

Public Law 87-210

AN ACT

September 8, 1961
[H. R. 7108]

To amend the Federal Home Loan Bank Act and title IV of the National Housing Act, and for other purposes.

Federal Home
Loan Bank Act,
amendment,
47 Stat. 727.
12 USC 1426.

Capital stock.
Subscription.
12 USC 1424.

Oversubscrip-
tions.

Limitations.

12 USC 1430.

Cancellation of
oversubscription.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (c) of section 6 of the Federal Home Loan Bank Act, as amended, is hereby amended to read as follows:

"(c) (1) The original stock subscription of each institution eligible to become a member under section 4 shall be an amount equal to 1 per centum of the subscriber's aggregate unpaid loan principal, but not less than \$500. The bank shall annually, as of the close of the calendar year, adjust, at such time and in such manner and upon such terms and conditions as the Federal Home Loan Bank Board may by regulations or otherwise prescribe, the amount of stock held by each member so that such member shall have invested in the stock of the Federal Home Loan Bank at least an amount calculated in the manner provided in the next preceding sentence (but not less than \$500). If the bank finds that the investment of any member in stock is greater than that required under this subsection it may, unless prohibited by said Board or by the provisions of paragraph (2) of this subsection, in its discretion and upon application of such member retire the stock of such member in excess of the amount so required. Said Board, in its discretion, may, by regulations or otherwise, provide for adjustments in amounts of stock to be issued or retired in order that stock may be issued or retired only in entire shares.

"(2) The provisions of paragraph (1) of this subsection shall be subject to the following limitations:

"(i) No member which is a member on the date of the enactment of this paragraph (2) shall be permitted to reduce its stock to an amount which is less than the amount held by it as of the close of such date, except that a member may at any time reduce its stock to an amount which is not less than 2 per centum of its aggregate unpaid loan principal as of the beginning of the calendar year in which the reduction is made (but not less than \$500): *Provided*, That if the amount to which such stock is so reduced is less than 2 per centum of such member's aggregate unpaid loan principal as of the close of the date of the enactment of this paragraph (2) such reduction may be made only to such extent as said Board in its discretion may by regulations or otherwise provide.

"(ii) Notwithstanding any other provision of this subsection, no action shall be taken by any bank with respect to any member pursuant to any of the foregoing provisions of this subsection if the effect of such action would be to cause the aggregate outstanding advances, within the meaning of the last sentence of subsection (c) of section 10 or within the meaning of regulations of said Board defining said term for the purposes of this sentence, made by such bank to such member to exceed twelve times the amounts paid in by such member for outstanding capital stock held by such member.

"(3) Except as provided in subsection (i), upon retirement of stock of any member the bank shall pay such member for the stock retired an amount equal to the par value of such stock, or, at the election of the bank, the whole or any part of the payment which would otherwise be so made shall be credited upon the indebtedness of the

member to the bank. In either such event, stock equal in par value to the amount of the payment or credit, or both, as the case may be, shall be canceled.

"(4) For the purposes of this subsection, the term 'aggregate unpaid loan principal' means the aggregate unpaid principal of a subscriber's or member's home mortgage loans, home-purchase contracts, and similar obligations.

"Aggregate unpaid loan principal."

"(5) The Federal Home Loan Bank Board, by regulations or otherwise, may require each member to submit such reports and information as said Board, in its discretion, may determine to be necessary or appropriate for the purposes of this subsection."

Reports and information.

SEC. 2. Subsection (1) of section 6 of the Federal Home Loan Bank Act, as amended, is hereby repealed.

64 Stat. 257.

Repeal.

SEC. 3. Subsection (a) of section 404 of the National Housing Act, as amended, is hereby amended to read as follows:

National Housing Act, amendment.
48 Stat. 1259.
12 USC 1727.

"(a) The Corporation shall establish a Primary Reserve which shall be the general reserve of the Corporation and a Secondary Reserve to which shall be credited the amounts of the prepayments made by insured institutions pursuant to subsection (d) and the credits made pursuant to the first sentence of subsection (e).

"(b)(1) 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 for such insurance equal to one-twelfth 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 403, and thereafter annually, except that under regulations prescribed by the Corporation such premium may be paid semiannually.

12 USC 1726.

"(2) If, at the close of any December 31, the Primary Reserve equals or exceeds 2 per centum of the total amount of all accounts of insured members and creditor obligations of all insured institutions as of such close, no premium under paragraph (1) of this subsection shall be payable by any insured institution with respect to its premium year beginning during the year commencing on May 1 next succeeding such December 31, except that the foregoing provisions of this sentence shall not be applicable to any insured institution with respect to any of the twenty premium years beginning with the premium year commencing with the date on which such certificate is issued.

"(3) The Corporation is authorized to prescribe such rules and regulations as it may determine to be necessary or appropriate to accomplish the purposes and provisions of this subsection."

Rules and regulations.

SEC. 4. Subsection (c) of section 404 of the National Housing Act, as amended, is hereby repealed: *Provided*, That the repeal effected by this section shall not affect any right existing on the effective date of such repeal.

Repeal, with exceptions.

SEC. 5. Subsection (b) of section 404 of the National Housing Act, as in effect prior to the amendments made by this Act, is hereby amended by striking "(b)" at the beginning thereof and inserting in lieu thereof "(c)".

SEC. 6. Section 404 of the National Housing Act, as amended, is hereby amended by adding thereto at the end thereof the following new subsections:

"(d) Each insured institution, except as otherwise provided in this section, shall annually pay to the Corporation, at such time and in

Additional premiums.

such manner as the Corporation shall by regulations or otherwise prescribe, an additional premium in the nature of a prepayment with respect to future premiums of such institution under subsection (b) equal to 2 per centum of the net increase in all accounts of its insured members during the next preceding calendar year, less an amount equal to any requirement, as of the end of such calendar year, for the purchase of stock of the Federal Home Loan Bank of which such institution is a member, calculated in accordance with the provisions of subsection (c) of section 6 of the Federal Home Loan Bank Act and without regard to any net increase during such calendar year in its holdings of such stock, and such prepayments shall be credited to the Secondary Reserve: *Provided*, That in the case of an insured institution which was not an insured institution at the beginning of such next preceding calendar year the 2 per centum aforesaid shall be 2 per centum of the net increase in all accounts of its insured members during that part of said calendar year which begins with the close of the day on which such institution becomes an insured institution and the amount deducted from such 2 per centum under the foregoing provisions of this sentence shall not exceed one-half of such 2 per centum as calculated in accordance with this proviso. The Federal Home Loan Bank Board shall by regulations or otherwise provide for the furnishing to the Corporation of all necessary information with respect to Federal Home Loan Bank stock.

Ante, p. 482.

Annual earnings.
Credits.

Restrictions.

Assignment or transfer.

Termination of insurance.
64 Stat. 259; 68 Stat. 633.
12 USC 1730.

12 USC 1724.

“(e) The Corporation, in accordance with such regulations as it may prescribe, shall credit to the Secondary Reserve, as of the close of each calendar year a return on the outstanding balances of the Secondary Reserve during such calendar year, as determined by the Corporation, at a rate equal to the average annual rate of return to the Corporation during the year ending at the close of November 30 of such calendar year, as determined by the Corporation, on the investments held by the Corporation in obligations of, or guaranteed as to principal and interest by, the United States. Except as provided in subsections (f) and (g), the Secondary Reserve shall be available to the Corporation only for losses of the Corporation and shall be so available only to such extent as other accounts of the Corporation which are available therefor are insufficient for such losses. No right, title, or interest of any institution in or with respect to its pro rata share of the Secondary Reserve shall be assignable or transferable, whether by operation of law or otherwise, except to such extent as the Corporation may by regulation or otherwise provide for transfer of such pro rata share in cases of merger or consolidation, transfer of bulk assets as defined by the Corporation by regulation or otherwise for the purposes of this sentence, and similar transactions as so defined.

“(f) If (i) the status of an insured institution as an insured institution is terminated pursuant to any provision of section 407 or the insurance of accounts of an insured institution is otherwise terminated, (ii) a conservator, receiver, or other legal custodian is appointed for an insured institution under the circumstances and for the purpose set forth in subdivision (d) of section 401, or (iii) the Corporation makes a determination that for the purposes of this subsection an insured institution has gone into liquidation, the obligation of such institution to make prepayments under subsection (d) of this section, including any prepayments as to which such institution is obligated at the time of such termination, appointment, or determination, shall cease, and the Corporation shall pay in cash to such institution its pro rata share of the Secondary Reserve, in accordance with such terms and conditions as the Corporation may prescribe by regulations or otherwise, or, at the option of the Corporation, the Corporation may

apply the whole or any part of the amount which would otherwise be paid in cash toward the payment of any indebtedness or obligation, whether matured or not, of such institution to the Corporation, then existing or arising before such payment in cash: *Provided*, That such payment or such application need not be made to the extent that the provisions of the exception in the last sentence of subsection (e) are applicable. The Corporation in its discretion may provide by regulations or otherwise for the reinstatement in whole or in part, upon such terms and conditions as to payment or otherwise as it may prescribe, of the pro rata share of an institution in the Secondary Reserve in the event that such status or such insurance is restored by action of the Corporation or of a court in reversing or setting aside such termination, or in the event that, after such appointment or such determination, an institution is restored to operation as an insured institution, and for the payment, waiver, or other treatment in whole or in part of any prepayments which, in the absence of the first sentence of this subsection, would have accrued under subsection (d) or would be payable thereunder.

"(g) If, at the close of any December 31, the aggregate of the Primary Reserve and the Secondary Reserve equals or exceeds 2 per centum of the total amount of all accounts of insured members and creditor obligations of all insured institutions but the Primary Reserve does not equal or exceed such 2 per centum, no insured institution shall be obligated to make any prepayment under subsection (d) during the year beginning with May 1 next succeeding such close, and each insured institution's pro rata share of the Secondary Reserve shall be used, to the extent available, to discharge such institution's obligation for its premium under subsection (b) for the premium year beginning in such year; and the suspension of obligation to make such prepayments and the use of such pro rata shares as provided in this sentence shall continue unless and until the next sentence or the last sentence of this subsection shall become operative. If, at the close of any December 31 occurring before the last sentence of this subsection shall become operative, the aggregate of the Primary Reserve and the Secondary Reserve is not at least equal to $1\frac{3}{4}$ per centum of the total amount of all accounts of insured members and creditor obligations of all insured institutions, (i) the obligation of insured institutions to make prepayments under subsection (d) shall resume on May 1 next following such December 31 and shall continue unless and until the first sentence or the last sentence of this subsection shall become operative, and (ii) the use of any insured institution's pro rata share of the Secondary Reserve under the first sentence of this subsection shall terminate with respect to its premium under subsection (b) for the premium year beginning during the calendar year commencing on May 1 next succeeding such December 31, and such termination shall continue unless and until the first sentence of this subsection shall become operative. If, at the close of any December 31, the Primary Reserve equals or exceeds such 2 per centum, the Corporation shall, at such time (which shall be the same for all insured institutions and shall not be later than May 1 next succeeding such close) and in such manner as the Corporation shall determine, pay in cash to each insured institution its pro rata share of the Secondary Reserve and shall not, after such time, accept or receive further prepayments under subsection (d)."

Prepayments.
Suspension.

SEC. 7. This Act shall become effective on January 1 next following the date of its enactment.

Effective date.

Approved September 8, 1961.