

107TH CONGRESS
2^D SESSION

H. R. 5126

To prohibit the provision of Federal funds to the housing-related government-sponsored enterprises and to remove certain competitive advantages granted under law to such enterprises.

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 2002

Mr. PAUL introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To prohibit the provision of Federal funds to the housing-related government-sponsored enterprises and to remove certain competitive advantages granted under law to such enterprises.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Free Housing Market
5 Enhancement Act”.

1 **SEC. 2. PROHIBITION OF FEDERAL FUNDS FOR HOUSING-**
2 **RELATED GOVERNMENT-SPONSORED ENTER-**
3 **PRISES.**

4 Notwithstanding any other provision of law, no Fed-
5 eral funds may be provided, directly or indirectly, to the
6 Federal National Mortgage Association, the Federal
7 Home Loan Mortgage Corporation, or any Federal Home
8 Loan Bank.

9 **SEC. 3. AMENDMENTS TO FEDERAL NATIONAL MORTGAGE**
10 **ASSOCIATION CHARTER ACT.**

11 (a) EXEMPTION FROM STATE TAXATION.—Section
12 309(c) of the Federal National Mortgage Association
13 Charter Act (12 U.S.C. 1723a(c)) is amended—

14 (1) by striking paragraph (2); and

15 (2) by striking “(1)”.

16 (b) AUTHORITY OF TREASURY TO APPROVE DEBT
17 ISSUES.—Section 304(b) of the Federal National Mort-
18 gage Association Charter Act (12 U.S.C. 1719(b)) is
19 amended—

20 (1) by striking “, upon the approval of the Sec-
21 retary of the Treasury,”; and

22 (2) by striking “with the approval of the Sec-
23 retary of the Treasury”.

24 (c) AUTHORITY TO BORROW FROM TREASURY.—
25 Section 304 of the Federal National Mortgage Association

1 Charter Act (12 U.S.C. 1719) is amended by striking sub-
2 section (c).

3 (d) DEPOSITARY AUTHORITY.—Section 309(g) of the
4 Federal National Mortgage Association Charter Act (12
5 U.S.C. 1723a(g)) is amended—

6 (1) by striking “each of the bodies corporate
7 named in section 302(a)(2)” and inserting “the As-
8 sociation”; and

9 (2) by striking “such bodies corporate” and in-
10 sserting “the bodies corporate named in section
11 302(a)(2)”.

12 (e) DESIGNATION OF OBLIGATIONS AS LAWFUL IN-
13 VESTMENTS.—The first sentence of section 311 of the
14 Federal National Mortgage Association Charter Act (12
15 U.S.C. 1723c) is amended by striking “either of the bodies
16 corporate named in section 302(a)(2)” and inserting “the
17 Association”.

18 (f) APPOINTMENT OF MEMBERS OF BOARD OF DI-
19 RECTORS.—

20 (1) IN GENERAL.—Section 308(b) of the Fed-
21 eral National Mortgage Association Charter Act (12
22 U.S.C. 1723(b)) is amended—

23 (A) in the first sentence, by striking “five
24 of whom shall be appointed annually by the

1 President of the United States, and the remain-
2 der of whom” and inserting “who”;

3 (B) in the second sentence, by striking
4 “appointed by the President”;

5 (C) in the third sentence—

6 (i) by striking “appointed or”; and

7 (ii) by striking “, except that any
8 such appointed member may be removed
9 from office by the President for good
10 cause”;

11 (D) in the fourth sentence, by striking
12 “elective”; and

13 (E) by striking the fifth sentence.

14 (2) APPLICABILITY.—The amendments made
15 by paragraph (1) shall apply only with respect to the
16 first election of members of the board of directors of
17 the Federal National Mortgage Association occur-
18 ring after the date of the enactment of this Act, and
19 the board resulting from such election, and to elec-
20 tions and boards thereafter.

21 **SEC. 4. AMENDMENTS TO FEDERAL HOME LOAN MORT-**
22 **GAGE CORPORATION.**

23 (a) EXEMPTION FROM STATE TAXATION.—Section
24 303 of the Federal Home Loan Mortgage Corporation Act
25 (12 U.S.C. 1452) is amended by striking subsection (e).

1 (b) AUTHORITY OF TREASURY TO APPROVE DEBT
2 ISSUES.—Section 306(j) of the Federal Home Loan Mort-
3 gage Corporation Act (12 U.S.C. 1455(j)) is amended—

4 (1) by striking “(1)”;

5 (2) by striking “be issued upon the approval of
6 the Secretary of the Treasury and shall”;

7 (3) by striking “with the approval of the Sec-
8 retary of the Treasury”; and

9 (4) by striking paragraphs (2) and (3).

10 (c) AUTHORITY TO BORROW FROM TREASURY.—
11 Section 306 of the Federal Home Loan Mortgage Cor-
12 poration Act (12 U.S.C. 1455) is amended by striking
13 subsection (c).

14 (d) DEPOSITARY AUTHORITY.—Section 303(d) of the
15 Federal Home Loan Mortgage Corporation Act (12 U.S.C.
16 1452(d)) is amended by striking the second and third sen-
17 tences.

18 (e) DESIGNATION OF OBLIGATIONS AS LAWFUL IN-
19 VESTMENTS.—Section 303 of the Federal Home Loan
20 Mortgage Corporation Act (12 U.S.C. 1452) is amended
21 by striking subsection (g).

22 (f) APPOINTMENT OF MEMBERS OF BOARD OF DI-
23 RECTORS.—

1 (1) IN GENERAL.—Section 303(a)(2) of the
2 Federal Home Loan Mortgage Corporation Act (12
3 U.S.C. 1452(a)(2)) is amended—

4 (A) in subparagraph (A)—

5 (i) in the first sentence, by striking “5
6 of whom shall be appointed annually by
7 the President of the United States and the
8 remainder of whom” and inserting “who”;
9 and

10 (ii) in the second sentence, by striking
11 “appointed by the President of the United
12 States”;

13 (B) in subparagraph (B)—

14 (i) by striking “such or”; and

15 (ii) by striking “, except that any ap-
16 pointed member may be removed from of-
17 fice by the President for good cause”; and

18 (C) in subparagraph (C)—

19 (i) by striking the first sentence; and

20 (ii) by striking “elective”.

21 (2) APPLICABILITY.—The amendments made
22 by paragraph (1) shall apply only with respect to the
23 first election of members of the Board of Directors
24 of the Federal Home Loan Mortgage Corporation
25 occurring after the date of the enactment of this

1 Act, and the Board resulting from such election, and
2 to elections and Boards thereafter.

3 **SEC. 5. AMENDMENTS TO FEDERAL HOME LOAN BANKS.**

4 (a) EXEMPTION FROM STATE TAXATION.—

5 (1) NOTES AND OBLIGATIONS.—The first sen-
6 tence of section 13 of the Federal Home Loan Bank
7 Act (12 U.S.C. 1433) is amended by striking “, by
8 any Territory,” and all that follows through “local
9 taxing authority”.

10 (2) BANKS.—The second sentence of section 13
11 of the Federal Home Loan Bank Act (12 U.S.C.
12 1433) is amended by striking “, by any Territory,”
13 and all that follows through “taxed”.

14 (b) AUTHORITY TO BORROW FROM TREASURY.—
15 Section 11 of the Federal Home Loan Bank Act (12
16 U.S.C. 1431) is amended by striking subsection (i).

17 (c) DEPOSITARY AUTHORITY.—The Federal Home
18 Loan Bank Act is amended—

19 (1) by striking section 14 (12 U.S.C. 1434);
20 and

21 (2) in section 15 (12 U.S.C. 1435), by striking
22 the second sentence.

23 (d) DESIGNATION OF OBLIGATIONS AS LAWFUL IN-
24 VESTMENTS.—Section 15 of the Federal Home Loan
25 Bank Act (12 U.S.C. 1435), as amended by subsection

1 (c)(2) of this section, is further amended by striking the
2 first sentence.

3 **SEC. 6. PROHIBITION OF FEDERAL RESERVE PURCHASE OF**
4 **GSE DEBT.**

5 Section 14(b)(2) of the Federal Reserve Act (12
6 U.S.C. 355(2)) is amended—

7 (1) by inserting “(A)” after “(2)”; and

8 (2) by adding at the end the following new sub-
9 paragraph:

10 “(B) For purposes of this subsection, the Federal
11 National Mortgage Association, the Federal Home Loan
12 Mortgage Corporation, and the Federal Home Loan
13 Banks shall not be considered agencies of the United
14 States.”.

15 **SEC. 7. REPEAL OF ELIGIBILITY OF GSE OBLIGATIONS FOR**
16 **UNLIMITED INVESTMENTS.**

17 (a) NATIONAL BANKS.—Section 5136 of the Revised
18 Statutes of the United States (12 U.S.C. 24) is amended
19 in the sixth sentence of the paragraph designated
20 “Seventh”—

21 (1) by striking “or the Federal Home Loan
22 Banks”;

23 (2) by striking “the Federal National Mortgage
24 Association or”; and

1 (3) by striking “or mortgages, obligations, or
2 other securities which are or ever have been sold by
3 the Federal Home Loan Mortgage Corporation pur-
4 suant to section 305 or 306 of the Federal Home
5 Loan Mortgage Corporation Act”.

6 (b) **FEDERALLY CHARTERED THRIFTS.**—Section
7 5(c)(1) of the Home Owners’ Loan Act (12 U.S.C.
8 1464(c)(1)) is amended—

9 (1) by striking subparagraphs (D) and (E);

10 (2) in subparagraph (F), by striking “the Fed-
11 eral National Mortgage Association,”;

12 (3) in subparagraph (M), by striking “or a Fed-
13 eral home loan bank”; and

14 (4) by redesignating subparagraphs (F)
15 through (U) as subparagraphs (D) through (S), re-
16 spectively.

17 (c) **CREDIT UNIONS.**—Section 107(7)(E) of the Fed-
18 eral Credit Union Act (12 U.S.C. 1757(7)(E)) is
19 amended—

20 (1) by striking “Federal home loan banks, the
21 Federal Home Loan Bank Board,”;

22 (2) by striking “the Federal National Mortgage
23 Association or”; and

24 (3) by striking “or in mortgages, obligations, or
25 other securities which are or ever have been sold by

1 the Federal Home Loan Mortgage Corporation pur-
2 suant to section 305 or section 306 of the Federal
3 Home Loan Mortgage Corporation Act;”.

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