

SPECIAL ASSISTANCE FUNDS OF ASSOCIATION FOR  
FINANCING LOW-COST HOMES

Section 1006 of Pub. L. 89-754, title X, Nov. 3, 1966, 80 Stat. 1285, provided that the Congress found that the sharp decline in new home construction over the past year threatened to undercut the present high level of prosperity and employment as such declines had in the past; that the substantial reduction which had taken place had its greatest impact on families of modest income who were seeking to achieve the goal of homeownership; that this decline in homebuilding was due primarily to the shortage of mortgage financing on terms which moderate income families could afford; and that national policy objectives in the field of housing and community development were thereby being thwarted. The Congress therefore expressed its intent that the special assistance funds made available to the Federal National Mortgage Association for the financing of new low-cost homes by the Act of September 10, 1966 (Public Law 89-556) [amending sections 1718, 1719, and 1720 of this title], should be released immediately to halt the continuing decline in the construction of new homes for families of moderate incomes.

**§ 1719. Secondary market operations**

**(a) Purchase and sale of mortgages; secondary market operations; advance of funds or origination of loans; settlement or extinguishment of borrower's rights**

(1) To carry out the purposes set forth in paragraph (a)<sup>1</sup> of section 1716 of this title, the operations of the corporation under this section shall be confined, so far as practicable, to mortgages which are deemed by the corporation to be of such quality, type, and class as to meet, generally, the purchase standards imposed by private institutional mortgage investors. In the interest of assuring sound operation, the prices to be paid by the corporation for mortgages purchased in its secondary market operations under this section, should be established, from time to time, within the range of market prices for the particular class of mortgages involved, as determined by the corporation. The volume of the corporation's purchases and sales, and the establishment of the purchase prices, sale prices, and charges or fees, in its secondary market operations under this section, should be determined by the corporation from time to time, and such determinations should be consistent with the objectives that such purchases and sales should be effected only at such prices and on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self-supporting. Nothing in this subchapter shall prohibit the corporation from purchasing, and making commitments to purchase, any mortgage with respect to which the Secretary of Housing and Urban Development has entered into a contract with the corporation to make interest subsidy payments under section 1715z-8 of this title.

(2) The volume of the corporation's lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees, in its secondary market operations under this section, should be determined by the corpora-

tion from time to time; and such determinations, in conjunction with determinations made under paragraph (1), should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self-supporting. The corporation shall not be permitted to use its lending authority (A) to advance funds to a mortgage seller on an interim basis, using mortgage loans as collateral, pending the sale of the mortgages in the secondary market; or (B) to originate mortgage loans. Notwithstanding any Federal, State, or other law to the contrary, the corporation is empowered, in connection with any loan under this section, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the corporation.

**(b) Obligations of the Corporation**

For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury, to be redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

**(c) Purchase of obligations by Treasury; conditions and restrictions**

The Secretary of the Treasury is authorized in the Secretary's discretion to purchase any obligations issued pursuant to subsection (b) of this section, as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under chapter 31 of title 31, and the purposes for which securities may be issued under chapter 31 of title 31 are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if such purchase would increase the aggregate principal amount of the Secretary's then outstanding holdings of such obligations under this subsection to an

<sup>1</sup> See References in Text note below.

amount greater than \$2,250,000,000. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or prices as the Secretary shall determine, any of the obligations acquired by the Secretary under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

**(d) Mortgage-backed securities; issuance; maturities; rates of interest; exempt securities; adequacy of mortgages to permit principal and interest payments; statement in securities**

To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection. The corporation shall insert appropriate language in all of the securities issued under this subsection clearly indicating that such securities, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the corporation.

**(e) Subordinated or convertible obligations; issuance; maturities; rate of interest; redemption; exempt securities; debt or obligation of United States; purchases in open market**

For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Sec-

retary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. Obligations issued by the corporation under 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 corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

**(f) Prohibition on assessment or collection of fee or charge by United States**

Except for fees paid pursuant to section 1723a(g) of this title and assessments pursuant to section 4516 of this title, no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, trust certificate of beneficial interest, or other security by the corporation. No provision of this subsection shall affect the purchase of any obligation by the Secretary of the Treasury pursuant to subsection (c) of this section.

**(g) Temporary authority of Treasury to purchase obligations and securities; conditions**

**(1) Authority to purchase**

**(A) General authority**

In addition to the authority under subsection (c) of this section, the Secretary of the Treasury is authorized to purchase any obligations and other securities issued by the corporation under any section of this chapter, on such terms and conditions as the Secretary may determine and in such amounts as the Secretary may determine. Nothing in this subsection requires the corporation to issue obligations or securities to the Secretary without mutual agreement between the Secretary and the corporation. Nothing in this subsection permits or authorizes the Secretary, without the agreement of the corporation, to engage in open market purchases of the common securities of the corporation.

**(B) Emergency determination required**

In connection with any use of this authority, the Secretary must determine that such actions are necessary to—

- (i) provide stability to the financial markets;

- (ii) prevent disruptions in the availability of mortgage finance; and
- (iii) protect the taxpayer.

**(C) Considerations**

To protect the taxpayers, the Secretary of the Treasury shall take into consideration the following in connection with exercising the authority contained in this paragraph:

- (i) The need for preferences or priorities regarding payments to the Government.
- (ii) Limits on maturity or disposition of obligations or securities to be purchased.
- (iii) The corporation's plan for the orderly resumption of private market funding or capital market access.
- (iv) The probability of the corporation fulfilling the terms of any such obligation or other security, including repayment.
- (v) The need to maintain the corporation's status as a private shareholder-owned company.
- (vi) Restrictions on the use of corporation resources, including limitations on the payment of dividends and executive compensation and any such other terms and conditions as appropriate for those purposes.

**(D) Reports to Congress**

Upon exercise of this authority, the Secretary shall report to the Committees on the Budget, Financial Services, and Ways and Means of the House of Representatives and the Committees on the Budget, Finance, and Banking, Housing, and Urban Affairs of the Senate as to the necessity for the purchase and the determinations made by the Secretary under subparagraph (B) and with respect to the considerations required under subparagraph (C), and the size, terms, and probability of repayment or fulfillment of other terms of such purchase.

**(2) Rights; sale of obligations and securities**

**(A) Exercise of rights**

The Secretary of the Treasury may, at any time, exercise any rights received in connection with such purchases.

**(B) Sale of obligation and securities**

The Secretary of the Treasury may, at any time, subject to the terms of the security or otherwise upon terms and conditions and at prices determined by the Secretary, sell any obligation or security acquired by the Secretary under this subsection.

**(C) Deficit reduction**

The Secretary of the Treasury shall deposit in the General Fund of the Treasury any amounts received by the Secretary from the sale of any obligation acquired by the Secretary under this subsection, where such amounts shall be—

- (i) dedicated for the sole purpose of deficit reduction; and
- (ii) prohibited from use as an offset for other spending increases or revenue reductions.

**(D) Application of sunset to purchased obligations or securities**

The authority of the Secretary of the Treasury to hold, exercise any rights re-

ceived in connection with, or sell, any obligations or securities purchased is not subject to the provisions of paragraph (4).

**(3) Funding**

For the purpose of the authorities granted in this subsection, the Secretary of the Treasury may use the proceeds of the sale of any securities issued under chapter 31 of Title 31, and the purposes for which securities may be issued under chapter 31 of Title 31 are extended to include such purchases and the exercise of any rights in connection with such purchases. Any funds expended for the purchase of, or modifications to, obligations and securities, or the exercise of any rights received in connection with such purchases under this subsection shall be deemed appropriated at the time of such purchase, modification, or exercise.

**(4) Termination of authority**

The authority under this subsection (g), with the exception of paragraphs (2) and (3) of this subsection, shall expire December 31, 2009.

**(5) Authority of the Director with respect to executive compensation**

The Director shall have the power to approve, disapprove, or modify the executive compensation of the corporation, as defined under Regulation S-K, 17 C.F.R. 229.

(June 27, 1934, ch. 847, title III, §304, 48 Stat. 1254; July 1, 1948, ch. 784, §1, 62 Stat. 1206; Aug. 2, 1954, ch. 649, title II, §201, 68 Stat. 615; Aug. 7, 1956, ch. 1029, title II, §§203, 204, 70 Stat. 1096; Pub. L. 85-10, §1(c), Mar. 27, 1957, 71 Stat. 7; Pub. L. 85-104, title II, §203, July 12, 1957, 71 Stat. 298; Pub. L. 86-372, title III, §§302, 305(a), Sept. 23, 1959, 73 Stat. 669, 670; Pub. L. 87-70, title VI, §603(d), (e), June 30, 1961, 75 Stat. 176, 177; Pub. L. 88-560, title VII, §§701(b)(2), 703, 704, Sept. 2, 1964, 78 Stat. 800, 802; Pub. L. 89-566, §1, Sept. 10, 1966, 80 Stat. 738; Pub. L. 89-754, title X, §1007, Nov. 3, 1966, 80 Stat. 1285; Pub. L. 90-448, title VIII, §§802(p)-(s), 804(a), 805, Aug. 1, 1968, 82 Stat. 538, 542, 543; Pub. L. 91-351, title V, §504, July 24, 1970, 84 Stat. 461; Pub. L. 93-383, title VIII, §806(j), Aug. 22, 1974, 88 Stat. 728; Pub. L. 97-320, title VII, §707(b), Oct. 15, 1982, 96 Stat. 1540; Pub. L. 98-479, title II, §203(a)(1), Oct. 17, 1984, 98 Stat. 2229; Pub. L. 100-242, title IV, §441(a), Feb. 5, 1988, 101 Stat. 1921; Pub. L. 101-73, title VII, §731(m)(2), Aug. 9, 1989, 103 Stat. 436; Pub. L. 102-550, title XIII, §1381(e)-(g), (s)(2), Oct. 28, 1992, 106 Stat. 3996, 4001; Pub. L. 110-289, div. A, title I, §1117(a), July 30, 2008, 122 Stat. 2683; Pub. L. 111-203, title XIII, §1304(a), July 21, 2010, 124 Stat. 2134.)

REFERENCES IN TEXT

Paragraph (a) of section 1716 of this title, referred to in subsec. (a)(1), was repealed by Pub. L. 101-73, title VII, §731(m)(1)(A), Aug. 9, 1989, 103 Stat. 435. See section 1716(3) of this title.

AMENDMENTS

2010—Subsec. (g)(2)(C), (D). Pub. L. 111-203 added subpar. (C) and redesignated former subpar. (C) as (D).

2008—Subsec. (g). Pub. L. 110-289 added subsec. (g).

1992—Subsec. (b). Pub. L. 102-550, §1381(e)(1), substituted a period for “;” but the aggregate amount of obligations of the corporation under this subsection outstanding at any one time shall not exceed fifteen times

the sum of its capital, capital surplus, general surplus, reserves, and undistributed earnings unless a greater ratio shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the corporation's ownership pursuant to this section, free from any liens or encumbrances, of cash, mortgages or other security holdings, and obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds." after "in such obligations".

Subsec. (c). Pub. L. 102-550, §1381(s)(2), substituted "the Secretary's" for "his" in two places, "the Secretary" for "he" after "such price or prices as", and "the Secretary" for "him" after "the obligations acquired by".

Subsec. (d). Pub. L. 102-550, §1381(f), inserted at end "The corporation shall insert appropriate language in all of the securities issued under this subsection clearly indicating that such securities, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the corporation."

Subsec. (e). Pub. L. 102-550, §1381(e)(2), struck out after third sentence "The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b) of this section, shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) of this section which may be outstanding at any one time."

Subsec. (f). Pub. L. 102-550, §1381(g), inserted "of this title and assessments pursuant to section 4516 of this title" in first sentence.

1989—Subsec. (a)(2). Pub. L. 101-73 inserted after third sentence "The corporation shall not be permitted to use its lending authority (A) to advance funds to a mortgage seller on an interim basis, using mortgage loans as collateral, pending the sale of the mortgages in the secondary market; or (B) to originate mortgage loans." and struck out first two sentences which read as follows: "In the further interest of assuring sound operation, any loan made by the corporation in its secondary market operations under this section, and any extension or renewal thereof, shall not exceed 90 per centum of the unpaid principal balances of the mortgages securing the loan, and shall bear interest at a rate consistent with general loan policies established from time to time by the corporation's board of directors. Any such loan shall mature in not more than twelve months and the term of any extension or renewal shall not exceed twelve months."

1988—Subsec. (f). Pub. L. 100-242 added subsec. (f).

1984—Subsec. (c). Pub. L. 98-479 substituted "chapter 31 of title 31" for "the Second Liberty Bond Act, as now or hereafter in force" in two places.

1982—Subsec. (e). Pub. L. 97-320 struck out provision that the total principal amount of subordinated obligations which could be outstanding at any one time could not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time.

1974—Subsec. (a)(1). Pub. L. 93-383 substituted "section 243 of the National Housing Act", classified to section 1715z-8 of this title, for "section 502 of the Emergency Home Finance Act of 1970", which enacted such section 1715z-8. For purposes of amendment of subsec. (a)(1) of this section no change in text was required.

1970—Subsec. (a)(1). Pub. L. 91-351 inserted provision that nothing in this subchapter shall prohibit the corporation from purchasing, and making commitments to purchase, any mortgage with respect to which the Secretary of Housing and Urban Development has entered

into a contract with the corporation to make interest subsidy payments pursuant to section 1715z-8 of this title.

1968—Subsec. (a)(1). Pub. L. 90-448, §802(p), (s), substituted "corporation" for "Association" in six places, and "corporation's" for "Association's" in two places, and struck out provisions which prohibited the Association from purchasing any mortgage insured or guaranteed prior to Aug. 2, 1954.

Subsec. (a)(2). Pub. L. 90-448, §802(s), substituted "corporation" for "Association" in five places, and "corporation's" for "Association's", in three places.

Subsec. (b). Pub. L. 90-448, §802(q), (s), substituted "corporation" for "Association" in seven places, and "corporation's" for "Association's", and inserted provisions permitting the Secretary to establish a greater ratio than fifteen times for the aggregate amount of obligations outstanding.

Subsec. (c). Pub. L. 90-448, §802(r), struck out provisions which prohibited the Secretary of the Treasury from purchasing obligations under this subsection if all of the preferred stock of the Association held by him has been retired.

Subsec. (d). Pub. L. 90-448, §804(a), added subsec. (d). A prior subsec. (d) was repealed by Pub. L. 88-560.

Subsec. (e). Pub. L. 90-448, §805, added subsec. (e).

1966—Subsec. (a)(1). Pub. L. 89-754 struck out requirement that Association's advance commitments to purchase mortgages in its secondary market operations be issued at prices which are sufficient to facilitate home financing, but which are sufficiently below the price then offered by the Association for immediate purchase to prevent excessive sales to the Association pursuant to such commitments.

Subsec. (b). Pub. L. 89-566 raised limit on maximum amount of obligations outstanding under the subsection from ten times the sum of capital, capital surplus, general surplus, reserves, and undistributed earnings to fifteen times that sum.

1964—Subsec. (a)(2). Pub. L. 88-560, §703, substituted "90 per centum" for "80 per centum".

Subsec. (b). Pub. L. 88-560, §701(b)(2), substituted "or obligations, participations, or other instruments which are lawful investments" for "or obligations which are lawful investments".

Subsec. (d). Pub. L. 88-560, §704, repealed provisions which prohibited the Association from purchasing participations in its operations under this section.

1961—Subsec. (a). Pub. L. 87-70, §603(d), designated existing provisions as par. (1) and added par. (2).

Subsec. (b). Pub. L. 87-70, §603(e), inserted "or other security holdings" after "mortgages".

1959—Subsec. (a). Pub. L. 86-372, §302, substituted "home financing" for "advance planning of home construction" after "sufficient to facilitate".

Subsec. (b). Pub. L. 86-372, §305(a), substituted "and obligations of the United States or guaranteed thereby, or obligations which are lawful investments for fiduciary, trust, or public funds" for "and bonds or other obligations of, or bonds or other obligations guaranteed as to principal and interest by, the United States".

1957—Subsec. (c). Pub. L. 85-104 substituted "\$2,250,000,000" for "\$1,350,000,000".

Pub. L. 85-10 substituted "\$1,350,000,000" for "\$500,000,000" plus an amount equal to the total of such reductions in the maximum dollar amount prescribed by section 1721(c) of this title as have theretofore been effected pursuant to that section: *Provided*, That such aggregate principal amount under this subsection shall in no event exceed \$1,000,000,000".

1956—Subsec. (a). Act Aug. 7, 1956, §§203, 204(a), substituted in second sentence "within the range of market prices" for "at the market prices"; and inserted sentence that advance commitments to purchase mortgages in secondary market operations shall be issued only at prices which are sufficient to facilitate advance planning of home construction but sufficiently below price then offered by Association for immediate purchase to prevent excessive sales to the Association pursuant to such commitments.

Subsec. (d). Act Aug. 7, 1956, §204(b), struck out provisions prohibiting Association from making advance contracts or commitments to purchase mortgages but allowed Association to issue a purchase contract in an amount not exceeding the amount of the sale of mortgages purchased from the Association, entitling the holder to sell to the Association mortgages in the amount of the contract, upon terms prescribed by the Association.

1954—Act Aug. 2, 1954, amended section generally to substitute new provisions (formerly covered in sections 1716 and 1717 of this title) for provisions which related to exemption from taxation. See section 1723a(c) of this title.

1948—Act July 1, 1948, amended section generally to provide for exemption from taxation for the Association.

#### EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111-203, set out as an Effective Date note under section 5301 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.

### § 1720. Repealed. Pub. L. 98-181, title IV, § 483(a), Nov. 30, 1983, 97 Stat. 1240

Section, acts June 27, 1934, ch. 847, title III, §305, 48 Stat. 1254; July 1, 1948, ch. 784, §1, 62 Stat. 1206; Apr. 20, 1950, ch. 94, title I, §118, 64 Stat. 57; Aug. 2, 1954, ch. 649, title II, §201, 68 Stat. 616; Aug. 11, 1955, ch. 783, title I, §103, title IV, §402, 69 Stat. 636, 651; Aug. 7, 1956, ch. 1029, title II, §§205-208, 70 Stat. 1096; Pub. L. 85-10, §2, Mar. 27, 1957, 71 Stat. 8; Pub. L. 85-104, title II, §§204-207, July 12, 1957, 71 Stat. 298; Pub. L. 85-364, §2, 3(a), 4, Apr. 1, 1958, 72 Stat. 73, 74; Pub. L. 86-372, title III, §§303(a), 304, Sept. 23, 1959, 73 Stat. 669; Pub. L. 87-70, title I, §101(c), title VI, §601(a), (b), June 30, 1961, 75 Stat. 153, 175, 176; Pub. L. 88-560, title I, §109(b), Sept. 2, 1964, 78 Stat. 777; Pub. L. 89-117, title VIII, §801, Aug. 10, 1965, 79 Stat. 493; Pub. L. 89-429, §3(a), May 24, 1966, 80 Stat. 166; Pub. L. 89-566, §3, Sept. 10, 1966, 80 Stat. 738; Pub. L. 89-754, title III, §310(d), title X, §§1005, 1020(c), Nov. 3, 1966, 80 Stat. 1270, 1285, 1296; Pub. L. 90-19, §1(a)(2), May 25, 1967, 81 Stat. 17; Pub. L. 90-448, title II, §201(g), title VIII, §806, Aug. 1, 1968, 82 Stat. 503, 544; Pub. L. 91-152, §2, title I, §115, Dec. 24, 1969, 83 Stat. 379, 385; Pub. L. 91-351, title IV, §401, July 24, 1970, 84 Stat. 458; Pub. L. 95-557, title III, §318(b), Oct. 31, 1978, 92 Stat. 2101; Pub. L. 96-399, title III, §338, Oct. 8, 1980, 94 Stat. 1657; Pub. L. 97-35, title III, §333(a)(1), (2), Aug. 13, 1981, 95 Stat. 413, related to the special assistance functions of the Government National Mortgage Association.

#### SAVINGS PROVISION

Section 483(b) of Pub. L. 98-181 provided that: "Any purchase or commitment to purchase any mortgage pursuant to section 305 or 313 of the Federal National Mortgage Association Charter Act [former sections 1720 and 1723e of this title] made before the date of the enactment of this Act [Nov. 30, 1983], and the servicing and disposition of any such mortgage, shall continue to be governed by the provisions of such sections as they existed immediately before the effective date of this section [Nov. 30, 1983]."

### § 1721. Management and liquidation functions of Government National Mortgage Association

#### (a) Separate accountability of assets and liabilities

To carry out the purposes set forth in paragraph (c)<sup>1</sup> of section 1716 of this title, the Association

is authorized and directed, as of the close of the cutoff date determined by the Association pursuant to section 1718(d)<sup>1</sup> of this title, to establish separate accountability for all of its assets and liabilities (exclusive of capital, surplus, surplus reserves, and undistributed earnings to be evidenced by preferred stock as provided in section 1718(d)<sup>1</sup> of this title, but inclusive of all rights and obligations under any outstanding contracts), and to maintain such separate accountability for the management and orderly liquidation of such assets and liabilities as provided in this section.

#### (b) Issuance of obligations to expedite substitution of private financing

For the purposes of this section and to assure that, to the maximum extent, and as rapidly as possible, private financing will be substituted for Treasury borrowings otherwise required to carry mortgages held under the aforesaid separate accountability, the Association is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association with the approval of the Secretary of the Treasury, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations; but in no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the Association's ownership under the aforesaid separate accountability, free from any liens or encumbrances, of cash, mortgages, and obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust or public funds. The proceeds of any private financing effected under this subsection shall be paid to the Secretary of the Treasury in reduction of the indebtedness of the Association to the Secretary of the Treasury under the aforesaid separate accountability. The Association shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the Association. The Association is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

#### (c) Cutoff date as controlling purchases; total amount of mortgages and commitments

No mortgage shall be purchased by the Association in its operations under this section except pursuant to and in accordance with the terms of a contract or commitment to purchase the same made prior to the cutoff date provided for in section 1718(d)<sup>1</sup> of this title, which contract or commitment became a part of the aforesaid separate accountability, and the total amount of mortgages and commitments held by the Association under this section shall not, in

<sup>1</sup> See References in Text note below.