

112TH CONGRESS
1ST SESSION

H. R. 3530

To require the exercise of clean-up call options under securities issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and to prohibit any new mortgage-backed securities issued by such enterprises to contain provisions for a clean-up call option.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 30, 2011

Mr. PERLMUTTER (for himself and Mr. SCHWEIKERT) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require the exercise of clean-up call options under securities issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and to prohibit any new mortgage-backed securities issued by such enterprises to contain provisions for a clean-up call option.

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 “Freddie Mac Debt Re-
5 duction Act of 2011”.

1 **SEC. 2. EXERCISE OF CLEAN-UP CALL OPTIONS.**

2 Subtitle B of title XIII of the Housing and Commu-
3 nity Development Act of 1992 (12 U.S.C. 4611 et seq.)
4 is amended by adding at the end the following new section:

5 **“SEC. 1369F. EXERCISE OF CLEAN-UP CALL OPTIONS.**

6 “(a) REQUIREMENT.—In complying with any restric-
7 tion under law, regulation, order, or agreement with the
8 Director or the Secretary of the Treasury on the mortgage
9 assets issued by the Federal Home Loan Mortgage Cor-
10 poration, such Corporation or, during the term of any con-
11 servatorship or receivership of such enterprise pursuant
12 to section 1367, the Director, shall in the case of any
13 mortgage-backed security with a clean-up call option (as
14 such term is defined in subsection (c) of this section) that
15 is issued by such Corporation, exercise any option under
16 which the residual holder is willing to share not less than
17 50 percent of any excess proceeds resulting from exercise
18 of such option or right with the Agency as conservator
19 or receiver of such Corporation, which thereby reduces the
20 liability of the taxpayers of the United States.

21 “(b) PROHIBITION REGARDING ISSUANCE OF NEW
22 SECURITIES.—The Director shall prohibit the Federal
23 Home Loan Mortgage Corporation and the Federal Na-
24 tional Mortgage Association from issuing, after the date
25 of the enactment of this section, any mortgage-backed se-
26 curity with a clean-up call option.

1 “(c) USE OF PROCEEDS TO REDUCE DEFICIT.—The
2 Director shall ensure that any excess proceeds received as
3 result of the exercise of any clean-up call option shall be
4 used only to reduce the budget deficit of the Federal Gov-
5 ernment.

6 “(d) DEFINITIONS.—

7 “(1) MORTGAGE ASSETS.—The term ‘mortgage
8 assets’ means, with respect to the Federal Home
9 Loan Mortgage Corporation, assets of such Corpora-
10 tion consisting of mortgages, mortgage loans, mort-
11 gage-related securities, participation certificates,
12 mortgage-backed commercial paper, obligations of
13 real estate mortgage investment conduits and similar
14 assets, in each case to the extent such assets would
15 appear on the balance sheet of such Corporation in
16 accordance with generally accepted accounting prin-
17 ciples in effect in the United States as of September
18 7, 2008 (as set forth in the opinions and pronounce-
19 ments of the Accounting Principles Board and the
20 American Institute of Certified Public Accountants
21 and statements and pronouncements of the Finan-
22 cial Accounting Standards Board from time to time;
23 and without giving any effect to any change that
24 may be made after September 7, 2008, in respect of

1 Statement of Financial Accounting Standards No.
2 140 or any similar accounting standard).

3 “(2) MORTGAGE-BACKED SECURITY WITH A
4 CLEAN-UP CALL OPTION.—The term ‘mortgage-
5 backed security with a clean-up call option’ means
6 any mortgage-backed security under which there is
7 an option or right to redeem all remaining classes of
8 such security at such time when the amount of the
9 aggregate remaining principal would be less than the
10 amount of the optional redemption or clean-up call
11 percentage, as defined in the applicable circular of-
12 fering or offering circular supplement.

13 “(3) EXCESS PROCEEDS.—The term ‘excess
14 proceeds’ means, with respect to exercise of any
15 clean-up call option, the excess of the net proceeds
16 from the sale of the collateral underlying the mort-
17 gage-backed security with such option, and the re-
18 demption price as defined in the applicable offering
19 circular or offering circular supplement.”.

○