GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
STATUTORY AUTHORITY

(Title III of National Housing Act, 12 U.S.C. 1716 et seq.)

TITLE III--NATIONAL MORTGAGE ASSOCIATIONS

PURPOSES

Sec. 301. The Congress hereby declares that the purposes of this title are to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible, and to authorize such facilities to–

(1) provide stability in the secondary market for residential mortgages;

(2) respond appropriately to the private capital market;

(3) provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and

Declaration of Statutory Purposes

Secondary Market Activities

1 Revised through October 27, 1997. References throughout are principally to the revisions to Title III of the National Housing Act, ch. 847, 48 Stat. 1246 (1934) that were enacted in the Housing Act of 1954, ch. 649, § 201, 68 Stat. 590, 612 and subsequent amendments. Section 312 of this 1954 revision of Title III identified the revision as the "Federal National Mortgage Association Charter Act," the name by which it is still known. This 1954 revision of Title III, as amended, is referred to herein as the "Charter Act."

The Government National Mortgage Association is referred to herein as "Ginnie Mae." Ginnie Mae, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development, was created on February 10, 1938 by the Federal Housing Administrator, acting under Title III of the National Housing Act. Originally called the "National Mortgage Association of Washington," later the same year its name was changed to the "Federal National Mortgage Association" ("Fannie Mae"). In 1948, Fannie Mae was chartered by Congress. Act of July 1, 1948, ch. 784, § 1, 62 Stat. 1716. In 1954, in the Charter Act, Fannie Mae was rechartered by Congress and authorized to conduct secondary market operations in mortgages insured by FHA or insured or guaranteed by VA, to perform special assistance functions in the purchase of mortgages and to manage and liquidate certain mortgages. Housing Act of 1954, ch. 649, § 201, 68 Stat. 590, 612. Effective September 1, 1968, Fannie Mae was partitioned into two separate bodies, Ginnie Mae and Fannie Mae. At the same time, Fannie Mae’s functions were partitioned, with secondary market operations retained by Fannie Mae and special assistance and management and liquidating functions transferred to Ginnie Mae. See Section 302 of the Charter Act.

2 Section 731(m)(1)(A) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183, 435 ("FIRREA") substituted this paragraph (1) and paragraphs (2) and (3) for what had been paragraphs “(a)” and “(b)” of Section 301 of the Charter Act.

FIRREA also designated what had been paragraph “(c)” of Section 301 as paragraph “(4).” § 731(m)(1)(B), 103 Stat. at 435. This 1989 version of paragraph (4) now appears as paragraph (5) of Section 301 of the Charter Act. See footnote 3, below.
improving the distribution of investment capital available for residential mortgage financing;

(4) promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and

(5) manage and liquidate federally owned mortgage portfolios in an orderly manner, with a minimum of adverse effect upon the residential mortgage market and minimum loss to the Federal Government. [12 U.S.C. 1716.]

Creation of Ginnie Mae

Sec. 302. (a)(1) There is hereby 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 305 and 306 prior to such date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of

3 Section 1381(a)(4) of the Housing and Community Development Act of 1992, Pub. L. No. 102550, 106 Stat. 3672, 3994 redesignated what had been paragraph “(4)” of Section 301 as paragraph “(5)”, and added the current paragraph (4).

4 See footnotes 2 and 3, above.

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.6

(b)(1) For the purposes set forth in section 301 and subject to the limitations and restrictions of this title, each of the bodies corporate named in subsection (a)(2)7 is authorized, pursuant to commitments or otherwise, to purchase, service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen’s Readjustment Act of 1944 or chapter 37 of title 38, United States Code; 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;8 . . .

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, 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 305, except

6Section 302(a)(2), which created Ginnie Mae, was added to the Charter Act by section 802(c)(3) of the Housing and Urban Development Act of 1968, Pub. L. No. 90-448 (the “1968 Act”), 82 Stat. 476, 536. Section 801 of the 1968 Act, 82 Stat. at 536, states:
The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

7Section 802(d)(1) of the 1968 Act, 82 Stat. at 536 substituted “each of the bodies corporate named in subsection (a)(2)” for “the Association,” making the portion of this sentence that precedes the proviso applicable to both Fannie Mae and Ginnie Mae. Because the term ‘Association,’ which had theretofore meant Fannie Mae, would now mean Ginnie Mae, however, the limitations in the Section 302(b)(1) proviso would henceforth apply only to Ginnie Mae.

8Congress has broadened the authority of Ginnie Mae and Fannie Mae under this section over the years. Originally, authority under Title III of the National Housing Act to deal in mortgages was limited to FHA-insured mortgages. In 1948, authority was extended to deal in VA-guaranteed home mortgages. Act of July 1, 1948, ch. 784, § 1, 62 Stat. 1716. In 1965, authority was expanded again, this time to include rural housing mortgages insured by the Farmers Home Administration under title V of the Housing Act of 1949. Housing and Urban Development Act of 1965, Pub. L. No. 89-117, § 1004(a)(1), 79 Stat. 451, 501. This authority was later expanded to include dealing in certain public health service loans. Medical Facilities Construction and Modernization Amendments of 1970, Pub. L. No. 91-296, § 202, 84 Stat. 336, 350; Act of December 26, 1974, Pub. L. No. 93-541, § 2, 88 Stat. 1739.
a mortgage insured under section 220 or title VIII or section 203(k), or under title X with respect to a new community approved under section 1004 thereof, or insured under section 213 and covering property located in an urban renewal area, or a mortgage covering property located in Alaska, 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 305 with an original principal obligation which exceeds the otherwise applicable maximum amount per dwelling unit if the mortgage is insured under section 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(3)(ii), 221(d)(4)(ii), 231(c)(2), 234(e)(3), or 236. For the purposes of this title, the terms “mortgages” and “home mortgages” shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act or title V of the Housing Act of 1949.

(c)(1) Notwithstanding any other provision of this Act or of any other law, the Association is authorized under section 306 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 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

\* Both the dollar limitations on the original principal obligation of mortgages that may be purchased under Section 302 of the Charter Act and the types of purchased mortgages that are subject to the limitations have been modified repeatedly since the Charter Act was adopted.
amounts of any mortgages and other obligations acquired by the Association under section 306, pursuant to this subsection, shall not be included in the total amounts set forth in section 306(c).

(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, 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 default, 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

Certain Agencies May Establish Trusts

Permissible Trust Instrument Provisions

Disposition of Sale Proceeds
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.

. . . .

[12 U.S.C. 1717.]

SPECIAL ASSISTANCE FUNCTIONS —
GINNIE MAE

Sec. 305. [Repealed.]¹⁰ [12 U.S.C. 1720.]

MANAGEMENT AND LIQUIDATION FUNCTIONS —
GINNIE MAE

Sec. 306. (a) To carry out the purposes set forth in paragraph (c) of section 301, the Association is authorized and directed, as of the close of the cutoff date determined by the Association pursuant to section 303(d) 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 303(d) hereof, 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) 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) 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 303(d), 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 any event, exceed $3,350,000,000: Provided, That such maximum amount shall be progressively reduced by the amount of cash realizations on account of principal of mortgages held under the aforesaid separate accountability and by cancellation of any commitments to purchase mortgages thereunder, as reflected by the books of the Association, with the objective that the entire aforesaid maximum amount shall be eliminated with the orderly liquidation of all mortgages held under the aforesaid separate accountability: And provided further, That nothing in this subsection shall preclude the Association from granting such usual and customary increases in the amounts of outstanding commitments (resulting from increased costs or otherwise) as have theretofore been covered by like increases in commitments granted by the agencies of the Federal Government insuring or guaranteeing the mortgages. There shall be excluded from the total amounts set forth in this subsection the amounts of any mortgages which, subsequent to May 31, 1954, are transferred by law to the Association and held under the aforesaid separate accountability.

(d) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section, such obligations to mature not more than five years from their respective dates of issue, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations. Each such obligation shall bear interest 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 issuance of the obligation of the

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Association. The Secretary of the Treasury is authorized to purchase any obligations of the Association to be issued under this section, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under chapter 31 of title 31, United States Code, are extended to include any purchases of the Association’s obligations hereunder.

(e) Notwithstanding any other provision of law, the Association is authorized, under the aforesaid separate accountability, to make commitments to purchase, and to purchase, service, or sell any obligations offered to it by the Secretary of Housing and Urban Development, or any mortgages covering residential property offered to it by any Federal instrumentality, or the head thereof. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any obligations or mortgages purchased by the Association pursuant to this subsection.

(f) Notwithstanding any of the provisions of this Act or of any other law, an amount equal to the net decrease for the preceding fiscal year in the aggregate principal amount of all mortgages owned by the Association under this section shall, as of July 1 of each of the years 1961 through 1964, be transferred to and merged with the authority provided under section 305(a), and the amount of such authority as specified in section 305(c) shall be increased by any amounts so transferred.11

(g)(1)12 The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (i) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (ii) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen’s Readjustment Act of 1944 or chapter 37 of title 38, or which are guaranteed under title XIII of the Public Health Service Act13 [42 U.S.C. 300e et seq.]; [2] or guaranteed under

11 Section 601(c) of the Housing Act of 1961, Pub. L. No. 87-70, 75 Stat. 149, 176 added subsection (f) to Section 306 of the Charter Act.
12 Subsection (g) was added to Section 306 of the Charter Act in the same legislation in which Congress created Ginnie Mae. 1968 Act, § 804(b), 82 Stat. at 542. Section 333(a)(3) of the Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35. 95 Stat. 357, 413 redesignated section “306(g)” as “306(g)(1)” and added a new paragraph “(2).”
13 The relevant portions of the Public Health Service Act have been repealed.
section 184 of the Housing and Community Development Act of 1992, section 1715z-13a of this title. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payments as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. In any case in which (I) Federal law requires the reduction of the interest rate on any mortgage backing a security guaranteed under this subsection, (II) the mortgagor under the mortgage is a person in the military service, and (III) the issuer of such security fails to receive from the mortgagor the full amount of interest payment due, the Association may make payments of interest on the security in amounts not exceeding the difference between the amount payable under the interest rate on the mortgage and the amount of interest actually paid by the mortgagor. The Association is hereby empowered, in connection with any guaranty


15. This sentence, which authorizes Ginnie Mae to absorb the costs of reduced interest payments by persons in the military whose mortgage interest rates are reduced under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, was inserted in Section 306(g)(1) by section 532 of the Housing and Community Development Act of 1992, Pub. L. No. 102-550, 106 Stat. 3672, 3793. See H.R. Rep. No. 102-760, at 33 (1992).

16. October 8, 1980. This was the effective date of the Housing and Community Development Act of 1980, Pub.L. No. 96-399, 94 Stat. 1614, which added this sentence. See footnote 17, below.

17. Section 335(2) of the Housing and Community Development Act of 1980, Pub. L. No. 96-399, 94 Stat. 1614, 1654 inserted this sentence. Section 335(1) substituted "The" in place of the words "Any Federal, State, or other law to the contrary notwithstanding, the," which had theretofore appeared at the beginning of what is now the fifth sentence of Section 306(g)(1). The purpose of these changes was described in the report of the Committee on Banking, Finance and Urban Affairs:

In amending the bankruptcy laws in 1978, Congress amended and repealed many Federal statutes to conform these Federal Laws to the Bankruptcy Code. However, Congress did not expressly amend or repeal section 306(g). Because the Committee feels that GNMA's authority to terminate issuer status under section 306(g) is essential to effecting the GNMA guaranty of timely payment, it has acted to clarify that the changes accomplished by the new Bankruptcy Code are not intended to limit that authority.


18. William H. Rehnquist, then Assistant Attorney General of the United States, delivered an opinion, dated December 9, 1969, to the Secretary of HUD that said:

Section 306(g) of the Charter Act expressly authorizes the Association to guarantee the timely payment of principal and interest on securities described therein, and the regulations cited above conform to the statutory grant of authority. The statute provides that: "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." I therefore conclude that the Association is authorized to make the proposed guaranties and that they would constitute general obligations of the United States backed by its full faith and credit.
under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. No State or local law, and no Federal law (except Federal law enacted expressly in limitation of this subsection after the effective date of this sentence), shall preclude or limit the exercise by the Association of (A) its power to contract with the issuer on the terms stated in the preceding sentence, (B) its rights to enforce any such contract with the issuer, or (C) its ownership rights, as provided in the preceding sentence, in the mortgages constituting the trust or pool against which the guaranteed securities are issued. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. No State or local law, and no Federal law shall preclude or limit the exercise by the Association of (A) its power to contract with the issuer on the terms stated in the preceding sentence, (B) its rights to enforce any such contract with the issuer, or (C) its ownership rights, as provided in the preceding sentence, in the mortgages constituting the trust or pool against which the guaranteed securities are issued. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. No State or local law, and no Federal law shall preclude or limit the exercise by the Association of (A) its power to contract with the issuer on the terms stated in the preceding sentence, (B) its rights to enforce any such contract with the issuer, or (C) its ownership rights, as provided in the preceding sentence, in the mortgages constituting the trust or pool against which the guaranteed securities are issued. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.

(2) Notwithstanding any other provision of law and subject only to the absence of qualified requests for guarantees, to the authority provided in this subsection, and to the extent of or in such amounts as any funding limitation approved in appropriation Acts, the Association shall enter into commitments to issue guarantees under this subsection in an aggregate amount of $110,000,000,000 during fiscal year 1996. There are authorized to be appropriated to cover the costs (as such term is defined in section 502 of the Congressional Budget Act of 1974) of guarantees issued under this Act by the Association such sums as may be necessary for fiscal year 1996.

(3)(A) No fee or charge in excess of 6 basis points may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) for the issuance of guarantees under this section. The limit on new commitment authority is set annually by Congress in appropriations acts. For fiscal year 1998, the limit on commitment authority is set at $130,000,000,000. Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998, Pub. L. No. 105-65, tit. II, 111 Stat. 1344 (1997). No separate commitment authority is required in order for Ginnie Mae to guarantee timely payments of principal and interest on multiclass securities backed by Ginnie Mae mortgage-backed securities. See H.R. Rep. No. 103-50 at 34 (1994).

Guaranteed Securities

MBS Program: Preemption

Full Faith and Credit

Limitation on Ginnie Mae’s Authority to Guarantee Securities

Guaranty Fees on MBS

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States) on or with regard to any guaranty of the timely payment of principal or interest on securities or notes based on or backed by mortgages that are secured by 1- to 4-family dwellings and (i) insured by the Federal Housing Administration under title II of the National Housing Act; or (ii) insured or guaranteed under the Serviceman’s [sic] Readjustment Act of 1944, chapter 37 of title 38, United States Code, or title V of the Housing Act of 1949.

(B) The fees charged for the guaranty of securities or on notes based on or backed by mortgages not referred to in subparagraph (A), as authorized by other provisions of law, shall be set by the Association at a level not more than necessary to create reserves sufficient to meet anticipated claims based upon actuarial analysis, and for no other purpose.

(C) Fees or charges for the issuance of commitments or miscellaneous administrative fees of the Association shall not be on a competitive auction basis and shall remain at the level set for such fees or charges as of September 1, 1985, except that such fees or charges may be increased if reasonably related to the cost of administering the program, and for no other purpose.

(D) Not less than 90 days before increasing any fee or charge under subparagraph (B) or (C), the Secretary shall submit to the Congress a certification that such increase is solely for the purpose specified in such subparagraph.

(E)(i) Notwithstanding subparagraphs (A) through (D), fees charged for the guarantee of, or commitment to guarantee, multiclass securities backed by a trust or pool of securities or notes guaranteed by the Association under this subsection, and other related fees shall be charged by the Association in an amount the Association deems appropriate. The Association shall take such action as may be necessary to reasonably assure that such portion of the benefit, resulting from the Association’s multiclass securities program, as the Association determines is appropriate accrues to mortgagors who execute eligible mortgages after the date of the enactment of this subparagraph.

(ii) The Association shall provide for the initial implementation of the program for which fees are charged under the first sentence of clause (i) by notice published in the Federal Register. The notice shall be effective upon publication and shall provide an opportunity for public comment. Not later than 12 months after publication of the notice, the Association shall issue regulations for such program based on the

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21 Subparagraphs 3(A) through 3(D) of Section 306(g) of the Charter Act, which impose certain limits on the fees Ginnie Mae may collect in connection with its guarantee of mortgage-backed securities, were added by the Act of March 24, 1987, Pub. L. No. 100-14, 101 Stat. 128.
notice, comments received, and the experience of the Association in carrying out the program during such period.

(iii) The Association shall consult with persons or entities in such manner as the Association deems appropriate to ensure the efficient commencement and operation of the multiclass securities program.

(iv) No State or local law, and no Federal law (except Federal law enacted expressly in limitation of this clause after the effective date of this subparagraph) shall preclude or limit the exercise by the Association of its power to contract with persons or entities, and its rights to enforce such contracts, for the purpose of ensuring the efficient commencement and continued operation of the multiclass securities program. 22 [12 U.S.C. 1721.]

SEPARATE ACCOUNTABILITY

Sec. 307. All of the benefits and burdens incident to the administration of the functions and operations of the Association under sections 305 and 306, respectively, of this title, after allowance for related obligations of the Association, its prorated expenses, and the like, including amounts required for the establishment of such reserves as the Secretary of Housing and Urban Development shall deem appropriate, shall inure solely to the Secretary of the Treasury, and such related earnings or other amounts as become available shall be paid annually by the Association to the Secretary of the Treasury for covering into miscellaneous receipts. [12 U.S.C. 1722.]

MANAGEMENT

Sec. 308. (a) All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary. Within the limitations of law, the Secretary shall determine the general policies which shall govern the operations of the Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. There is hereby established in the Department of Housing and Urban Development the position of President, Government National Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the offices of vice president, and such other

22 Subparagraph (E) of Section 306(g) of the Charter Act was added by section 3006 of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, 107 Stat. 312, 339 in order to provide for the implementation by Ginnie Mae of a multiclass securities program, including the collection of appropriate fees for the guarantee of multiclass securities backed by Ginnie Mae mortgage-backed securities. Compare subparagraph (E)(iv) with the sixth sentence of Section 306(g)(1).
offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties.\textsuperscript{23}

\[12 \text{ U.S.C. 1723.}\]

\textsuperscript{23} Section 17(a) of the Housing Authorization Act of 1976, Pub. L. No. 94-375, 90 Stat. 1067, 1076 established the position of president of Ginnie Mae, to be filled by the President of the United States by and with the consent of the Senate.
Sec. 309. (a) Each of the bodies corporate named in section 302(a)(2) shall have power to adopt, alter, and use a corporate seal, which shall be judicially noticed; to enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, Territory, or possession, or the Commonwealth of Puerto Rico, or with any political subdivision thereof, or with any person, firm, association, or corporation; to execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; in its corporate name, to sue and to be sued, and to complain and to defend, in any court of competent jurisdiction, State or Federal, but no attachment, injunction, or other similar process, mesne or final, shall be issued against the property of the Association or against the Association with respect to its property; to conduct its business without regard to any qualification or similar statute in any State of the United States, including the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States; to lease, purchase, or acquire any property, real, personal, or mixed, or any interest therein, to hold, rent, maintain, modernize, renovate, improve, use, and operate such property, and to sell, for cash or credit, lease, or otherwise dispose of the same, at such time and in such manner as and to the extent that it may deem necessary or appropriate; to prescribe, repeal, and amend or modify, rules, regulations, or requirements governing the manner in which its general business may be conducted; to accept gifts or donations of services, or of property, real, personal, or mixed, tangible, or intangible, in aid of any of its purposes; and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(b) Except as may be otherwise provided in this title, in chapter 91 of title 31, United States Code, or in other laws specifically applicable to Government corporations, the Association shall determine the necessity for and the character and amount of its obligations and expenditures and the manner in which they shall be incurred, allowed, paid, and accounted for.

(c)(1) The Association, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.
(d)(1) Subject to the provisions of section 308(a), the Secretary of Housing and Urban Development shall have power to select and appoint or employ such officers, attorneys, employees, and agents of the Association, to vest them with such powers and duties, and to fix and to cause the Association to pay such compensation to them for their services, as he may determine, subject to the civil service and classification laws. With the consent of any Government corporation or Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, the Association may avail itself on a reimbursable basis of the use of information, services, facilities, officers, and employees thereof, including any field service thereof, in carrying out the provisions of this title.

(e) No individual, association, partnership, or corporation, except the bodies corporate named in section 302(a)(2) of this title, shall hereafter use the words “Federal National Mortgage Association,” “Government National Mortgage Association,” or any combination of such words, as the name or a part thereof under which the individual, association, partnership, or corporation shall do business. Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated.

( ) In order that the Association may be supplied with such forms of obligations or certificates as it may need for issuance under this title, the Secretary of the Treasury is authorized, upon request of the Association, to prepare such forms as shall be suitable and approved by the Association, to be held in the Treasury subject to delivery, upon order of the Association. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such forms.

(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as

24 This qualification was added by section 17(b) of the Housing Authorization Act of 1976, Pub. L. No. 94-375, 90 Stat. 1067, 1076 in light of the new provision, added in the same legislation, that the position of president of Ginnie Mae would henceforth be filled by Presidential appointment.

25 Section 802(cc)(3) of the 1968 Act, 82 Stat. at 541 substituted the existing second and third sentences for a provision that had made violation of Section 309(e) a misdemeanor.
fiduciary, and such banks shall be reimbursed for such services in such Agents manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others.

[12 U.S.C. 1723a.]

INVESTMENT OF FUNDS

Sec. 310. Moneys of the Association not invested in mortgages or other security holdings or in operating facilities shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds. [12 U.S.C. 1723b.]

OBLIGATIONS OF GINNIE MAE ARE LEGAL INVESTMENTS

Sec. 311. All obligations, participations, or other instruments issued by either of the bodies corporate named in section 302(a)(2) shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. All stock, obligations, securities, participations, or other instruments issued pursuant to this title 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. [12 U.S.C. 1723c.]

INTERIM AUTHORITY TO PURCHASE CERTAIN MORTGAGES

Sec. 313. [Repealed] [12 U.S.C. 1723e.]

PURCHASE OF ENERGY CONSERVING IMPROVEMENT LOANS TO LOW- AND MODERATE-INCOME FAMILIES

Sec. 314. [Repealed] [12 U.S.C. 1723f.]

AUTHORITY OF SOLAR ENERGY AND ENERGY

CONSERVATION BANK TO PURCHASE LOANS AND ADVANCES OF CREDIT FOR ENERGY CONSERVING IMPROVEMENTS OR SOLAR ENERGY SYSTEMS

Sec. 315. [Repealed]28 [12 U.S.C. 1723g.]

AUTHORITY OF SOLAR ENERGY AND ENERGY CONSERVATION BANK TO PURCHASE MORTGAGES SECURED BY NEWLY CONSTRUCTED HOMES WITH SOLAR ENERGY SYSTEMS

Sec. 316. [Repealed]29 [12 U.S.C. 1723h.]

CIVIL MONEY PENALTIES AGAINST GINNIE MAE ISSUERS

Sec. 317. (a) In General. —

(1) Authority. — Whenever an issuer or custodian approved under section 306(g) knowingly and materially violates any provisions of subsection (b), the Secretary of Housing and Urban Development may impose a civil money penalty on the issuer or the custodian in accordance with the provisions of this section. The penalty shall be in addition to any other available civil remedy or any available criminal penalty and may be imposed whether or not the Secretary imposes other administrative sanctions.

(0) Amount of Penalty. — The amount of the penalty, as determined by the Secretary, may not exceed $5,000 for each violation, except that the maximum penalty for all violations by a particular issuer or custodian during any one-year period shall not exceed $1,000,000. Each violation of a provision of subsection (b)(1) shall constitute a separate violation with respect to each pool of mortgages. In the case of a continuing violation, as determined by the Secretary, each day shall constitute a separate violation.

(b) Violations for which a Penalty May Be Imposed. —

(1) Violations. — The violations by an issuer or a custodian for which the Secretary may impose a civil money penalty under subsection (a) are the following:

(A) Failure to make timely payments of principal and interest to holders of securities guaranteed under section 306(g).


(B) Failure to segregate cash flow from pooled mortgages or to deposit either principal and interest funds or escrow funds into special accounts with a depository institution whose accounts are insured by the National Credit Union Administration or by the Federal Deposit Insurance Corporation through the Bank Insurance Fund for banks or through the Savings Association Insurance Fund for savings associations.  

(C) Use of escrow funds for any purpose other than that for which they were received.

(D) Transfer of servicing for a pool of mortgages to an issuer not approved under this title, unless expressly permitted by statute, regulation, or contract approved by the Secretary.

(E) Failure to maintain a minimum net worth in accordance with requirements prescribed by the Association.

(F) Failure to promptly notify the Association in writing of any changes that materially affect the business status of an issuer.

(G) Submission to the Association of false information in connection with any securities guaranteed, or mortgages pooled, under section 306(g).

(H) Hiring, or retaining in employment, an officer, director, principal, or employee whose duties involve, directly or indirectly, programs administered by the Association while such person was under suspension or debarment by the Secretary.

(I) Submission to the Association of a false certification either on its own behalf or on behalf of another person or entity.

(J) Failure to comply with an agreement, certification, or condition of approval set forth on, or applicable to, the application for approval as an issuer of securities under section 306(g).

(K) Violation of any provisions of this title or any implementing regulation, handbook, or participant letter issued under authority of this title.

(2) Notification to Attorney General. — Before taking action to impose a civil money penalty for violation under paragraph (1)(G) or paragraph (1)(I), the Secretary shall inform the Attorney General of the...
United States.

(c) Agency Procedures. —

(1) Establishment. — The Secretary shall establish standards and procedures governing the imposition of civil money penalties under subsection (a). The standards and procedures—

(A) shall provide for the Secretary to make the determination to impose the penalty;

(B) shall provide for the imposition of a penalty only after an issuer or a custodian has been given notice of, and opportunity for, a hearing on the record; and

() may provide for review by the Secretary of any determination or order, or interlocutory ruling, arising from a hearing.

(2) Final Orders. — If no hearing is requested within 15 days of receipt of a notice of opportunity for hearing, the imposition of a penalty shall constitute a final and unappealable determination. If the Secretary reviews the determination or order, the Secretary may affirm, modify, or reverse that determination or order. If the Secretary does not review the determination or order within 90 days of the issuance of the determination or order, the determination or order shall be final.

(3) Factors in Determining Amount of Penalty. — In determining the amount of a penalty under subsection (a), consideration shall be given to such factors as the gravity of the offense, any history of prior offenses (including offenses occurring before enactment of this section), ability to pay the penalty, injury to the public, benefits received, deterrence of future violations, and such other factors as the Secretary may determine by regulations.

(4) Reviewability of Imposition of Penalty. — The Secretary’s determination or order imposing a penalty under subsection (a) shall not be subject to review, except as provided in subsection (d).

(d) Judicial Review of Agency Determination. —

(1) In General. - After exhausting all administrative remedies established by the Secretary under subsection (c)(1), an issuer or a custodian against which the Secretary has imposed a civil money penalty under subsection (a) may obtain a review of the penalty and such ancillary issues as may be addressed in the notice provided under subsection (c)(1)(A) in the appropriate court of appeals of the United States, by filing in such court, within 20 days after the entry of such order or determination, a written petition praying that the Secretary’s order or determination be modified or be set aside in whole or in part.
(2) Objections not Raised in Hearing. — A court shall not consider any objection that was not raised in the hearing conducted pursuant to subsection (c)(1) unless a demonstration is made of extraordinary circumstances causing the failure to raise the objection. If any party demonstrates to the satisfaction of the court that additional evidence, which was not presented at such hearing, is material and that there were reasonable grounds for the failure to present such evidence at the hearing, the court shall remand the matter to the Secretary for consideration of such additional evidence.

(3) Scope of Review. — The decisions, findings, and determinations of the Secretary shall be reviewed pursuant to section 706 of title 5, United States Code.

(4) Order to Pay Penalty. — Notwithstanding any other provision of law, the court shall have the power in any such review to order payment of the penalty imposed by the Secretary.

(e) Action to Collect Penalty. — If any issuer or custodian fails to comply with the Secretary’s determination or order imposing a civil money penalty under subsection (a), after the determination or order is no longer subject to review as provided by subsections (c)(1) and (d), the Secretary may request the Attorney General of the United States to bring an action in an appropriate United States district court to obtain a monetary judgment against the issuer or custodian and such other relief as may be available. The monetary judgment may, in the discretion of the court, include any attorneys fees and other expenses incurred by the United States in connection with the action. In an action under this subsection, the validity and appropriateness of the Secretary’s determination or order imposing the penalty shall not be subject to review.

(f) Settlement by Secretary. — The Secretary may compromise, modify, or remit any civil money penalty which may be, or has been, imposed under this section.

(g) Definition of Knowingly. — The term “knowingly” means having actual knowledge of or acting with deliberate ignorance of or reckless disregard for the prohibitions under this section.

(h) Regulations. — The Secretary shall issue such regulations as the Secretary deems appropriate to implement this section.

(i) Deposit of Penalties. — The Secretary shall deposit all civil money penalties collected under this section into moneys of the Association pursuant to section 307. [12 U.S.C. 1723i.]