

108TH CONGRESS  
1ST SESSION

# H. R. 3071

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.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2003

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

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## 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.—Sec-  
25 tion 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 ACT.**

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.—Sec-  
11 tion 306 of the Federal Home Loan Mortgage Corporation  
12 Act (12 U.S.C. 1455) is amended by striking subsection  
13 (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 BANK ACT.**

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 “Sev-  
20 enth”—

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 amend-  
19 ed—

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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