

§ 1468. **Separability clause.** If any provision of this chapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the chapter, and the application of such provision to other persons or circumstances, shall not be affected thereby. (June 13, 1933, c. 64, § 9, 48 Stat. 135; Apr. 27, 1934, c. 168, § 15, 48 Stat. 647.)

Chapter 13.—NATIONAL HOUSING

Sec.

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Section 1701. Citation of chapter. This chapter may be cited as the "National Housing Act." (June 27, 1934, c. 847, 48 Stat. 1246.)

TITLE I.—HOUSING RENOVATION AND MODERNIZATION

§ 1702. **Creation of Federal Housing Administration.** The President is authorized to create a Federal Housing Administration, all of the powers of which shall be exercised by a Federal Housing Administrator (hereinafter referred to as the "Administrator"), who shall be appointed by the President, by and with the advice and consent of the Senate, shall hold office for a term of four years, and shall receive compensation at the rate of \$10,000 per annum. In order to carry out the provisions of this title and titles II and III of this chapter, the Administrator may establish such agencies, accept and utilize such voluntary and uncompensated services, utilize such Federal officers and employees, and, with the consent of the State, such State and local officers and employees, and appoint such other officers and employees as he may find necessary, and may prescribe their authorities, duties, responsibilities, and tenure and fix their compensation, without regard to the provisions of other laws applicable to the employment or compensation of officers or employees of the United States. The Administrator may delegate any of the functions and powers conferred upon him under this title and titles II and III of this chapter to such officers, agents, and employees as he may designate or appoint, and may make such expenditures (including expenditures for personal services and rent at the seat of government and elsewhere, for law books and books of reference, and for paper, printing, and binding) as are necessary to

carry out the provisions of this title and titles II and III of this chapter, without regard to any other provisions of law governing the expenditure of public funds. All such compensation, expenses, and allowances shall be paid out of funds made available by this chapter. (June 27, 1934, c. 847, § 1, 48 Stat. 1246.)

§ 1703. **Insurance of financial institutions.** The Administrator is authorized and empowered, upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal-finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which are approved by him as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them subsequent to June 27, 1934, and prior to January 1, 1936, or such earlier date as the President may fix by proclamation, for the purpose of financing alterations, repairs, and improvements upon real property. In no case shall the insurance granted by the Administrator under this section to any such financial institution exceed 20 per centum of the total amount of the loans, advances of credit, and purchases made by such financial institution for such purpose; and the total liability incurred by the Administrator for such insurance shall in no case exceed in the aggregate \$200,000,000. No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it the face amount of which exceeds \$2,000; nor unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe. (June 27, 1934, c. 847, § 2, 48 Stat. 1246.)

§ 1704. **Loans to financial institutions.** The Administrator is further authorized and empowered to make loans to institutions which are insured under section 1703, and to enter into loan agreements with such institutions, upon the security of obligations which meet the requirements prescribed under section 1703. Such loans or agreements may be made for the full face value of the obligations offered as security, and shall be at such rates and upon such terms and conditions as the Administrator shall determine. (June 27, 1934, c. 847, § 3, 48 Stat. 1247.)

§ 1705. **Allocation of funds.** For the purposes of carrying out the provisions of this title and titles II and III of this chapter, the Reconstruction Finance Corporation shall make available to the Administrator such funds as he may deem necessary, and the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized and empowered to have outstanding at any one time under existing law is hereby increased by an amount sufficient to provide such funds: *Provided*, That the President, in his discretion, is authorized to provide such [sic] funds or any portion thereof by allotment to the Administrator from any funds that are available, or may hereafter be made available, to the President for emergency purposes. (June 27, 1934, c. 847, § 4, 48 Stat. 1247.)

§ 1706. **Annual report.** The Administrator shall make an annual report to the Congress as soon as practicable after the 1st day of January in each year of his activities under this title and titles II and III of this chapter. (June 27, 1934, c. 847, § 5, 48 Stat. 1247.)

TITLE II.—MUTUAL MORTGAGE INSURANCE

§ 1707. **Definitions.** As used in this title—

(a) The term "mortgage" means a first mortgage on real estate in fee simple or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable, or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed, upon which there is located a dwelling for not more than four families which is used in whole or in part for residential purposes.

irrespective of whether such dwelling has a party wall or is otherwise physically connected with another dwelling; and the term "first mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(b) The term "mortgagee" includes the original lender under a mortgage, and his successors and assigns approved by the Administrator; and the term "mortgagor" includes the original borrower under a mortgage and his successors and assigns. (June 27, 1934, c. 847, § 201, 48 Stat. 1247.)

§ 1708. **Mutual Mortgage Insurance Fund.** There is hereby created a Mutual Mortgage Insurance Fund (hereinafter referred to as the "Fund"), which shall be used by the Administrator as a revolving fund for carrying out the provisions of this title as hereinafter provided, and there shall be allocated immediately to such Fund the sum of \$10,000,000 out of funds made available to the Administrator for the purposes of this title. (June 27, 1934, c. 847, § 202, 48 Stat. 1248.)

§ 1709. **Insurance of mortgages.** (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him within one year from the date of its execution which is eligible for insurance as hereinafter provided, and, upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That except with the approval of the President, (1) the aggregate principal obligation of all mortgages on property and low-cost housing projects existing on June 27, 1934, and insured under this title shall not exceed \$1,000,000,000, and (2) the insurance of mortgages on property and low-cost housing projects constructed after June 27, 1934, shall be limited to a similar amount.

(b) To be eligible for insurance under this section a mortgage shall—

(1) Have, or be held by, a mortgagee approved by the Administrator as responsible and able to service the mortgage properly.

(2) Involve a principal obligation (including such initial service charges and appraisal and other fees as the Administrator shall approve) in an amount not to exceed \$16,000, and not to exceed 80 per centum of the appraised value of the property as of the date the mortgage is executed.

(3) Have a maturity satisfactory to the Administrator, but not to exceed twenty years.

(4) Contain complete amortization provisions satisfactory to the Administrator requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Administrator.

(5) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 per centum per annum if the Administrator finds that in certain areas or under special circumstances the mortgage market demands it.

(6) Provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage.

(7) Contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

(c) The Administrator is authorized to fix a premium charge for the insurance of mortgages under this section (to be determined in accordance with the risk involved) which in no case shall be less than one-

half of 1 per centum nor more than 1 per centum per annum of the original face value of the mortgage, and which shall be payable annually in advance by the mortgagee. If the Administrator finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Administrator may prescribe; but no mortgage shall be accepted for insurance under this section unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound.

(d) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section. (June 27, 1934, c. 847, § 203, 48 Stat. 1248.)

§ 1710. **Payment of insurance.** (a) In any case in which the mortgagee under an insured mortgage shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled, upon the prompt conveyance to the Administrator of title to such property satisfactory to him and the assignment to him of all claims of the mortgagee against the mortgagor arising out of the mortgage transaction or foreclosure proceedings, to receive the benefits of the insurance as hereinafter provided. Upon such conveyance and assignment the obligation of the mortgagee to pay the annual premium charges for insurance shall cease and the Administrator shall issue to the mortgagee debentures having a total face value equal to the value of the mortgage on the date of the delivery of the property to the Administrator, and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined by adding to the amount of the principal of the mortgage which is unpaid on the date of such delivery the amount of all payments which have been made by the mortgagee for taxes and insurance on the property mortgaged in accordance with rules and regulations prescribed by the Administrator.

(b) The debentures issued by the Administrator under this section to any mortgagee shall bear interest at a rate determined by the Administrator at the time the mortgage was offered for insurance, but not to exceed 3 per centum per annum, payable semi-annually on the 1st day of January and the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued. All such debentures shall be subject only to such Federal, State, and local taxes as the mortgages in exchange for which they are issued would be subject to in the hands of the holder of the debentures and shall be a liability of the Fund only; except that debentures issued in exchange for mortgages insured under this section prior to July 1, 1937, shall be fully guaranteed as to principal and interest by the United States. In the event that the amount in the Fund is insufficient to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(c) The certificate of claim issued by the Administrator to any mortgagee shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Administrator of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and those arising out of the foreclosure proceedings. Each such certificate of claim shall

provide that there shall accrue to the holder of such certificate, with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (d).

(d) If the net amount realized from any property conveyed to the Administrator under this section and the claims assigned therewith, after deducting all expenses incurred by the Administrator in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face amount of the debentures issued in exchange for the mortgage covering such property, plus all interest paid on such debentures, such excess shall be divided as follows:

(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Administrator shall pay to the holder of such certificate the full amount so payable; and any excess remaining thereafter shall be paid to the mortgagor of such property.

(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

(e) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, rent, renovate, modernize, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section.

(f) No mortgagee or mortgagor shall have, and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Administrator or in any claim assigned to him; nor shall the Administrator owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim. (June 27, 1934, c. 847, § 204, 48 Stat. 1249.)

§ 1711. Classification of mortgages and reinsurance fund. (a) Mortgages accepted for insurance under this title shall be so classified into groups that the mortgages in any group shall involve substantially similar risk characteristics and have similar maturity dates. Premium charges received for the insurance of any mortgage, the receipts derived from the property covered by the mortgage and claims assigned to the Administrator in connection therewith, and all earnings on the assets of the group account, shall be credited to the account of the group to which the mortgage is assigned. The principal of and interest paid and to be paid on debentures issued in exchange for any mortgage, payments made or to be made to the mortgagee and the mortgagor as provided in section 1710, and expenses incurred in the handling of the property covered by the mortgage and in the collection of claims assigned to the Administrator in connection therewith, shall be charged to the account of the group to which such mortgage is assigned.

(b) The Administrator shall also provide, in addition to the several group accounts, a general reinsurance account, the credit in which shall be available to cover charges against such group accounts where the amounts credited to such accounts are insufficient to cover such charges. General expenses of operation of the Federal Housing Administration under this title may be allocated in the discretion of the Administrator among the several group accounts or charged to the general reinsurance account, and the amount allocated to the fund under section 1708 shall be credited to the general reinsurance account.

(c) Whenever the credit balance in any group account exceeds the remaining unpaid principal of the then outstanding mortgages assigned to such group by an amount equal to 10 per centum of the total

premium payments which have theretofore been credited to such account, the Administrator shall terminate the insurance as to that group of mortgages (1) by paying to each of the mortgagees holding an outstanding mortgage assigned to such group a sum sufficient, if such mortgage is in good standing, to pay off such mortgage in full, the payment in each case being for the benefit and account of the mortgagor, and (2) by transferring the remainder of such credit balance to the general reinsurance account provided for in subsection (b).

(d) If the credit balance in any group account fails to exceed, until the final year prior to the maturity date of the mortgages assigned to such group, the remaining unpaid principal of the then outstanding mortgages assigned to such group by an amount equal to 10 per centum of the total premium payments which have theretofore been credited to such account, the Administrator shall terminate the insurance as to that group of mortgages (1) by transferring to the general reinsurance account provided for in subsection (b) an amount equal to 10 per centum of the total premium charges theretofore credited to such group account, and (2) by distributing the remainder of such credit balance, if any, pro rata to the mortgagees for the benefit and account of the mortgagors of the mortgages assigned to such group.

(e) No mortgagor or mortgagee of any mortgage insured under this title shall have any vested right in the credit balance in any such account, and the determination of the Administrator as to the amount to be paid by him to any mortgagee or mortgagor under this title shall be final and conclusive.

(f) In the event that any mortgagee under an insured mortgage forecloses on the mortgaged property but does not convey such property to the Administrator in accordance with section 1710, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, the obligation to pay the premium charge for insurance shall, upon due notice to the Administrator, cease, and all rights of the mortgagee and the mortgagor under section 1710 shall likewise terminate. Thereupon the mortgagor shall be entitled to receive a share of the credit balance of the group account of the group to which the mortgage has been assigned, in such amount as the Administrator shall determine to be equitable and not inconsistent with the preservation of the solvency of the group account and of the Fund. (June 27, 1934, c. 847, § 205, 48 Stat. 1250.)

§ 1712. Investment of funds. Moneys in the Fund not needed for the current operations of the Federal Housing Administration shall be deposited in the Treasury of the United States to the credit of the Fund, or invested in bonds or other obligations of the United States. The Treasurer of the United States is hereby directed to pay interest semiannually on any amount so deposited at a rate not greater than the prevailing rate on long-term Government bonds, such rate to be computed on the average amount of such bonds outstanding during any such semiannual period. The Administrator may, with the approval of the Secretary of the Treasury, purchase, at not to exceed par, in the open market, debentures issued under the provisions of section 1710. Debentures so purchased shall be canceled and not reissued, and the several group accounts to which such debentures have been charged shall be charged with the amounts used in making such purchases. (June 27, 1934, c. 847, § 206, 48 Stat. 1252.)

§ 1713. Low-cost housing insurance. The Administrator may also insure first mortgages, other than mortgages defined in section 1707 (a) of this title, covering property held by Federal or State instrumentalities, private limited dividend corporations, or municipal corporate instrumentalities of one or more States, formed for the purpose of providing housing for persons of low income which are regulated or restricted by law or by the Administrator as to rents, charges, capital structure, rate of return, or methods of operation. Such mortgages shall contain terms, conditions, and provisions satisfactory to the Administrator but need not conform to the eligibility require-

ments of section 1709. Subject to the right of the Administrator to impose a premium charge in excess of, or less than, the amount specified for mortgages defined in section 1707 (a), the provisions of sections 1710 and 1711 shall be applicable to mortgages insured under this section: *Provided*, That the insurance with respect to any low-cost housing project shall not exceed \$10,000,000. (June 27, 1934, c. 847, § 207, 48 Stat. 1252.)

§ 1714. **Taxation.** Nothing in this title shall be construed to exempt any real property acquired and held by the Administrator under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed. (June 27, 1934, c. 847, § 208, 48 Stat. 1252.)

§ 1715. **Statistical and economic surveys.** The Administrator shall cause to be made such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States, and shall publish from time to time the results of such surveys and studies. Expenses of such studies and surveys, and expenses of publication and distribution of the results of such studies and surveys, shall be charged as a general expense of the Fund. (June 27, 1934, c. 847, § 209, 48 Stat. 1252.)

TITLE III.—NATIONAL MORTGAGE ASSOCIATIONS

§ 1716. **Creation and powers of national mortgage associations.** (a) The Administrator is further authorized and empowered to provide for the establishment of national mortgage associations as hereinafter provided, which shall be authorized, subject to rules and regulations to be prescribed by the Administrator, (1) to purchase and sell first mortgages and such other first liens as are commonly given to secure advances on real estate held in fee simple or under a lease for not less than ninety-nine years, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby, such mortgages not to exceed 80 per centum of the appraised value of the property as of the date the mortgage is purchased; and (2) to borrow money for such purposes through the issuance of notes, bonds, debentures, or other such obligations as hereinafter provided.

(b) Any number of natural persons, not less than five, may apply to the Administrator for authority to establish a national mortgage association, and at the time of such application shall transmit to the Administrator articles of association, signed and sealed by each of the incorporators and acknowledged before a judge of any court of record or a notary public, which shall contain (1) the name of the association, (2) the place where its principal office or place of business is to be located, and (3) such information with respect to its capital stock as the Administrator may by regulation require. If the Administrator is of the opinion that the incorporators transmitting the articles of association are responsible persons and that such articles of association are satisfactory in all respects, he shall issue or cause to be issued to such incorporators a certificate of approval, and the association shall become, as of the date of issuance of such certificate, a body corporate by the name set forth in its articles of association.

(c) Each national mortgage association created under this section shall have succession from the date of its organization unless it is dissolved by act of its shareholders, or its franchise becomes forfeited by order of the Administrator as hereinafter provided, or it is dissolved by Act of Congress, and shall have power—

- (1) To adopt and use a corporate seal.
- (2) To make contracts.
- (3) To sue and be sued, complain and defend, in any court of law or equity, State or Federal.
- (4) To conduct its business in any State of the United States or in the District of Columbia and to have one or more offices in such State or in the Dis-

trict of Columbia, one of which offices shall be designated at the time of organization as its principal office.

(5) To do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(d) No association shall transact any business except such as is incidental to its organization until it has been authorized to do so by the Administrator. Each such association shall have a capital stock of a par value of not less than \$5,000,000, and no authorization to commence business shall be granted by the Administrator to any such association until he is satisfied that such capital stock has been subscribed for at not less than par and paid in full in cash or Government securities.

(e) Each national mortgage association, for the purpose of all actions by or against it, real, personal, or mixed, and all suits in equity, shall be deemed a citizen of the State in which its principal office is located.

(f) No individual, association, partnership, or corporation, except associations organized under this section, shall hereafter use the words "national mortgage association", or any combination of such words, as the name or a part thereof under which he or it shall do business. Every individual, partnership, association, or corporation violating this prohibition shall be guilty of a misdemeanor and shall be punished by a fine of not exceeding \$100 or imprisonment not exceeding thirty days, or both, for each day during which such violation is committed or repeated. The provisions of section 583 of Title 12 shall not apply to associations created under this title. (June 27, 1934, c. 847, § 301, 48 Stat. 1252.)

§ 1717. **Obligations of national mortgage associations.** Each national mortgage association is authorized to issue and have outstanding at any time notes, bonds, debentures, or other such obligations in an aggregate amount not to exceed (1) ten times the aggregate par value of its outstanding capital stock, and in no event to exceed (2) the current face value of mortgages held by it and insured under the provisions of title II of this chapter, plus the amount of its cash on hand and on deposit and the amount of its investments in bonds or obligations of, or guaranteed as to principal and interest by, the United States. No national mortgage association shall borrow money except through the issuance of such notes, bonds, debentures, or other obligations, or issue any such notes, bonds, debentures, or other obligations, except with the approval of the Administrator and under such rules and regulations as he shall prescribe. (June 27, 1934, c. 847, § 302, 48 Stat. 1254.)

§ 1718. **Investment of funds.** Moneys of any national mortgage association not invested in first mortgages or other liens as provided in section 1716 of this title, or in operating facilities approved by the Administrator, shall be kept in cash on hand or on deposit, or invested in bonds or other obligations of, or guaranteed as to principal and interest by the United States; except that each such association shall keep and maintain such reserves as the Administrator shall by rules and regulations prescribe. (June 27, 1934, c. 847, § 303, 48 Stat. 1254.)

§ 1719. **Management of acquired properties.** Subject to such rules and regulations as the Administrator shall prescribe, any national mortgage association shall have power to deal with, rent, renovate, modernize, or sell for cash or credit, or otherwise dispose of, with a view to assuring a maximum financial return to the association, any property acquired by it as a result of foreclosure proceedings. (June 27, 1934, c. 847, § 304, 48 Stat. 1254.)

§ 1720. **Examinations and liquidation.** The Administrator shall have power to provide for the periodic examination of the affairs of every national mortgage association and shall have power to terminate the existence of any such association and order its liquidation and the winding up of its affairs in any case in which the Administrator finds that the association is violating any provisions of this title or

any rule or regulation thereunder, or in any case in which he finds that the association is conducting its business in an unsafe and unbusinesslike manner. In any case in which the Administrator finds, upon examination of the affairs of any such association, that the capital of such association is substantially impaired, and if, within thirty days after the Administrator has notified the association of the existence of such impairment, the capital is not restored to the satisfaction of the Administrator, he shall terminate the existence of such association and shall order the liquidation and winding up of its affairs. The expenses of examination of any such association shall be assessed upon and paid for by the association in such manner and under such rules and regulations as the Administrator shall prescribe. For the purposes of this section, examiners appointed by the Administrator shall be subject to the same requirements, responsibilities, and penalties as are applicable to examiners under chapters 2 and 3 of this title, and, in the exercise of their functions, shall have the same powers and privileges as are vested in such examiners by law. (June 27, 1934, c. 847, § 305, 48 Stat. 1254.)

§ 1721. **Rules and regulations.** The Administrator shall have power to provide by rules and regulations for the liquidation, reorganization, consolidation, or merger of national mortgage associations, including the power to appoint a conservator or a receiver to take charge of the affairs of any such association, to require an equitable readjustment of its capital structure, to release it from the control of a conservator or receiver, and to permit its further operation. (June 27, 1934, c. 847, § 306, 48 Stat. 1255.)

§ 1722. **Taxation.** National mortgage associations shall be subject to taxation to the same extent as State-chartered corporations, except that no State or political subdivision thereof shall impose any tax on any such association or its franchise, capital, reserves, surplus, loans, income, or stock, or its securities or the income therefrom, at a greater rate than that imposed by such State on corporations, domestic or foreign, engaged in similar business within the State. Nothing herein shall be construed to exempt the real property of such associations from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed. (June 27, 1934, c. 847, § 307, 48 Stat. 1255.)

§ 1723. **Depositaries of public moneys.** When designated for that purpose by the Secretary of the Treasury any national mortgage association shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a financial agent of the Government; and it shall perform all such reasonable duties as a depository of public money and financial agent of the Government as may be required of it. Any national mortgage association may act as agent for any other instrumentality of the United States when designated for that purpose by such instrumentality. (June 27, 1934, c. 847, § 308, 48 Stat. 1255.)

TITLE IV—INSURANCE OF SAVINGS AND LOAN ACCOUNTS

§ 1724. **Definitions.** As used in this title—

(a) The term "insured institution" means an institution whose accounts are insured under this title.

(b) The term "insured member" means an individual, partnership, association, or corporation which holds an insured account.

(c) The term "insured account" means a share, certificate, or deposit account of a type approved by the Federal Savings and Loan Insurance Corporation which is held by an insured member in an insured institution and which is insured under the provisions of this title.

(d) The term "default" means an adjudication or other official determination of a court of competent jurisdiction or other public authority pursuant to which a conservator, receiver, or other legal custo-

dian is appointed for an insured institution for the purpose of liquidation. (June 27, 1934, c. 847, § 401, 48 Stat. 1255.)

§ 1725. **Creation of federal savings and loan insurance corporation.** (a) There is hereby created a Federal Savings and Loan Insurance Corporation (hereinafter referred to as the "Corporation"), which shall insure the accounts of institutions eligible for insurance as hereinafter provided, and shall be under the direction of a board of trustees, to be composed of five members and operated by it under such bylaws, rules, and regulations as it may prescribe for carrying out the purposes of this title. The members of the Federal Home Loan Bank Board shall constitute the board of trustees of the Corporation and shall serve as such without additional compensation. The principal office of the Corporation shall be in the District of Columbia.

(b) The Corporation shall have a capital stock of \$100,000,000, which shall be divided into shares of \$100 each. The total amount of such capital stock shall be subscribed for by the Home Owners' Loan Corporation which is hereby authorized and directed to subscribe for such stock and make payment therefor in bonds of the Home Owners' Loan Corporation. The Corporation shall issue to the Home Owners' Loan Corporation receipts for payment for or on account of such stock, which shall serve as evidence of the ownership thereof, and the Home Owners' Loan Corporation shall be entitled to the payment of dividends on such stock out of net earnings at a rate equal to the interest rate on such bonds, which dividends shall be cumulative.

(c) On June 27, 1934, the Corporation shall become a body corporate, and shall be an instrumentality of the United States, and as such shall have power—

(1) To adopt and use a corporate seal.

(2) To have succession until dissolved by Act of Congress.

(3) To make contracts.

(4) To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

(5) To appoint and to fix the compensation, by its board of trustees, of such officers, employees, attorneys, or agents, as shall be necessary for the performance of its duties under this title, without regard to the provisions of any other laws relating to the employment or compensation of officers or employees of the United States. Nothing in this title or any other provision of law shall be construed to prevent the appointment and compensation as an officer, attorney, or employee of the Corporation, of any officer, attorney, or employee of any board, corporation, commission, establishment, executive department, or instrumentality of the Government. The Corporation, with the consent of any board, corporation, commission, establishment, executive department, or instrumentality of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this title.

(d) For the purposes of this title, the Corporation shall have power to borrow money, and to issue notes, bonds, debentures, or other such obligations upon such terms and conditions as the board of trustees may determine. Moneys of the Corporation not required for current operations shall be deposited in the Treasury of the United States, or upon the approval of the Secretary of the Treasury, in any Federal Reserve bank, or shall be invested in obligations of, or guaranteed as to principal and interest by, the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money under such regulations as may be prescribed by the Secretary of the Treasury, and may also be employed as fiscal agent of the United States, and it shall perform all such reasonable duties as depository of public money and fiscal agent as may be required of it.

(e) All notes, bonds, debentures, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) 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. The Corporation, including its franchise, capital, reserves, surplus, 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 Corporation 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.

(f) The Corporation shall make an annual report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(g) No individual, association, partnership, or corporation shall use the words "Federal Savings and Loan Insurance Corporation", or any combination of any of these words which would have the effect of leading the public in general to believe there was any connection, actually not existing, between such individual, association, partnership, or corporation and the Federal Savings and Loan Insurance Corporation, as the name under which he or it shall hereafter do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its accounts are insured or in anywise guaranteed by the Federal Savings and Loan Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no insured member shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its accounts are insured by the Federal Savings and Loan Insurance Corporation. Every individual, partnership, association, or corporation violating this subsection shall be punished by a fine of not exceeding \$1,000, or by imprisonment not exceeding one year, or both. (June 27, 1934, c. 847, § 402, 48 Stat. 1256.)

§ 1726. Insurance of accounts and eligibility provisions. (a) It shall be the duty of the Corporation to insure the accounts of all Federal savings and loan associations, and it may insure the accounts of building and loan, savings and loan, and homestead associations and cooperative banks organized and operated according to the laws of the State, District, or Territory in which they are chartered or organized.

(b) Application for such insurance shall be made immediately by each Federal savings and loan association, and may be made at any time by other eligible institutions. Such applications shall be in such form as the Corporation shall prescribe, and shall contain an agreement (1) to pay the reasonable cost of such examinations as the Corporation shall deem necessary in connection with such insurance, and (2) if the insurance is granted, to permit and pay the cost of such examinations as in the judgment of the Corporation may from time to time be necessary for its protection and the protection of other insured institutions, to permit the Corporation to have access to any information or report with respect to any examination made by any public regulatory authority and to furnish any additional information with respect thereto as the Corporation may require, and to pay the premium charges for insurance as hereinafter provided. Each applicant for such insurance shall also file with its application an agreement that during the period that the insurance is in force it will not make any loans beyond fifty miles from its principal office except with the approval of, and pursuant to regulations of the Corporation, but any applicant which, prior to June 27, 1934, has been permitted to make loans beyond such fifty-mile limit may continue to make loans within the territory in which the applicant is operating on such date; will not, after it becomes an insured institution, issue securities which guarantee a definite return or which have a definite maturity except with the specific approval of the Corporation, or issue any securities the form of which has not been approved by the Corporation; will not carry on any sales plan or practices, or any advertis-

ing, in violation of regulations to be made by the Corporation; will provide adequate reserves satisfactory to the Corporation, to be established in accordance with regulations made by the Corporation, before paying dividends to its insured members; but such regulations shall require the building up of reserves to 5 per centum of all insured accounts within a reasonable period, not exceeding ten years, and shall prohibit the payment of dividends from such reserves, or the payment of any dividends if any losses are chargeable to such reserves.

(c) The Corporation shall reject the application of any applicant if it finds that the capital of the applicant is impaired or that its financial policies or management are unsafe; and the Corporation may reject the application of any applicant if it finds that the character of the management of the applicant or its home financing policy is inconsistent with economical home financing or with the purposes of this title. Upon the approval of any application for insurance the Corporation shall notify the applicant, and upon the payment of the initial premium charge for such insurance, as provided in section 404, the Corporation shall issue to the applicant a certificate stating that it has become an insured institution. In considering applications for such insurance the Corporation shall give full consideration to all factors in connection with the financial condition of applicants and insured institutions, and shall have power to make such adjustments in their financial statements as the Corporation finds to be necessary.

(d) Any applicant which applies for insurance under this title after the first year of the operation of the Corporation shall pay an admission fee based upon the reserve fund of the applicant which, in the judgment of the Corporation, is an equitable contribution. (June 27, 1934, c. 847, § 403, 48 Stat. 1257.)

§ 1727. Premiums on insurance. (a) Each institution whose application for insurance is approved by the Corporation shall pay to the Corporation, in such manner as it shall prescribe, a premium charge for such insurance equal to one-fourth of 1 per centum of the total amount of all accounts of the insured members of such institution plus any creditor obligations of such institution. Such premium shall be paid at the time the certificate is issued by the Corporation under section 1726, and thereafter annually until a reserve fund has been established by the Corporation equal to 5 per centum of all insured accounts and creditor obligations of all insured institutions; except that under regulations prescribed by the Corporation such premium charge may be paid semiannually. If at any time such reserve fund falls below such 5 per centum, the payment of such annual premium charge for insurance shall be resumed and shall be continued until the reserve is brought back to such 5 per centum. For the purposes of this subsection, the amount in all accounts of insured members and the amount of creditor obligations of any institution may be determined from adjusted statements made within one year prior to the approval of the application of such institution for insurance, or in such other manner as the Corporation may by rules and regulations prescribe.

(b) The Corporation is further authorized to assess against each insured institution additional premiums for insurance until the amount of such premiums equals the amount of all losses and expenses of the Corporation; except that the total amount so assessed in any one year against any such institution shall not exceed one-fourth of 1 per centum of the total amount of the accounts of its insured members and its creditor obligations. (June 27, 1934, c. 847, § 404, 48 Stat. 1258.)

§ 1728. Payment of insurance. (a) Each institution whose application for insurance under this title is approved by the Corporation shall be entitled to insurance up to the full withdrawal or repurchasable value of the accounts of each of its members and investors (including individuals, partnerships, associations, and corporations) holding withdrawable or repurchasable shares, investment certificates, or deposits, in such institution; except that no member or investor of

any such institution shall be insured for an aggregate amount in excess of \$5,000.

(b) In the event of a default by any insured institution the Corporation shall promptly determine the insured members thereof and the amount of their insured accounts, and shall make available to each of them, after notice by mail at his last-known address as shown by the books of the insured institution, and upon surrender and transfer to the Corporation of his insured account, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account which is insured under this section, as follows: Not to exceed 10 per centum in cash, and 50 per centum of the remainder within one year, and the balance within three years from the date of such default, in negotiable noninterest-bearing debentures of the Corporation. The Corporation shall furnish to all insured institutions a certificate stating that the insurance of accounts in such institution is to be paid in the manner described in this subsection. (June 27, 1934, c. 847, § 405, 48 Stat. 1259.)

§ 1729. **Liquidation of insured institutions.** (a) In order to facilitate the liquidation of insured institutions, the Corporation is authorized (1) to contract with any insured institution with respect to the making available of insured accounts to the insured members of any insured institution in default, or (2) to provide for the organization of a new Federal savings and loan association for such purpose subject to the approval of the Federal Home Loan Bank Board.

(b) In the event that a Federal savings and loan association is in default, the Corporation shall be appointed as conservator or receiver and is authorized as such (1) to take over the assets of and operate such association, (2) to take such action as may be necessary to put it in a sound and solvent condition, (3) to merge it with another insured institution, (4) to organize a new Federal savings and loan association to take over its assets, or (5) to proceed to liquidate its assets in an orderly manner, whichever shall appear to be to the best interests of the insured members of the association in default; and in any event the Corporation shall pay the insurance as provided in section 1728 and all valid credit obligations of such association. The net proceeds which may arise from the orderly liquidation of the assets of any such association, after reimbursement of the Corporation of all amounts paid by it for such insurance, shall be distributed pro rata among the shareholders of the association.

(c) In the event any insured institution other than a Federal savings and loan association is in default, the Corporation shall have authority to act as conservator, receiver, or other legal custodian of such insured institution, and the services of the Corporation are hereby tendered to the court or other public authority having the power of appointment. If the Corporation is so appointed, it shall have the same powers and duties with respect to the insured institution in default as are conferred upon it under subsection (b) with respect to Federal savings and loan associations. If the Corporation is not so appointed it shall pay the insurance as provided in section 1728, and shall have power (1) to bid for the assets of the insured institution in default, (2) to negotiate for the merger of the insured institution or the transfer of its assets, or (3) to make any other disposition of the matter as it may deem in the best interests of all concerned.

(d) In connection with the liquidation of insured institutions in default, the Corporation shall have power to carry on the business of and to collect all obligations to the insured institutions, to settle, compromise, or release claims in favor of or against the insured institutions, and to do all other things that may be necessary in connection therewith, subject only to the regulation of the court or other public authority having jurisdiction over the matter.

(e) The Corporation shall make an annual report to the Congress of the operation by it of insured institutions in default, and shall keep a complete record of

the administration by it of the assets of such insured institutions which shall be subject to inspection by any officer of any such insured institution or by any other interested party, and, if any such insured institution is operated under the laws of any State, Territory, or possession of the United States, or of the District of Columbia, such annual report shall also be filed with the public authority which has jurisdiction over the insured institution. (June 27, 1934, c. 847, § 406, 48 Stat. 1259.)

§ 1730. **Termination of insurance.** (a) Any institution which is insured under the provisions of this title may, upon not less than ninety days' written notice to the Corporation, terminate its status as an insured institution upon a majority vote of its shareholders entitled to vote, or upon a majority vote of its board of directors or other similar governing body which is authorized to act for the institution. Thereupon its status as an insured institution shall immediately cease and all rights of its insured members to insurance under this title shall immediately terminate; but the obligation of the institution to pay the premium charges for insurance shall continue for a period of three years after the date of such termination.

(b) The Corporation shall have power to terminate the insured status of any insured institution at any time, after ninety days' notice in writing, for violation of any provision of this title, or of any rule or regulation made thereunder, or of any agreement made pursuant to section 1726. In the event the insured status of any insured institution is so terminated it shall be unlawful thereafter for it to advertise or represent itself as an insured institution, but the insured accounts of its members existing on the date of such termination shall continue as such for a period of five years thereafter, and the institution shall be required to continue the payment of the premium charge for insurance during such five-year period. (June 27, 1934, c. 847, § 407, 48 Stat. 1260.)

TITLE V.—MISCELLANEOUS

§ 1731. **Penalties.** (a) Whoever, for the purpose of obtaining any loan from the Federal Housing Administration or the Federal Savings and Loan Insurance Corporation, or any extension or renewal thereof, or the acceptance, release, or substitution of security therefor, or for the purpose of inducing the Administration or the Corporation to purchase any assets, or for the purpose of influencing in any way the action of the Administration or the Corporation under this chapter, makes any statement, knowing it to be false, or willfully overvalues any security, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any obligation or coupon, in imitation of or purporting to be an obligation or coupon issued under authority of this chapter, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited obligation or coupon purporting to have been so issued, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation or coupon so issued or purporting to have been so issued, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation or coupon, so issued or purporting to have been so issued, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

(c) Whoever, being connected in any capacity with the Federal Housing Administration or the Federal Savings and Loan Insurance Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Administration or the Corporation or pledged, or otherwise intrusted to the Administration or the Corporation, or (2) with intent to defraud the Administration or the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Ad-

ministration or the Corporation, makes any false entry in any book, report, or statement of or to the Administration or the Corporation, or without being duly authorized draws any order, or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (June 27, 1934, c. 847, § 512, 48 Stat. 1265.)

§ 1732. **Separability provision.** If any provision of this chapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the chapter, and the application of such provision to other persons or circumstances, shall not be affected thereby. (June 27, 1934, c. 847, § 513, 48 Stat. 1265.)

Chapter 14.—FEDERAL CREDIT UNIONS

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Section 1751. Citation of chapter. This chapter may be cited as the "Federal Credit Union Act." (June 26, 1934, c. 750, § 1, 48 Stat. 1216.)

§ 1752. **Definitions.** A Federal credit union is hereby defined as a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this chapter the term "Administration" means Farm Credit Administration, and the term "Governor" means the Governor thereof. (June 26, 1934, c. 750, § 2, 48 Stat. 1216.)

§ 1753. **Federal credit union organization.** Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

- (1) The name of the association.
- (2) The location of the proposed Federal credit union and the territory in which it will operate.
- (3) The names and addresses of the subscribers to the certificate and the number of shares subscribed by each.
- (4) The par value of the shares, which shall be \$5 each.
- (5) The proposed field of membership, specified in detail.
- (6) The term of the existence of the corporation, which may be perpetual.
- (7) The fact that the certificate is made to enable such persons to avail themselves of the advantages of this chapter.

Such organization certificate may also contain any provisions approved by the Governor for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders. (June 26, 1934, c. 750, § 3, 48 Stat. 1217.)

§ 1754. **Approval of organization certificate.** Any such organization certificate shall be presented to the Governor for approval. Upon such approval the

Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this chapter upon corporations organized hereunder. Before any organization certificate is approved an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this chapter; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Governor it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. (June 26, 1934, c. 750, § 4, 48 Stat. 1217.)

§ 1755. **Fees.** For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Governor, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. During December of each calendar year each Federal credit union shall pay to the Administration a fee of not to exceed \$10, to be fixed by the Governor, for the cost of supervision: *Provided, however,* That no such annual fee shall be payable by such an organization for the fractional part of the first calendar year during which it is formed. All such fees shall be deposited with the Treasurer of the United States for the account of the Administration and may be expended by the Governor for such administrative and other expenses incurred in carrying out the provisions hereof as he may determine to be proper, the purpose of such fees being to defray, as far as practicable, the administrative and supervisory costs incident to the carrying out of this chapter. (June 26, 1934, c. 750, § 5, 48 Stat. 1217.)

§ 1756. **Reports and examinations.** Federal credit unions shall be under the supervision of the Governor, and shall make such financial reports to him (at least annually) as he may require. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Governor. The Governor shall fix a scale of examination fees designed, as far as is practicable, so that in each case the fee to be paid shall equal the expense of such examination, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of any such examination: *Provided, however,* That if a Federal credit union has assets of less than \$25,000 the Governor may accept the audit report of a practicing public accountant in place of such examination and may relieve such Federal credit union of the obligation to pay the examination fee required by this section. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 1755 hereof, and shall be available for the purposes specified in said section 1755. (June 26, 1934, c. 750, § 6, 48 Stat. 1218.)

§ 1757. **Powers.** A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) To make contracts.
- (2) To sue and be sued.
- (3) To adopt and use a common seal and alter the same at pleasure.
- (4) To purchase, hold, and dispose of property necessary and incidental to its operations.
- (5) To make loans with maturities not exceeding two years to its members for provident or productive purposes upon such terms and conditions as this chapter and the bylaws provide and as the credit committee may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances (inclusive of all charges incident to making the loan): *Provided,* That no loans to a director, officer, or member