraphs (1) through (4), shall have purchased, serviced, sold, or otherwise dealt with any other outstanding mortgage secured by the same residence, the aggregate original amount of such other mortgage and the mortgage authorized to be purchased, serviced, sold, or otherwise dealt with under this paragraph shall not exceed the applicable limitation determined under paragraph (2).

(B) The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages described in subparagraph (A). In any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of such mortgage described in subparagraph (A) and not merely with respect to the interest purchased by the corporation. Such limitations shall not exceed (i) with respect to mortgages described in subparagraph (A)(i), 50 per centum of the single-family residence mortgage limitation determined under paragraph (2); and (ii) with respect to mortgages described in subparagraph (A)(ii), the applicable limitation determined under paragraph (2).

(C) No subordinate mortgage against a one- to four-family residence shall be purchased by the corporation if the total outstanding indebtedness secured by the property as a result of such mortgage exceeds 80 per centum of the value of such property unless (i) that portion of such total outstanding indebtedness that exceeds such 80 per centum is guaranteed or insured by a qualified insurer as determined by the corporation; (ii) the seller retains a participation of not less than 10 per centum in the mortgage; or (iii) for such period and under such circumstances as the corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the corporation in the event that the mortgage is in default. The corporation shall not issue a commitment to purchase a subordinate mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (ii) of such sentence.

(6) The corporation may not implement any new program (as such term is defined in section 4502 of this title) before obtaining the approval of the Secretary under section 4542¹ of this title.

(7)(A) DEFINITIONS.—In this paragraph—

(i) the term “credit score” means a numerical value or a categorization created by a third party derived from a statistical tool or modeling system used by a person who makes or arranges a loan to predict the likelihood of certain credit behaviors, including default; and

(ii) the term “residential mortgage” has the meaning given the term in section 1451 of this title.

(B) USE OF CREDIT SCORES.—The corporation shall condition purchase of a residential mortgage by the corporation under this subsection on the provision of a credit score for the borrower only if—

(i) the credit score is derived from any credit scoring model that has been validated and approved by the corporation under this paragraph; and

(ii) the corporation provides for the use of the credit score by all of the automated underwriting systems of the corporation and any other procedures and systems used by the corporation to purchase residential mortgages that use a credit score.

(C) VALIDATION AND APPROVAL PROCESS.—The corporation shall establish a validation and approval process for the use of credit score models, under which the corporation may not validate and approve a credit score model unless the credit score model—

(i) satisfies minimum requirements of integrity, reliability, and accuracy;

(ii) has a historical record of measuring and predicting default rates and other credit behaviors;

(iii) is consistent with the safe and sound operation of the corporation;

(iv) complies with any standards and criteria established by the Director of the Federal Housing Finance Agency under section 4548(1) of this title; and

(v) satisfies any other requirements, as determined by the corporation.

(D) REPLACEMENT OF CREDIT SCORE MODEL.—If the corporation has validated and approved 1 or more credit score models under subparagraph (C) and the corporation validates and approves an additional credit score model, the corporation may determine that—

(i) the additional credit score model has replaced the credit score model or credit score models previously validated and approved; and

(ii) the credit score model or credit score models previously validated and approved shall no longer be considered validated and approved for the purposes of subparagraph (B).

(E) PUBLIC DISCLOSURE.—Upon establishing the validation and approval process required under subparagraph (C), the corporation shall make publicly available a description of the validation and approval process.

(F) APPLICATION.—Not later than 30 days after the effective date of this paragraph, the corporation shall solicit applications from developers of credit scoring models for the validation and approval of those models under the process required under subparagraph (C).

(G) TIMEFRAME FOR DETERMINATION; NOTICE.—

(i) IN GENERAL.—The corporation shall make a determination with respect to any application submitted under subparagraph (F), and provide notice of that determination to the applicant, before a date established by the corporation that is not later than 180 days after the date on which an application is submitted to the corporation.

(ii) EXTENSIONS.—The Director of the Federal Housing Finance Agency may authorize not more than 2 extensions of the date established under clause (i), each of which shall not exceed 30 days, upon a written request and a showing of good cause by the corporation.

(iii) STATUS NOTICE.—The corporation shall provide notice to an applicant regarding the status of an application submitted under subparagraph (F) not later than 60 days after the date on which the application was submitted to the corporation.

(iv) REASONS FOR DISAPPROVAL.—If an application submitted under subparagraph (F) is disapproved, the corporation shall provide to the applicant the reasons for the disapproval not later than 30 days after a determination is made under this subparagraph.

(H) AUTHORITY OF DIRECTOR.—If the corporation elects to use a credit score model under this paragraph, the Director of the Federal Housing Finance Agency shall require the corporation to periodically review the validation and approval process required under subparagraph (C) as the Director determines necessary to ensure that the process remains appropriate and adequate and complies with any standards and criteria established pursuant to section 4548(1) of this title.

(I) EXTENSION.—If, as of the effective date of this paragraph, a credit score model has not been approved under subparagraph (C), the corporation may use a credit score model that was in use before the effective date of this paragraph, if necessary to prevent substantial market disruptions, until the earlier of—

(i) the date on which a credit score model is validated and approved under subparagraph (C); or

(ii) the date that is 2 years after the effective date of this paragraph.

(c) Administration of trusts; obligations of departments and agencies of the United States; exemption of interest income from taxation; authorization of appropriations for differential reimbursements

(1) Notwithstanding any other provision of this chapter or of any other law, the Association is authorized under section 1721 of this title to create, accept, execute, and otherwise administer in all respects such trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, hereinafter in this subsection called “trusts”, as might be appropriate for financing purposes; and in relation thereto the Association may acquire, hold and manage, dispose of, and otherwise deal in any mortgages or other types of obligations in which any department or agency of the United States listed in paragraph (2) of this subsection may have a financial interest. The Association may join in

any such undertakings and activities, hereinafter in this subsection called "trusts"; notwithstanding that it is also serving in a fiduciary or representative capacity; and is authorized to guarantee any participations or other instruments, whether evidence of property rights or debt, issued for such financing purposes. Participations or other instruments issued by the Association pursuant to this subsection shall to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The amounts of any mortgages and their obligations acquired by the Association under section 1721 of this title, pursuant to this subsection, shall not be included in the total amounts set forth in section 1721(c) of this title.

(2) Subject to the limitations provided in paragraph (4) of this subsection, one or more trusts may be established as provided in this subsection by each of the following departments or agencies:

(A) The Farmers Home Administration of the Department of Agriculture, but only with respect to operating loans, direct farm ownership loans, direct housing loans, and direct soil and water loans. Such trusts may not be established with respect to loans for housing for the elderly under sections 502 and 515(a) of the Housing Act of 1949 [42 U.S.C. 1472 and 1485(a)], nor with respect to loans for nonfarm recreational development.

(B) The Department of Education, but only with respect to loans made by the Secretary of Education for construction of academic facilities, and loans to help finance student loan programs.

(C) The Department of Housing and Urban Development.

(D) The Department of Veterans Affairs.

(E) The Export-Import Bank.

(F) The Small Business Administration.

The head of each such department or agency, hereinafter in this subsection called the "trustor," is authorized to set aside a part or all of any obligations held by the trustor and subject them to a trust or trusts and, incident thereto, shall guarantee to the trustee timely payment thereof. The trust instrument may provide for the issuance and sale of beneficial interests or participations, by the trustee, in such obligations or in the right to receive interest and principal collections therefrom; and may provide for the substitution or withdrawal of such obligations, or for the substitution of cash for obligations. The trust or trusts shall be exempt from all taxation. The trust instrument may also contain other appropriate provisions in keeping with the purposes of this subsection. The Association shall be named and shall act as trustee of any such trusts and, for the purposes thereof, the title to such obligations shall be deemed to have passed to the Association in trust. The trust instrument shall provide that custody, control, and administration of the obligations shall remain in the trustor subjecting the obligations to the trust, subject to transfer to the trustee in event of default or probable de-

fault, as determined by the trustee, in the payment of principal and interest of the beneficial interests or participations. Collections from obligations subject to the trust shall be dealt with as provided in the instrument creating the trust. The trust instrument shall provide that the trustee will promptly pay to the trustor the full net proceeds of any sale of beneficial interests or participations to the extent they are based upon such obligations or collections. Such proceeds shall be dealt with as otherwise provided by law for sales or repayment of such obligations. The effect of both past and future sales of any issue of beneficial interests or participations shall be the same, to the extent of the principal of such issue, as the direct sale with recourse of the obligations subject to the trust. Any trustor creating a trust or trusts hereunder is authorized to purchase, through the facilities of the trustee, outstanding beneficial interests or participations to the extent of the amount of the trustor's responsibility to the trustee on beneficial interests or participations outstanding, and to pay the trustor's proper share of the costs and expenses incurred by the Association as trustee pursuant to the trust instrument.

(3) When any trustor guarantees to the trustee the timely payment of obligations the trustor subjects to a trust pursuant to this subsection, and it becomes necessary for such trustor to meet his responsibilities under such guaranty, the trustor is authorized to fulfill such guaranty.

(4) Beneficial interests or participations shall not be issued for the account of any trustor in an aggregate principal amount greater than is authorized with respect to such trustor in an appropriation Act. Any such authorization shall remain available only for the fiscal year for which it is granted and for the succeeding fiscal year.

(5) The Association, as trustee, is authorized to issue and sell beneficial interests or participations under this subsection, notwithstanding that there may be an insufficiency in aggregate receipts from obligations subject to the related trust to provide for the payment by the trustee (on a timely basis out of current receipts or otherwise) of all interest or principal on such interests or participations (after provision for all costs and expenses incurred by the trustee, fairly prorated among trustors). There are authorized to be appropriated without fiscal year limitation such sums as may be necessary to enable any trustor to pay the trustee such insufficiency as the trustee may require on account of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection. Such trustor shall make timely payments to the trustee from such appropriations, subject to and in accord with the trust instrument. In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors

to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued.

(June 27, 1934, ch. 847, title III, §302, 48 Stat. 1254; May 28, 1935, ch. 150, §31, 49 Stat. 300; Feb. 3, 1938, ch. 13, §6, 52 Stat. 24; Mar. 28, 1941, ch. 31, §6, 55 Stat. 62; July 1, 1948, ch. 784, §1, 62 Stat. 1208; July 19, 1949, ch. 351, §1, 63 Stat. 446; Oct. 25, 1949, ch. 729, §1(3), 63 Stat. 905; Apr. 20, 1950, ch. 94, title I, §117, 64 Stat. 57; July 14, 1952, ch. 723, §3(b), 66 Stat. 602; June 30, 1953, ch. 170, §13(b), 67 Stat. 125; Aug. 2, 1954, ch. 649, title II, §201, 68 Stat. 613; Aug. 7, 1956, ch. 1029, title II, §201, 70 Stat. 1096; Pub. L. 85-857, §13(g), Sept. 2, 1958, 72 Stat. 1265; Pub. L. 86-372, title III, §301, Sept. 23, 1959, 73 Stat. 669; Pub. L. 87-70, title I, §102(c), title VI, §§602, 603(a), June 30, 1961, 75 Stat. 158, 176; Pub. L. 88-560, title VII, §§701(a), 702, Sept. 2, 1964, 78 Stat. 800, 802; Pub. L. 89-117, title I, §102(d), title II, §201(b)(1), title VIII, §§802(a), 803, 804, title X, §1004(a), Aug. 10, 1965, 79 Stat. 454, 465, 493, 494, 501; Pub. L. 89-429, §2, May 24, 1966, 80 Stat. 164; Pub. L. 89-751, §7, Nov. 3, 1966, 80 Stat. 1236; Pub. L. 89-754, title IV, §405, Nov. 3, 1966, 80 Stat. 1273; Pub. L. 90-19, §1(a)(2), (3), (j)(1), May 25, 1967, 81 Stat. 17, 18; Pub. L. 90-448, title VIII, §§802(c)-(g), 803, Aug. 1, 1968, 82 Stat. 536, 537, 542; Pub. L. 91-152, title I, §114, Dec. 24, 1969, 83 Stat. 385; Pub. L. 91-296, title II, §202, June 30, 1970, 84 Stat. 350; Pub. L. 91-351, title II, §201(a), title IV, §402, July 24, 1970, 84 Stat. 450, 458; Pub. L. 91-609, title IX, §901(d), Dec. 31, 1970, 84 Stat. 1807; Pub. L. 93-383, title VIII, §§806(a)-(f), 807, Aug. 22, 1974, 88 Stat. 727, 728; Pub. L. 93-541, §2, Dec. 26, 1974, 88 Stat. 1739; Pub. L. 95-128, title IV, §408(a), Oct. 12, 1977, 91 Stat. 1138; Pub. L. 95-557, title I, §101(c)(3), title III, §318(a), Oct. 31, 1978, 92 Stat. 2083, 2100; Pub. L. 95-619, title II, §246, Nov. 9, 1978, 92 Stat. 3233; Pub. L. 96-153, title III, §317, Dec. 21, 1979, 93 Stat. 1119; Pub. L. 96-294, title V, §534(b), June 30, 1980, 94 Stat. 741; Pub. L. 96-399, title III, §§309, 313(a), 339(a)(1), (b)(1), Oct. 8, 1980, 94 Stat. 1641, 1644, 1657; Pub. L. 97-110, title II, §202(c), Dec. 26, 1981, 95 Stat. 1514; Pub. L. 98-440, title II, §201(a), 203(a), 205(a), 206(a), Oct. 3, 1984, 98 Stat. 1692, 1693, 1695; Pub. L. 98-479, title II, §§201(b), 204(a)(16), Oct. 17, 1984, 98 Stat. 2227, 2232; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095; Pub. L. 100-122, §2(b)(1), Sept. 30, 1987, 101 Stat. 793; Pub. L. 100-154, Nov. 5, 1987, 101 Stat. 890; Pub. L. 100-170, Nov. 17, 1987, 101 Stat. 914; Pub. L. 100-179, Dec. 3, 1987, 101 Stat. 1018; Pub. L. 100-200, Dec. 21, 1987, 101 Stat. 1327; Pub. L. 100-242, title IV, §443(a), Feb. 5, 1988, 101 Stat. 1922; Pub. L. 100-628, title X, §1068(a), Nov. 7, 1988, 102 Stat. 3276; Pub. L. 101-73, title VII, §731(f)(1), Aug. 9, 1989, 103 Stat. 433; Pub. L. 102-54, §13(d)(2)(A), June 13, 1991, 105 Stat. 274;

Pub. L. 102-550, title XIII, §1381(b), (c), (s)(1), Oct. 28, 1992, 106 Stat. 3995, 4001; Pub. L. 105-276, title V, §582(a)(14), Oct. 21, 1998, 112 Stat. 2644; Pub. L. 110-289, div. A, title I, §1124(a)(1), (2), July 30, 2008, 122 Stat. 2691, 2692; Pub. L. 115-174, title III, §310(a), May 24, 2018, 132 Stat. 1351.)

Editorial Notes

REFERENCES IN TEXT

Section 1720 of this title, referred to in subsecs. (a)(2)(A) and (b)(1), was repealed by Pub. L. 98-181, title I [title IV, §483(a)], Nov. 30, 1983, 97 Stat. 1240.

The Housing Act of 1949, referred to in subsec. (b)(1), is act July 15, 1949, ch. 338, 63 Stat. 413. Title V of the Housing Act of 1949 is classified generally to subchapter III (§1471 et seq.) of chapter 8A of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 1441 of Title 42 and Tables.

The Servicemen's Readjustment Act of 1944, referred to in subsec. (b)(1), is act June 22, 1944, ch. 268, 58 Stat. 284, which was classified generally to chapter 11C (§§693 to 697g) of former Title 38, Pensions, Bonuses, and Veterans' Relief, and which was repealed by section 14(87) of Pub. L. 85-857, Sept. 2, 1958, 72 Stat. 1273, the first section of which enacted Title 38, Veterans' Benefits. For distribution of sections 693 to 697g of former Title 38 to Title 38, Veterans' Benefits, see Table preceding section 101 of Title 38, Veterans' Benefits.

The Public Health Service Act, referred to in subsec. (b)(1), is act July 1, 1944, ch. 373, 58 Stat. 682. Part B of title VI of the Public Health Service Act is classified generally to part B (§291j-1 et seq.) of subchapter IV of chapter 6A of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 201 of Title 42 and Tables.

Subchapter IX-A of this chapter and section 1749cc-1 of this title, referred to in subsec. (b)(1), were repealed by Pub. L. 101-235, title I, §133(a), Dec. 15, 1989, 103 Stat. 2027.

The effective date of the Federal Housing Finance Regulatory Reform Act of 2008, referred to in subsec. (b)(2), probably means the date of enactment of div. A of Pub. L. 110-289, which was approved July 30, 2008.

The National Energy Conservation Policy Act, referred to in subsec. (b)(3), is Pub. L. 95-619, Nov. 9, 1978, 92 Stat. 3208. Title II of the National Energy Conservation Policy Act is classified principally to subchapter II (§8211 et seq.) of chapter 91 of Title 42, The Public Health and Welfare. Section 210 of the Act [42 U.S.C. 8211] was omitted from the Code pursuant to section 8229 of Title 42 which terminated authority under that section on June 30, 1989. For complete classification of this Act to the Code, see Short Title note set out under section 8201 of Title 42 and Tables.

Section 4542 of this title, referred to in subsec. (b)(6), was repealed and a new section 4542 was added by Pub. L. 110-289, div. A, title I, §§1122, 1124(d), July 30, 2008, 122 Stat. 2693. The new section 4542 does not relate to obtaining the approval of the Secretary.

The effective date of this paragraph, referred to in subsec. (b)(7)(F), (I), is 180 days after May 24, 2018, see section 310(d) of Pub. L. 115-174, set out as an Effective Date of 2018 Amendment note under section 1454 of this title.

AMENDMENTS

2018—Subsec. (b)(7). Pub. L. 115-174 added par. (7).

2008—Subsec. (b)(2). Pub. L. 110-289 inserted last sentence and substituted seventh through ninth sentences for former seventh and eighth sentences which read as follows: "Such limitations shall not exceed \$93,750 for a mortgage secured by a single-family residence, \$120,000 for a mortgage secured by a two-family residence, \$145,000 for a mortgage secured by a three-family residence, and \$180,000 for a mortgage secured by a four-

family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning with 1981. Each such adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase during the twelve-month period ending with the previous October in the national average one-family house price in the monthly survey of all major lenders conducted by the Federal Housing Finance Board."

1998—Subsec. (b)(2). Pub. L. 105-276 struck out penultimate sentence which read as follows: "With respect to mortgages secured by property comprising five or more family dwelling units, such limitations shall not exceed 125 per centum of the dollar amounts set forth in section 1713(c)(3) of this title, except that such limitations may be increased by the corporation (taking into account construction costs) to not to exceed 240 per centum of such dollar amounts in any geographical area for which the Secretary of Housing and Urban Development determines under such section that cost levels require any increase in the dollar amount limitations under such section."

1992—Subsec. (b)(2). Pub. L. 102-550, § 1381(b), (c)(1), in first sentence, struck out "and with the approval of the Secretary of Housing and Urban Development," before "the corporation" and in last sentence, substituted "Hawaii, and the Virgin Islands" for "and Hawaii".

Subsec. (b)(3), (4). Pub. L. 102-550, § 1381(c)(2), (3), struck out "with the approval of the Secretary of Housing and Urban Development," after "corporation is authorized".

Subsec. (b)(6). Pub. L. 102-550, § 1381(c)(4), added par. (6).

Subsec. (c)(2). Pub. L. 102-550, § 1381(s)(1)(A), in first sentence of concluding provisions, substituted "the trustor" for "him" after "obligations held by" and in last sentence, substituted "the trustor's" for "his" in two places.

Subsec. (c)(3). Pub. L. 102-550, § 1381(s)(1)(B), substituted "the trustor" for "he" after "obligations" and "guaranty".

1991—Subsec. (c)(2)(D). Pub. L. 102-54 substituted "Department of Veterans Affairs" for "Veterans Administration".

1989—Subsec. (b)(2). Pub. L. 101-73 substituted "Resolution Trust Corporation" for "Federal Savings and Loan Insurance Corporation" and "Federal Housing Finance Board" for "Federal Home Loan Bank Board".

1988—Subsec. (b)(5)(A)(i). Pub. L. 100-242 struck out "through March 15, 1988," before "conventional mortgages".

Subsec. (b)(5)(A)(ii). Pub. L. 100-628 struck out "until October 1, 1985," before "conventional mortgages".

1987—Subsec. (b)(5)(A)(i). Pub. L. 100-200 substituted "March 15, 1988" for "December 16, 1987".

Pub. L. 100-179 substituted "December 16, 1987" for "December 2, 1987".

Pub. L. 100-170 substituted "December 2, 1987" for "November 15, 1987".

Pub. L. 100-154 substituted "November 15, 1987" for "October 31, 1987".

Pub. L. 100-122 substituted "through October 31, 1987" for "until October 1, 1987".

1986—Subsecs. (a)(3), (b)(2). Pub. L. 99-514 substituted "Internal Revenue Code of 1986" for "Internal Revenue Code of 1954", which for purposes of codification was translated as "title 26" thus requiring no change in text.

1984—Subsec. (b)(2). Pub. L. 98-479, § 204(a)(16), substituted "corporation" for "Corporation" in fourth sentence after "The".

Subsec. (b)(2). Pub. L. 98-440, §§ 201(a), 205(a), 206(a), in second sentence substituted "No such purchase of a conventional mortgage secured by a property comprising one- to four-family dwelling units" for "No such purchase of a conventional mortgage", in sixth sentence substituted "The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are pur-

chased by it; in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the corporation" for "The corporation shall establish limitations governing the maximum principal obligation of conventional mortgages purchased by it", and in penultimate sentence inserted provision that the limitations set forth in section 1713(c)(3) of this title may be increased by the corporation (taking into account construction costs) to not to exceed 240 per centum of such dollar amounts in any geographical area for which the Secretary of Housing and Urban Development determines under such section that cost levels require any increase in the dollar amount limitations under such section.

Subsec. (b)(5). Pub. L. 98-440, § 203(a), added par. (5).

Subsec. (c)(2)(B). Pub. L. 98-479, § 201(b), substituted "Department of Education" for "Department of Health, Education, and Welfare" and "Secretary of Education" for "Commissioner of Education".

1981—Subsec. (b)(2). Pub. L. 97-110 substituted provisions empowering the Corporation to purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities for provisions which had empowered the Corporation to purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller was currently engaged in mortgage lending or investing activities and if, as a result thereof, the cumulative aggregate of the principal balances of all conventional mortgages purchased by the Corporation which were originated more than one year prior to the date of purchase did not exceed 20 per centum of the cumulative aggregate of the principal balances of all conventional mortgages purchased by the Corporation.

1980—Subsec. (b)(1). Pub. L. 96-399, § 309, struck out "(1)" before "the mortgage" and cl. (2) relating to requirement respecting assistance under contracts authorized by section 1437f of title 42 for at least 20 per centum of covered units.

Subsec. (b)(2). Pub. L. 96-399, § 313(a), substituted provisions defining term "conventional mortgages", and limitations respecting amounts, adjustments, etc., for such mortgages, for provisions establishing limitations for the maximum principal obligation of conventional mortgages purchased by the corporation and maximum amount of such limitations.

Subsec. (b)(3). Pub. L. 96-399, § 339(a)(1), substituted provisions relating to authority, with the approval of the Secretary of Housing and Urban Development, to deal in loans or advances of credit for the purchase and installation of home improvements, and provisions respecting eligibility for purchases of loans or advances of credit, for provisions relating to authority to deal in loans or advances of credit made for energy conserving improvements and solar energy systems, etc., and provisions respecting eligibility for purchases of loans.

Pub. L. 96-294 inserted provisions relating to loans or advances of credit by public utilities for purpose of financing residential energy conservation measures in a residential building.

Subsec. (b)(4). Pub. L. 96-399, § 339(b)(1), added par. (4).

1979—Subsec. (b)(1). Pub. L. 96-153 substituted "(1) if the mortgage is insured under section 1713(c)(3), 1715e(b)(2), 1715k(d)(3)(B)(iii), 1715(d)(3)(ii), 1715(d)(4)(ii), 1715v(c)(2), 1715y(e)(3), or 1715z-1 of this title, and (2) at least 20 per centum of the units covered by such mortgage are assisted under contracts authorized by section 1437f of title 42" for "if the mortgage (1) is insured under section 1715z-1 of this title or is a below-market interest rate mortgage insured under section 1715(d)(3) of this title, and (2) covers property which has the benefit of local tax abatement in an

amount determined by the Secretary of Housing and Urban Development to be sufficient to make possible rentals not in excess of those that could be approved by the Secretary if the mortgage amount did not exceed the otherwise applicable maximum amount per dwelling unit and if local tax abatement were not provided".

1978—Subsec. (b)(3). Pub. L. 95-619 added par. (3).

Subsec. (b)(1). Pub. L. 95-557 substituted "or subchapter VIII or section 1709(k) of this title" for "or subchapter VIII" and "if the original principal obligation thereof exceeds or exceeded \$55,000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or \$60,000 in the case of a two- or three-family residence; or \$68,750 in the case of a four-family residence; or, in the case of a property containing more than four dwelling units, \$38,000 per dwelling unit (or such higher amount not in excess of \$45,000 per dwelling unit as the Secretary may by regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property attributable to dwelling use" for "if the original principal obligation thereof exceeds or exceeded \$33,000 (or such higher amount not in excess of \$38,000 as the Secretary may by regulation specify in any geographical area where he finds that cost levels so require), for each family residence or dwelling unit covered by the mortgage (plus an additional \$2,500 for each such family residence or dwelling unit which has four or more bedrooms)".

1977—Subsec. (b)(2). Pub. L. 95-128 inserted "by more than 25 per centum" after "exceed" in last sentence.

1974—Subsec. (a)(2). Pub. L. 93-383, § 806(a)(1), substituted "September 1, 1968" for "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

Subsec. (a)(2)(A). Pub. L. 93-383, § 806(a)(2), struck out "effective" before "date".

Subsec. (a)(2)(B). Pub. L. 93-383, § 806(a)(2), (b), struck out "effective" before "date", inserted "or metropolitan area thereof" before "and shall" and "jurisdiction" before "venue", and substituted "District of Columbia corporation" for "resident thereof".

Subsec. (b)(1). Pub. L. 93-541 substituted "or guaranteed under part B of title VI of the Public Health Service Act" for "to a public agency under part B of title VI of the Public Health Service Act".

Pub. L. 93-383, § 807, substituted "\$33,000 (or such higher amount not in excess of \$38,000 as the Secretary may by regulation specify in any geographical area where he finds that cost levels so require)" for "\$22,000".

Subsec. (b)(2). Pub. L. 93-383, § 806(c)-(f), substituted "80" for "75" and "exceed 20" for "exceed 10", struck out "private" before "insurer" in cl. (C), and substituted provisions relating to limitations contained in first proviso of first sentence of section 1464(c) of this title, for provisions relating to limitations applicable to mortgages insured under sections 1709(b) or 1713 of this title.

1970—Subsec. (a)(3). Pub. L. 91-609 added par. (3).

Subsec. (b). Pub. L. 91-351, §§ 201(a), 402, designated existing provisions as par. (1), inserted "is insured under section 1715z-1 of this title or" before "is a below-market interest rate mortgage insured under section 1715(d)(3) of this title", and added par. (2).

Pub. L. 91-296 inserted provisions authorizing the purchase, service, sale, or other dealing in loans made to a public agency under part B of title VI of the Public Health Service Act.

1969—Subsec. (b). Pub. L. 91-152 substituted "\$22,000" or "the otherwise applicable maximum amount" for "\$17,500" wherever appearing.

1968—Subsec. (a)(1). Pub. L. 90-448, § 802(c)(1), (2), designated existing provisions as par. (1), and struck out "(hereinafter referred to as the 'Association')".

Subsec. (a)(2). Pub. L. 90-448, § 802(c)(3), added par. (2).

Subsec. (b). Pub. L. 90-448, § 802(d), substituted "each of the bodies corporate named in subsection (a) (2) of this section is authorized" for "the Association is authorized", and inserted provisions empowering the cor-

poration to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 1721(g) of this title.

Subsec. (c)(1). Pub. L. 90-448, § 802(e), struck out "consistent with section 1722 of this title," before "to guarantee any participations".

Subsec. (c)(2). Pub. L. 90-448, § 802(f), (g), struck out provisions from par. (C) which prohibited the Department of Housing and Urban Development from exercising the authority with respect to secondary market operations of the Federal National Mortgage Association, and in last sentence substituted "incurred by the Association" for "incurred by the Federal National Mortgage Association".

Subsec. (c)(5). Pub. L. 90-448, § 803, inserted provisions authorizing the trustee, in the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources, limiting each such issue of beneficial interests or participations, and directing that all refinancing issues be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued.

1967—Subsec. (a). Pub. L. 90-19, § 1(j)(1), substituted "in the Department of Housing and Urban Development" for "a constituent agency of the Housing and Home Finance Agency".

Subsec. (b). Pub. L. 90-19, § 1(a)(2), (3), substituted "Secretary of Housing and Urban Development" and "Secretary" for "Federal Housing Commissioner" and "Commissioner", respectively.

1966—Subsec. (b). Pub. L. 89-754 inserted "or under subchapter IX-A with respect to a new community approved under section 1749cc-1 of this title".

Subsec. (c). Pub. L. 89-429 designated existing provisions as par. (1), gave the name "trusts", for the purpose of the entire subsection, to trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings which the Association is authorized to administer, expanded the types of securities in which the Association is authorized to deal so as to include an expanded array of obligations in which any department or agency of the United States listed in par. (2) of the subsection might have a financial interest, exempted participation certificates or other instruments issued pursuant to this subsection from all regulation by the Securities and Exchange Commission, repealed existing authority for issuance of participations based on below-market interest rate mortgages insured under section 1715(d)(3) of this title, and added pars. (2) to (5).

Subsec. (c)(2)(B). Pub. L. 89-751 substituted "The Department of Health, Education, and Welfare, but only with respect to loans made by the Commissioner of Education for construction of academic facilities, and loans to help finance student loan programs" for "The Office of Education of the Department of Health, Education, and Welfare, but only with respect to loans for construction of academic facilities".

1965—Subsec. (b). Pub. L. 89-117, §§ 201(b)(1), 802(a)(1), 803, 804, and 1004(a), defined "home mortgages", removed mortgages offered by or covering property held by a federal instrumentality from the list of prohibited purchases, inserted parenthetical material which, in the case of family dwelling units having four or more bedrooms, placed an additional amount of \$2,500 to the \$17,500 per unit limit on purchasable mortgages, inserted provision excepting below-market mortgages from the \$17,500 per unit limit on purchasable mortgages if local tax abatement were granted sufficient to keep rentals at the level where they would be if the mortgage amount did not exceed \$17,500 per dwelling unit, and authorized the Association to purchase loans insured under subchapter III of chapter 8A of Title 42 in its secondary market operations.

Subsec. (c). Pub. L. 89-117, §§102(d), 802(a)(2), (3), authorized appropriations to reimburse the Association for differential amounts resulting when mortgages bearing a below-market interest rate and insured under section 1715(d)(3) of this title after August 10, 1965, are included within one or more of the trusts or other agencies created under this section authorized the Association to deal, in addition to first mortgages, in obligations offered to it by the Housing and Home Finance Agency or its Administrator, or by such Agency's constituent units or agencies or the heads thereof, and inserted "and other obligations" after "mortgages" in last sentence.

1964—Subsec. (b). Pub. L. 88-560, §702, substituted "any mortgage under section 1720 of this title" for "any mortgage" and deleted proviso reading "Provided, That with respect to mortgages purchased under section 1719 of this title the principal obligation shall not exceed \$20,000".

Subsec. (c). Pub. L. 88-560, §701(a), added subsec. (c).

1961—Subsec. (b). Pub. L. 87-70 substituted "authorized, pursuant to commitments or otherwise, to purchase, lend (under section 1719 of this title) on the security of, service, sell, or otherwise deal in any mortgages which are insured" for "authorized to make commitments to purchase and to purchase, service, or sell, any residential or home mortgages (or participations therein) which are insured", and "section 1715k of this title or subchapter VIII" for "section 1715k or 1748b of this title", permitted the purchase of mortgages insured under section 1715e of this title and covering property located in an urban renewal area, and defined term "mortgage".

1959—Subsec. (b). Pub. L. 86-372 included within cl. (3) mortgages insured under section 1715k of this title, increased the limitation on the original principal obligation from \$15,000 to \$17,500, and established a limitation of not more than \$20,000 with respect to mortgages purchased under section 1719 of this title.

1958—Subsec. (b). Pub. L. 85-857 inserted ", chapter 37 of title 38" after "Servicemen's Readjustment Act of 1944, as amended".

1956—Subsec. (b). Act Aug. 7, 1956, substituted "(2)" for "and (2)", "if" for "if (i)"; and "(3) the Association may not purchase any mortgage, except a mortgage insured under section 1748b of this title or a mortgage covering property located in Alaska, Guam, or Hawaii, if" for "or (ii)".

1954—Act Aug. 2, 1954, amended section generally to recharter the Association, substituting provisions formerly covered in section 1716 of this title for provisions now covered by sections 1719 to 1721 of this title.

1953—Act June 30, 1953, struck out proviso at end of first sentence, which limited purchase of mortgages other than defense or disaster mortgages to \$2,750,000,000.

1952—Act July 14, 1952, increased purchasing power of the Association from \$2,750,000,000 to \$3,650,000,000 but limited purchases of mortgages other than defense or disaster mortgages to \$2,750,000,000.

1950—Act Apr. 20, 1950, substituted "\$2,750,000,000" for "\$2,500,000,000".

1949—Joint Res. Oct. 25, 1949, substituted "\$2,500,000,000" for "\$1,500,000,000" in first sentence.

Act July 19, 1949, increased authorization to \$1,500,000,000 which would be based on the outstanding amount of mortgage purchases and commitments in place of the former complicated formula.

1948—Act July 1, 1948, amended section generally to make it applicable to the Association instead of to the former national mortgage associations, and increased the borrowing capacity from twenty times to forty times the capital and surplus.

1941—Act Mar. 28, 1941, inserted "and VI" in cl. (2).

1938—Act Feb. 3, 1938, among other changes, substituted "twenty times the amount of its paid-up capital and surplus" for "twelve times the aggregate par value of its outstanding capital stock", and inserted last sentence and proviso.

1935—Act May 28, 1935, substituted "twelve times" for "ten times" in cl. (1).

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2018 AMENDMENT

Amendment by Pub. L. 115-174 effective 180 days after May 24, 2018, see section 310(d) of Pub. L. 115-174, set out as a note under section 1454 of this title.

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-289, div. A, title I, §1124(a)(3), July 30, 2008, 122 Stat. 2692, provided that: "The amendments made by paragraphs (1) and (2) of this subsection [amending this section] shall take effect upon the expiration of the date described in section 201(a) of the Economic Stimulus Act of 2008 (Public Law 110-185) [122 Stat. 619; probably means Dec. 31, 2008]."

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by title V of Pub. L. 105-276 effective and applicable beginning upon Oct. 1, 1999, except as otherwise provided, with provision that Secretary may implement amendment before such date, except to extent that such amendment provides otherwise, and with savings provision, see section 503 of Pub. L. 105-276, set out as a note under section 1437 of Title 42, The Public Health and Welfare.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by section 101(c)(3) of Pub. L. 95-557 effective Oct. 1, 1978, see section 104 of Pub. L. 95-557, set out as a note under section 1709 of this title.

EFFECTIVE DATE OF 1968 AMENDMENT

For effective date of amendment by title VIII of Pub. L. 90-448, see section 808 of Pub. L. 90-448, set out as an Effective Date note under section 1716b of this title.

EFFECTIVE DATE OF 1958 AMENDMENT

For effective date of amendment by Pub. L. 85-857, see section 2 of Pub. L. 85-857, set out as an Effective Date note preceding Part I of Title 38, Veterans' Benefits.

TRANSFER OF FUNCTIONS

For retransfer of functions described in section 2 of Reorg. Plan No. 22 of 1950, set out below, from Housing and Home Finance Administrator to Federal National Mortgage Association, see section 1723d of this title.

PROPOSAL BY FEDERAL NATIONAL MORTGAGE ASSOCIATION RESPECTING AUTHORITY TO IMPLEMENT SECTION 339(a)(1), (b)(1) OF PUB. L. 96-399; APPROVAL, ETC.

Pub. L. 96-399, title III, §339(a)(2), (b)(2), Oct. 8, 1980, 94 Stat. 1657, provided that when Federal National Mortgage Association submits its proposal to Secretary of Housing and Urban Development to implement authority granted by amendment of this section, Secretary of Housing and Urban Development shall, within 75 days, approve such proposal or transmit to Congress a report explaining why such proposal has not been approved.

WAIVER OF CERTAIN LIMITATIONS APPLICABLE TO THE PURCHASE OF MORTGAGES BY THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION UNTIL OCTOBER 1, 1974

Pub. L. 92-213, §3, Dec. 22, 1971, 85 Stat. 775, as amended by Pub. L. 92-335, §6, July 1, 1972, 86 Stat. 405; Pub. L. 92-503, §2, Oct. 18, 1972, 86 Stat. 906; Pub. L. 93-85, §3, Aug. 10, 1973, 87 Stat. 221; Pub. L. 93-117, §4, Oct. 2, 1973, 87 Stat. 422, provided that when the Secretary of Housing and Urban Development determined that such action was necessary to avoid excessive discounts on federally insured or guaranteed mortgages, the Government National Mortgage Association could, until Oct. 1, 1974, issue commitments to purchase mortgages with original principal obligations not more than 50 per centum in excess of the limitations imposed by clause (3) of the proviso to the first sentence of section 302(b)(1)

of the National Housing Act [subsec. (b)(1) of this section], and it could purchase the mortgages so committed to be purchased.

EXCEPTION TO LIMITATION ON PRINCIPAL AMOUNT OF PARTICIPATIONS IN GOVERNMENT MORTGAGE LIQUIDATION TRUST AND SMALL BUSINESS ADMINISTRATION TRUST SOLD DURING FISCAL 1966

Pub. L. 89-429, §9, May 24, 1966, 80 Stat. 168, authorized Federal National Mortgage Association during fiscal year 1966 to sell (1) additional participations in Government Mortgage Liquidation Trust, and (2) participations in a trust to be established by Small Business Administration, each without regard to the provisions of subsec. (c)(4) of this section.

TRUST AGREEMENTS WITH ADMINISTRATOR OF VETERANS' AFFAIRS

Pub. L. 89-429, §6(a), May 24, 1966, 80 Stat. 167, provided that: "Nothing in this Act [enacting section 1717a of this title and section 745 of Title 20, Education, amending this section and sections 1720, 1749, and 1757 of this title, section 1988 of Title 7, Agriculture, and section 743 of Title 20, and enacting material set out as notes under this section] shall be construed to repeal or modify the provisions of section 1820(e) [now 3720(e)] of title 38, United States Code, respecting the authority of the Administrator of Veterans' Affairs [now Secretary of Veterans Affairs]."

Executive Documents

REORGANIZATION PLAN NO. 22 OF 1950

Eff. July 9, 1950, 15 F.R. 4365, 64 Stat. 1277

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, May 9, 1950, pursuant to the provisions of the Reorganization Act of 1949, approved June 20, 1949 [see 5 U.S.C. 901 et seq.].

FEDERAL NATIONAL MORTGAGE ASSOCIATION

SECTION 1. TRANSFER OF ASSOCIATION AND ITS FUNCTIONS

The Federal National Mortgage Association, together with its functions, is hereby transferred from the Reconstruction Finance Corporation to the Housing and Home Finance Agency and shall be administered subject to the direction and control of the Housing and Home Finance Administrator.

SEC. 2. TRANSFERS TO THE HOUSING ADMINISTRATOR

There are hereby transferred from the Reconstruction Finance Corporation to the Housing and Home Finance Administrator—

(1) the notes of the Federal National Mortgage Association payable to the Reconstruction Finance Corporation;

(2) the capital stock of the Federal National Mortgage Association;

(3) the function of the Reconstruction Finance Corporation of making payments on its notes issued to the Secretary of the Treasury in an amount equal to (a) the unpaid principal of, and accrued interest on, the notes of the Federal National Mortgage Association transferred under (1) above, (b) any funds of the Reconstruction Finance Corporation transferred under the provisions of section 5 hereof, (c) the book value of any office furniture and equipment of the Reconstruction Finance Corporation transferred under the provisions of section 5 hereof, and (d) the par value of the capital stock of the Federal National Mortgage Association plus the amount of its surplus paid in by the Reconstruction Finance Corporation;

(4) the function of issuing notes or other obligations to the Secretary of the Treasury, which may be purchased by the Secretary, under section 7 of the Reconstruction Finance Corporation Act, as amended [15

U.S.C. 606], in an amount not in excess of that necessary to finance at any one time the outstanding balances of the investments, loans, and purchases held by the Federal National Mortgage Association, taking into consideration other balance-sheet items;

(5) except as otherwise provided in this reorganization plan, all other functions of the Reconstruction Finance Corporation (including functions of the Board of Directors of such Corporation and functions of the Chairman of the Board of Directors of such Corporation) with respect to the Federal National Mortgage Association; and

(6) all functions of the Federal Housing Commissioner with respect to the Federal National Mortgage Association.

SEC. 3. BOARD OF DIRECTORS AND OFFICERS

Functions with respect to serving, including eligibility to serve, as members of the Board of Directors of the Federal National Mortgage Association and as officers of such Association are hereby transferred from the members of the Board of Directors of, and from the officers and employees of, the Reconstruction Finance Corporation to the officers and employees of the Housing and Home Finance Agency (including those of the constituent agencies of the Housing and Home Finance Agency.)

SEC. 4. PERFORMANCE OF FUNCTIONS OF ADMINISTRATOR

The Housing and Home Finance Administrator may from time to time make such provisions as he shall deem appropriate authorizing the performance by any other officer, or by any agency or employee, of the Housing and Home Finance Agency of any function transferred to such Administrator by the provisions of this reorganization plan.

SEC. 5. TRANSFER OF RECORDS, PROPERTY, PERSONNEL, AND FUNDS

There are hereby transferred with the functions transferred by this reorganization plan, respectively, all of the assets, liabilities, contracts, property, records, and unexpended balances of authorizations, allocations and other funds, available or to be made available, of the Federal National Mortgage Association, and so much of the assets, liabilities, contracts, property, records, personnel, and unexpended balances of authorizations, allocations, and other funds, available or to be made available, of the Reconstruction Finance Corporation and relating to functions transferred by the provisions of this reorganization plan, as the Director of the Bureau of the Budget shall determine to be necessary for the administration of such functions, excluding, however, (1) the members of the Board of Directors of the Federal National Mortgage Association in office immediately prior to the taking effect of the provisions of this reorganization plan, and (2) the officers of the Association then in office. Such further measures and dispositions as the Director of the Bureau of the Budget shall determine to be necessary in order to effectuate the transfers provided for in this section shall be carried out in such manner as the Director shall direct and by such agencies as he shall designate.

SEC. 6. EFFECTIVE DATE

The provisions of this reorganization plan shall take effect 60 days after they would take effect under section 6(a) of the Reorganization Act of 1949 in the absence of this section [Eff. date July 9, 1950, in operation Sept. 7, 1950].

[Housing and Home Finance Agency lapsed and functions were transferred to Secretary of Housing and Urban Development, see section 9(c) of Pub. L. 89-174, Sept. 9, 1965, 79 Stat. 670, set out as a note under 42 U.S.C. 3531.]

ADMISSION OF ALASKA AND HAWAII TO STATEHOOD

Alaska was admitted into the Union on Jan. 3, 1959, on issuance of Proc. No. 3269, Jan. 3, 1959, 24 F.R. 81, 73

Stat. c16, and Hawaii was admitted into the Union on Aug. 21, 1959, on issuance of Proc. No. 3309, Aug. 21, 1959, 24 F.R. 6868, 73 Stat. c74. For Alaska Statehood Law, see Pub. L. 85-508, July 7, 1958, 72 Stat. 339, set out as a note preceding section 21 of Title 48, Territories and Insular Possessions. For Hawaii Statehood Law, see Pub. L. 86-3, Mar. 18, 1959, 73 Stat. 4, set out as a note preceding section 491 of Title 48.

§ 1717a. Prohibition against sale of obligations by Federal departments and agencies after June 30, 1966, without compliance with requirements of section 1717(c) of this title or without approval by Secretary of the Treasury; exemption

After June 30, 1966, no department or agency listed in section 1717(c)(2) of this title may sell any obligation held by it except as provided in section 1717(c) of this title, or as approved by the Secretary of the Treasury, except that this prohibition shall not apply to the Government National Mortgage Association.

(Pub. L. 89-429, §6(b), May 24, 1966, 80 Stat. 167; Pub. L. 90-448, title VIII, §807(g), Aug. 1, 1968, 82 Stat. 545.)

Editorial Notes

CODIFICATION

Section was enacted as a part of the Participation Sales Act of 1966, and not as a part of the National Housing Act, which comprises this chapter or the Federal National Mortgage Association Charter Act which comprises this subchapter.

AMENDMENTS

1968—Pub. L. 90-448 substituted “the Government National Mortgage Association” for “secondary market operations carried on by the Federal National Mortgage Association”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 1968 AMENDMENT

For effective date of amendment by Pub. L. 90-448, see section 808 of Pub. L. 90-448, set out as an Effective Date note under section 1716b of this title.

§ 1718. Capitalization of Federal National Mortgage Association

(a) Common stock; preferred stock; transferability of shares

The corporation shall have common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors. The corporation may eliminate such rights of cumulative voting by a resolution adopted by its board of directors and approved by the holders of a majority of the shares of common stock voting in person or by proxy at the annual meeting, or other special meeting, at which such resolution is considered. The corporation may have preferred stock on such terms and conditions as the board of directors shall prescribe. The free transferability of the stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation. The corporation may issue shares of common stock in return for appropriate payments into capital or capital and surplus.

(b) Fees and charges; annual transfer of earnings to general surplus account

(1) The corporation may impose charges or fees, which may be regarded as elements of pricing, with the objective that all costs and expenses of the operations of the corporation should be within its income derived from such operations and that such operations should be fully self-supporting.

(2) All earnings from the operations of the corporation shall annually be transferred to the general surplus account of the corporation. At any time, funds of the general surplus account may, in the discretion of the board of directors, be transferred to reserves.

(c) Capital distributions from general surplus account; minimum capitalization levels

(1) Except as provided in paragraph (2), the corporation may make such capital distributions (as such term is defined in section 4502 of this title) as may be declared by the board of directors. All capital distributions shall be charged against the general surplus account of the corporation.

(2) The corporation may not make any capital distribution that would decrease the total capital of the corporation (as such term is defined in section 4502 of this title) to an amount less than the risk-based capital level for the corporation established under section 4611 of this title or that would decrease the core capital of the corporation (as such term is defined in section 4502 of this title) to an amount less than the minimum capital level for the corporation established under section 4612 of this title, without prior written approval of the distribution by the Director of the Federal Housing Finance Agency.

(d) Institutions eligible to purchase stock

Notwithstanding any other provision of law, any institution, including a national bank or State member bank of the Federal Reserve System or any member of the Federal Deposit Insurance Corporation, trust company, or other banking organization, organized under any law of the United States, including the laws relating to the District of Columbia, shall be authorized to purchase shares of common stock of the corporation and to hold or dispose of such stock, subject to the provisions of this subchapter.

(June 27, 1934, ch. 847, title III, §303, 48 Stat. 1254; Feb. 3, 1938, ch. 13, §7, 52 Stat. 24; July 1, 1948, ch. 784, §1, 62 Stat. 1206; Aug. 2, 1954, ch. 649, title II, §201, 68 Stat. 613; Aug. 7, 1956, ch. 1029, title II, §202, 70 Stat. 1096; Pub. L. 85-10, §1(a), (b), Mar. 27, 1957, 71 Stat. 7; Pub. L. 85-104, title II, §§201, 202, July 12, 1957, 71 Stat. 298; Pub. L. 87-70, title VI, §603(b), (c), June 30, 1961, 75 Stat. 176; Pub. L. 89-117, title X, §1004(b), Aug. 10, 1965, 79 Stat. 501; Pub. L. 89-566, §2, Sept. 10, 1966, 80 Stat. 738; Pub. L. 90-19, §1(j)(2), (l), May 25, 1967, 81 Stat. 18; Pub. L. 90-448, title VIII, §802 (i)-(n), (s), Aug. 1, 1968, 82 Stat. 537, 538; Pub. L. 91-609, title IX, §902, Dec. 31, 1970, 84 Stat. 1808; Pub. L. 93-383, title VIII, §806(g)-(i), Aug. 22, 1974, 88 Stat. 727, 728; Pub. L. 97-320, title VII, §707(a), Oct. 15, 1982, 96 Stat. 1540; Pub. L. 100-242, title IV, §442, Feb. 5, 1988, 101 Stat. 1921; Pub. L. 102-550, title XIII, §1381(d), Oct. 28, 1992, 106 Stat.