

112<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 693

To establish a term certain for the conservatorships of Fannie Mae and Freddie Mac, to provide conditions for continued operation of such enterprises, and to provide for the wind down of such operations and the dissolution of such enterprises.

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## IN THE SENATE OF THE UNITED STATES

MARCH 31, 2011

Mr. MCCAIN (for himself and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To establish a term certain for the conservatorships of Fannie Mae and Freddie Mac, to provide conditions for continued operation of such enterprises, and to provide for the wind down of such operations and the dissolution of 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 “GSE Bailout Elimina-  
5 tion and Taxpayer Protection Act”.

1 **SEC. 2. DEFINITIONS.**

2 For purposes of this Act, the following definitions  
3 shall apply:

4 (1) CHARTER.—The term “charter” means—

5 (A) with respect to the Federal National  
6 Mortgage Association, the Federal National  
7 Mortgage Association Charter Act (12 U.S.C.  
8 1716 et seq.); and

9 (B) with respect to the Federal Home  
10 Loan Mortgage Corporation, the Federal Home  
11 Loan Mortgage Corporation Act (12 U.S.C.  
12 1451 et seq.).

13 (2) DIRECTOR.—The term “Director” means  
14 the Director of the Federal Housing Finance Agen-  
15 cy.

16 (3) ENTERPRISE.—The term “enterprise”  
17 means—

18 (A) the Federal National Mortgage Asso-  
19 ciation; and

20 (B) the Federal Home Loan Mortgage  
21 Corporation.

22 (4) GUARANTEE.—The term “guarantee”  
23 means, with respect to an enterprise, the credit sup-  
24 port of the enterprise that is provided by the Fed-  
25 eral Government through its charter as a govern-  
26 ment-sponsored enterprise.

1 **SEC. 3. TERMINATION OF CURRENT CONSERVATORSHIP.**

2 (a) IN GENERAL.—Upon the expiration of the period  
3 referred to in subsection (b), the Director of the Federal  
4 Housing Finance Agency shall determine, with respect to  
5 each enterprise, if the enterprise is financially viable at  
6 that time and—

7 (1) if the Director determines that the enter-  
8 prise is financially viable, immediately take all ac-  
9 tions necessary to terminate the conservatorship for  
10 the enterprise that is in effect pursuant to section  
11 1367 of the Federal Housing Enterprises Financial  
12 Safety and Soundness Act of 1992 (12 U.S.C.  
13 4617); or

14 (2) if the Director determines that the enter-  
15 prise is not financially viable, immediately appoint  
16 the Federal Housing Finance Agency as receiver  
17 under section 1367 of the Federal Housing Enter-  
18 prises Financial Safety and Soundness Act of 1992  
19 and carry out such receivership under the authority  
20 of such section.

21 (b) TIMING.—The period referred to in this sub-  
22 section is, with respect to an enterprise, the 24-month pe-  
23 riod beginning upon the date of the enactment of this Act.

24 (c) FINANCIAL VIABILITY.—The Director may not  
25 determine that an enterprise is financially viable for pur-  
26 poses of subsection (a) if the Director determines that any

1 of the conditions for receivership set forth in paragraph  
2 (3) or (4) of section 1367(a) of the Federal Housing En-  
3 terprises Financial Safety and Soundness Act of 1992 (12  
4 U.S.C. 4617(a)) exists at the time with respect to the en-  
5 terprise.

6 **SEC. 4. LIMITATIONS ON ENTERPRISE AUTHORITY.**

7 (a) **LIMITATIONS EFFECTIVE UPON ENACTMENT.**—  
8 Upon the enactment of this Act, the following provisions  
9 shall take effect:

10 (1) **REPEAL OF MANDATORY HOUSING ACTIVI-**  
11 **TIES.**—

12 (A) **REPEAL OF HOUSING GOALS.**—The  
13 Federal Housing Enterprises Financial Safety  
14 and Soundness Act of 1992 is amended by  
15 striking sections 1331 through 1336 (12 U.S.C.  
16 4561–6).

17 (B) **CONFORMING AMENDMENTS.**—Federal  
18 Housing Enterprises Financial Safety and  
19 Soundness Act of 1992 is amended—

20 (i) in section 1303(28) (12 U.S.C.  
21 4502(28)), by striking “, and, for the pur-  
22 poses” and all that follows through “des-  
23 ignated disaster areas”;

1 (ii) in section 1324(b)(1)(A) (12  
2 U.S.C. 4544(b)(1)(A)), by striking clauses  
3 (i), (ii), and (iv);

4 (iii) in section 1339(h) (12 U.S.C.  
5 4569(h)), by striking paragraph (7);

6 (iv) in section 1341 (12 U.S.C.  
7 4581)—

8 (I) in subsection (a)—

9 (aa) in paragraph (1), by in-  
10 sserting “or” after the semicolon  
11 at the end;

12 (bb) in paragraph (2), by  
13 striking the semicolon at the end  
14 and inserting a period; and

15 (cc) by striking paragraphs  
16 (3) and (4); and

17 (II) in subsection (b)(2)—

18 (aa) in subparagraph (A),  
19 by inserting “or” after the semi-  
20 colon at the end;

21 (bb) by striking subpara-  
22 graphs (B) and (C); and

23 (cc) by redesignating sub-  
24 paragraph (D) as subparagraph  
25 (B);

1 (v) in section 1345(a) (12 U.S.C.  
2 4585(a))—

3 (I) in paragraph (1), by inserting  
4 “or” after the semicolon at the end;

5 (II) in paragraph (2), by striking  
6 the semicolon at the end and inserting  
7 a period; and

8 (III) by striking paragraphs (3)  
9 and (4); and

10 (vi) in section 1371(a)(2) (12 U.S.C.  
11 4631(a)(2)), by striking “with any housing  
12 goal established under subpart B of part 2  
13 of subtitle A of this title, with section 1336  
14 or 1337 of this title,”.

15 (C) REPEAL OF HOUSING TRUST FUND.—

16 (i) REPEAL.—The Federal Housing  
17 Enterprises Financial Safety and Sound-  
18 ness Act of 1992 is amended by striking  
19 sections 1337 and 1338 (12 U.S.C. 4567,  
20 4568).

21 (ii) CONFORMING AMENDMENTS.—  
22 The Federal Housing Enterprises Finan-  
23 cial Safety and Soundness Act of 1992 is  
24 amended—

1 (I) in section 1303(24)(B) (12  
2 U.S.C. 4502(24)(B)), by striking  
3 “1338 and”;

4 (II) in section 1324(b)(1)(A) (12  
5 U.S.C. 4544(b)(1)(A))—

6 (aa) by striking clause (iii);

7 (bb) by striking the dash  
8 after “which” and inserting the  
9 text of clause (v) and a period;  
10 and

11 (cc) by striking clause (v);

12 (III) in section 1339(b)—

13 (aa) by striking paragraph  
14 (1);

15 (bb) by striking the dash  
16 after “consist of” and inserting  
17 the text of paragraph (2) and a  
18 period; and

19 (cc) by striking paragraph  
20 (2); and

21 (IV) in section 1346 (12 U.S.C.  
22 4585), by striking subsection (f).

23 (2) PORTFOLIO LIMITATIONS.—Subtitle B of  
24 title XIII of the Housing and Community Develop-  
25 ment Act of 1992 (12 U.S.C. 4611 et seq.) is

1 amended by adding at the end the following new sec-  
2 tion:

3 **“SEC. 1369E. RESTRICTION ON MORTGAGE ASSETS OF EN-**  
4 **TERPRISES.**

5 “(a) RESTRICTION.—No enterprise shall own, as of  
6 any applicable date in this subsection or thereafter, mort-  
7 gage assets in excess of—

8 “(1) upon the expiration of the 1-year period  
9 that begins upon the enactment of the GSE Bailout  
10 Elimination and Taxpayer Protection Act or there-  
11 after, \$700,000,000,000;

12 “(2) upon the expiration of the 2-year period  
13 that begins upon the enactment of such Act or  
14 thereafter, \$600,000,000,000;

15 “(3) upon the expiration of the 3-year period  
16 that begins upon the enactment of such Act or  
17 thereafter, \$475,000,000,000;

18 “(4) upon the expiration of the 4-year period  
19 that begins upon the enactment of such Act or  
20 thereafter, \$350,000,000,000; and

21 “(5) upon the expiration of the 5-year period  
22 that begins upon the enactment of such Act or  
23 thereafter, \$250,000,000,000.

24 “(b) DEFINITION OF MORTGAGE ASSETS.—For pur-  
25 poses of this section, the term ‘mortgage assets’ means,



1 with respect to an enterprise, assets of such enterprise  
2 consisting of mortgages, mortgage loans, mortgage-related  
3 securities, participation certificates, mortgage-backed  
4 commercial paper, obligations of real estate mortgage in-  
5 vestment conduits and similar assets, in each case to the  
6 extent such assets would appear on the balance sheet of  
7 such enterprise in accordance with generally accepted ac-  
8 counting principles in effect in the United States as of  
9 September 7, 2008 (as set forth in the opinions and pro-  
10 nouncements of the Accounting Principles Board and the  
11 American Institute of Certified Public Accountants and  
12 statements and pronouncements of the Financial Account-  
13 ing Standards Board from time to time; and without giv-  
14 ing any effect to any change that may be made after Sep-  
15 tember 7, 2008, in respect of Statement of Financial Ac-  
16 counting Standards No. 140 or any similar accounting  
17 standard).”.

18           (3) REPEAL OF INCREASES TO CONFORMING  
19           LOAN LIMITS.—

20                   (A) REPEAL OF TEMPORARY INCREASES.—

21                           (i) CONTINUING APPROPRIATIONS  
22                           ACT, 2011.—Section 146 of the Continuing  
23                           Appropriations Act, 2011 (Public Law  
24                           111–242; 124 Stat. 2615) is hereby re-  
25                           pealed.

1                   (ii) CONTINUING APPROPRIATIONS  
2                   RESOLUTION, 2010.—Section 167 of the  
3                   Continuing Appropriations Resolution,  
4                   2010 (division B of Public Law 111–68  
5                   (as added by section 104 of division B of  
6                   Public Law 111–88; 123 Stat. 2973)) is  
7                   hereby repealed.

8                   (iii) AMERICAN RECOVERY AND REIN-  
9                   VESTMENT ACT OF 2009.—Section 1203 of  
10                  division A of the American Recovery and  
11                  Reinvestment Act of 2009 (Public Law  
12                  111–5; 123 Stat. 225) is hereby repealed.

13                  (iv) ECONOMIC STIMULUS ACT OF  
14                  2008.—Section 201 of the Economic Stim-  
15                  ulus Act of 2008 (Public Law 110–185;  
16                  122 Stat. 619) is hereby repealed.

17                  (B) REPEAL OF GENERAL LIMIT AND PER-  
18                  MANENT HIGH-COST AREA INCREASE.—Para-  
19                  graph (2) of section 302(b) of the Federal Na-  
20                  tional Mortgage Association Charter Act (12  
21                  U.S.C. 1717(b)(2)) and paragraph (2) of sec-  
22                  tion 305(a) of the Federal Home Loan Mort-  
23                  gage Corporation Act (12 U.S.C. 1454(a)(2))  
24                  are each amended to read as such sections were  
25                  in effect immediately before the enactment of

1 the Housing and Economic Recovery Act of  
2 2008 (Public Law 110–289).

3 (C) REPEAL OF NEW HOUSING PRICE  
4 INDEX.—Section 1322 of the Federal Housing  
5 Enterprises Financial Safety and Soundness  
6 Act of 1992, as added by section 1124(d) of the  
7 Housing and Economic Recovery Act of 2008  
8 (Public Law 110–289), is hereby repealed.

9 (D) REPEAL.—Section 1124 of the Hous-  
10 ing and Economic Recovery Act of 2008 (Public  
11 Law 110–289) is hereby repealed.

12 (E) ESTABLISHMENT OF CONFORMING  
13 LOAN LIMIT.—For the first year beginning after  
14 the date of the enactment of this Act, the limi-  
15 tations governing the maximum original prin-  
16 cipal obligation of conventional mortgages that  
17 may be purchased by the Federal National  
18 Mortgage Association and the Federal Home  
19 Loan Mortgage Corporation, referred to in sec-  
20 tion 302(b)(2) of the Federal National Mort-  
21 gage Association Charter Act (12 U.S.C.  
22 1717(b)(2)) and section 305(a)(2) of the Fed-  
23 eral Home Loan Mortgage Corporation Act (12  
24 U.S.C. 1454(a)(2)), respectively, shall be con-  
25 sidered to be—

- 1 (i) \$417,000 for a mortgage secured  
2 by a single-family residence,  
3 (ii) \$533,850 for a mortgage secured  
4 by a 2-family residence,  
5 (iii) \$645,300 for a mortgage secured  
6 by a 3-family residence, and  
7 (iv) \$801,950 for a mortgage secured  
8 by a 4-family residence,  
9 and such limits shall be adjusted effective each  
10 January 1 thereafter in accordance with such  
11 sections 302(b)(2) and 305(a)(2).

12 (4) INCREASE IN GUARANTEE FEES.—Subpart  
13 A of part 2 of subtitle A of Federal Housing Enter-  
14 prises Financial Safety and Soundness Act of 1992  
15 is amended by adding after section 1326 (12 U.S.C.  
16 4546) the following new section:

17 **“SEC. 1327. ENTERPRISE GUARANTEE FEES.**

18 “(a) INCREASE.—Subject to subsection (b), the Di-  
19 rector shall, by regulation or order, require that each en-  
20 terprise charge a guarantee fee, in connection with any  
21 mortgage guaranteed after the expiration of the 3-year pe-  
22 riod beginning on the date of the enactment of the GSE  
23 Bailout Elimination and Taxpayer Protection Act, in an  
24 amount that the Director determines is equivalent to the  
25 amount that the enterprise would charge for such a fee

1 if the enterprise were held to the same capital standards  
2 as private banks or financial institutions.

3       “(b) OPTION TO PHASE-IN OVER 3 YEARS.—The Di-  
4 rector may, at the discretion of the Director, by regulation  
5 or order, provide for compliance with subsection (a) by re-  
6 quiring each enterprise to increase the guarantee fee  
7 charged by the enterprise incrementally during the 3-year  
8 period specified in subsection (a) in a manner sufficient  
9 to comply with subsection (a) upon the expiration of the  
10 period specified in subsection (a).

11       “(c) FLEXIBILITY IN DETERMINATION OF IN-  
12 CREASE.—To determine the amount of the increase under  
13 subsection (a), the Director shall establish a pricing mech-  
14 anism as the Director considers appropriate, taking into  
15 consideration current market conditions and any data col-  
16 lected pursuant to section 1601 of the Housing and Eco-  
17 nomic Recovery Act of 2008 (12 U.S.C. 4514a).

18       “(d) DEFINITION OF GUARANTEE FEE.—For pur-  
19 poses of this section, the term ‘guarantee fee’ means a  
20 fee charged by an enterprise in connection with any guar-  
21 antee, issued by the enterprise, of the timely payment of  
22 principal and interest on securities, notes, and other obli-  
23 gations based on or backed by mortgages on residential  
24 real properties. Such term includes—

1           “(1) the guaranty fee charged by the Federal  
2 National Mortgage Association with respect to mort-  
3 gage-backed securities; and

4           “(2) the management and guarantee fee  
5 charged by the Federal Home Loan Mortgage Cor-  
6 poration with respect to participation certificates.”.

7           (5) PROHIBITION OF REDUCTION IN RATE OF  
8 DIVIDENDS.—

9           (A) FANNIE MAE.—Section 304 of the  
10 Federal National Mortgage Association Charter  
11 Act (12 U.S.C. 1719) is amended by adding at  
12 the end the following new subsection:

13           “(h) PROHIBITION OF REDUCTION IN RATE OF DIVI-  
14 DENDS ON SENIOR PREFERRED STOCK.—Notwith-  
15 standing any other provision of law, any provision of the  
16 Senior Preferred Stock Purchase Agreement entered into  
17 between the Department of the Treasury and the corpora-  
18 tion in September 2008 (as such Agreement may be  
19 amended and restated), or any provision of any certificate  
20 in connection with such Agreement creating or designating  
21 the terms, powers, preferences, privileges, limitations, or  
22 any other conditions of the Variable Liquidation Pref-  
23 erence Senior Preferred Stock of the corporation issued  
24 pursuant to such Agreement, the rate of dividends paid  
25 on the Variable Liquidation Preference Senior Preferred

1 Stock of the corporation issued pursuant to such Agree-  
2 ment shall not be reduced from the rate in effect pursuant  
3 to such Agreement as of March 1, 2011.”.

4 (B) FREDDIE MAC.—Section 306 of the  
5 Federal Home Loan Mortgage Corporation Act  
6 (12 U.S.C. 1455) is amended by adding at the  
7 end the following new subsection:

8 “(m) PROHIBITION OF REDUCTION IN RATE OF  
9 DIVIDENDS ON SENIOR PREFERRED STOCK.—Notwith-  
10 standing any other provision of law, any provision of the  
11 Senior Preferred Stock Purchase Agreement entered into  
12 between the Department of the Treasury and the Corpora-  
13 tion in September 2008 (as such Agreement may be  
14 amended and restated), or any provision of any certificate  
15 in connection with such Agreement creating or designating  
16 the terms, powers, preferences, privileges, limitations, or  
17 any other conditions of the Variable Liquidation Pref-  
18 erence Senior Preferred Stock of the Corporation issued  
19 pursuant to such Agreement, the rate of dividends paid  
20 on the Variable Liquidation Preference Senior Preferred  
21 Stock of the Corporation issued pursuant to such Agree-  
22 ment shall not be reduced from the rate in effect pursuant  
23 to such Agreement as of March 1, 2011.”.

24 (b) REVISED AUTHORITY.—Upon the expiration of  
25 the period referred to in section 3(b), if the Director

1 makes the determination under section 3(a)(1), the fol-  
2 lowing provisions shall take effect:

3 (1) INCREASE IN MINIMUM CAPITAL REQUIRE-  
4 MENT.—Section 1362 of the Federal Housing En-  
5 terprises Financial Safety and Soundness Act of  
6 1992 (12 U.S.C. 4612) is amended—

7 (A) in subsection (a), by striking “For  
8 purposes of this subtitle, the minimum capital  
9 level for each enterprise shall be” and inserting  
10 “The minimum capital level established under  
11 subsection (g) for each enterprise may not be  
12 lower than”;

13 (B) in subsection (c)—

14 (i) by striking “subsections (a) and”  
15 and inserting “subsection”;

16 (ii) by striking “regulated entities”  
17 the first place such term appears and in-  
18 serting “Federal Home Loan Banks”;

19 (iii) by striking “for the enterprises,”;

20 (iv) by striking “, or for both the en-  
21 terprises and the banks,”;

22 (v) by striking “the level specified in  
23 subsection (a) for the enterprises or”;



1 (vi) by striking “the regulated entities  
2 operate” and inserting “such banks oper-  
3 ate”;

4 (C) in subsection (d)(1)—

5 (i) by striking “subsections (a) and”  
6 and inserting “subsection”; and

7 (ii) by striking “regulated entity”  
8 each place such term appears and inserting  
9 “Federal home loan bank”;

10 (D) in subsection (e), by striking “regu-  
11 lated entity” each place such term appears and  
12 inserting “Federal home loan bank”;

13 (E) in subsection (f)—

14 (i) by striking “the amount of core  
15 capital maintained by the enterprises,”;  
16 and

17 (ii) by striking “regulated entities”  
18 and inserting “banks”; and

19 (F) by adding at the end the following new  
20 subsection:

21 “(g) ESTABLISHMENT OF REVISED MINIMUM CAP-  
22 ITAL LEVELS.—

23 “(1) IN GENERAL.—The Director shall cause  
24 the enterprises to achieve and maintain adequate  
25 capital by establishing minimum levels of capital for

1 such the enterprises and by using such other meth-  
2 ods as the Director deems appropriate.

3 “(2) AUTHORITY.—The Director shall have the  
4 authority to establish such minimum level of capital  
5 for an enterprise in excess of the level specified  
6 under subsection (a) as the Director, in the Direc-  
7 tor’s discretion, deems to be necessary or appro-  
8 priate in light of the particular circumstances of the  
9 enterprise.

10 “(h) FAILURE TO MAINTAIN REVISED MINIMUM  
11 CAPITAL LEVELS.—

12 “(1) UNSAFE AND UNSOUND PRACTICE OR CON-  
13 DITION.—Failure of a enterprise to maintain capital  
14 at or above its minimum level as established pursu-  
15 ant to subsection (g) of this section may be deemed  
16 by the Director, in his discretion, to constitute an  
17 unsafe and unsound practice or condition within the  
18 meaning of this title.

19 “(2) DIRECTIVE TO ACHIEVE CAPITAL  
20 LEVEL.—

21 “(A) AUTHORITY.—In addition to, or in  
22 lieu of, any other action authorized by law, in-  
23 cluding paragraph (1), the Director may issue  
24 a directive to an enterprise that fails to main-  
25 tain capital at or above its required level as es-

1           tablished pursuant to subsection (g) of this sec-  
2           tion.

3           “(B) PLAN.—Such directive may require  
4           the enterprise to submit and adhere to a plan  
5           acceptable to the Director describing the means  
6           and timing by which the enterprise shall achieve  
7           its required capital level.

8           “(C) ENFORCEMENT.—Any such directive  
9           issued pursuant to this paragraph, including  
10          plans submitted pursuant thereto, shall be en-  
11          forceable under the provisions of subtitle C of  
12          this title to the same extent as an effective and  
13          outstanding order issued pursuant to subtitle C  
14          of this title which has become final.

15          “(3) ADHERENCE TO PLAN.—

16          “(A) CONSIDERATION.—The Director may  
17          consider such enterprise’s progress in adhering  
18          to any plan required under this subsection  
19          whenever such enterprise seeks the requisite ap-  
20          proval of the Director for any proposal which  
21          would divert earnings, diminish capital, or oth-  
22          erwise impede such enterprise’s progress in  
23          achieving its minimum capital level.

24          “(B) DENIAL.—The Director may deny  
25          such approval where it determines that such

1           proposal would adversely affect the ability of  
2           the enterprise to comply with such plan.”.

3           (2) REQUIREMENT OF MINIMUM DOWNPAYMENT  
4           FOR MORTGAGES PURCHASED.—

5                   (A) FANNIE MAE.—Subsection (b) of sec-  
6           tion 302 of the Federal National Mortgage As-  
7           sociation Charter Act (12 U.S.C. 1717(b)) is  
8           amended by adding at the end the following  
9           new paragraph:

10          “(7) Notwithstanding any other provision of this Act,  
11          the corporation may not newly purchase any mortgage un-  
12          less the mortgagor has paid, in cash or its equivalent on  
13          account of the property securing repayment such mort-  
14          gage, in accordance with regulations issued by the Direc-  
15          tor of the Federal Housing Finance Agency, not less  
16          than—

17                   “(A) for any mortgage purchased during the  
18          12-month period beginning upon the expiration of  
19          the period referred to in section 3(b) of the GSE  
20          Bailout Elimination and Taxpayer Protection Act, 5  
21          percent of the appraised value of the property;

22                   “(B) for any mortgage purchased during the  
23          12-month period beginning upon the expiration of  
24          the 12-month period referred to in subparagraph (A)

1 of this paragraph, 7.5 percent of the appraised value  
2 of the property; and

3 “(C) for any mortgage purchased during the  
4 12-month period beginning upon the expiration of  
5 the 12-month period referred to in subparagraph  
6 (B) of this paragraph, 10 percent of the appraised  
7 value of the property.”.

8 (B) FREDDIE MAC.—Subsection (a) of sec-  
9 tion 305 of the Federal Home Loan Mortgage  
10 Corporation Act (12 U.S.C. 1454(a)) is amend-  
11 ed by adding at the end the following new para-  
12 graph:

13 “(6) Notwithstanding any other provision of this Act,  
14 the Corporation may not newly purchase any mortgage  
15 unless the mortgagor has paid, in cash or its equivalent  
16 on account of the property securing repayment such mort-  
17 gage, in accordance with regulations issued by the Direc-  
18 tor of the Federal Housing Finance Agency, not less  
19 than—

20 “(A) for any mortgage purchased during the  
21 12-month period beginning upon the expiration of  
22 the period referred to in section 3(b) of the GSE  
23 Bailout Elimination and Taxpayer Protection Act, 5  
24 percent of the appraised value of the property;

1           “(B) for any mortgage purchased during the  
2 12-month period beginning upon the expiration of  
3 the 12-month period referred to in subparagraph (A)  
4 of this paragraph, 7.5 percent of the appraised value  
5 of the property; and

6           “(C) for any mortgage purchased during the  
7 12-month period beginning upon the expiration of  
8 the 12-month period referred to in subparagraph  
9 (B) of this paragraph, 10 percent of the appraised  
10 value of the property.”.

11           (3) REQUIREMENT TO PAY STATE AND LOCAL  
12 TAXES.—

13           (A) FANNIE MAE.—Paragraph (2) of sec-  
14 tion 309(c) of the Federal National Mortgage  
15 Association Charter Act (12 U.S.C.  
16 1723a(c)(2)) is amended—

17                   (i) by striking “shall be exempt from”  
18 and inserting “shall be subject to”; and

19                   (ii) by striking “except that any” and  
20 inserting “and any”.

21           (B) FREDDIE MAC.—Section 303(e) of the  
22 Federal Home Loan Mortgage Corporation Act  
23 (12 U.S.C. 1452(e)) is amended—

24                   (i) by striking “shall be exempt from”  
25 and inserting “shall be subject to”; and

1 (ii) by striking “except that any” and  
2 inserting “and any”.

3 (4) REPEALS RELATING TO REGISTRATION OF  
4 SECURITIES.—

5 (A) FANNIE MAE.—

6 (i) MORTGAGE-BACKED SECURI-  
7 TIES.—Section 304(d) of the Federal Na-  
8 tional Mortgage Association Charter Act  
9 (12 U.S.C. 1719(d)) is amended by strik-  
10 ing the fourth sentence.

11 (ii) SUBORDINATE OBLIGATIONS.—  
12 Section 304(e) of the Federal National  
13 Mortgage Association Charter Act (12  
14 U.S.C. 1719(e)) is amended by striking the  
15 fourth sentence.

16 (B) FREDDIE MAC.—Section 306 of the  
17 Federal Home Loan Mortgage Corporation Act  
18 (12 U.S.C. 1455) is amended by striking sub-  
19 section (g).

20 **SEC. 5. REQUIRED WIND DOWN OF OPERATIONS AND DIS-**  
21 **SOLUTION OF ENTERPRISE.**

22 (a) APPLICABILITY.—This section shall apply to an  
23 enterprise upon the expiration of the 3-year period that  
24 begins upon the expiration of the period referred to in sec-  
25 tion 3(b).

1           (b) REPEAL OF CHARTER.—Upon the applicability of  
2 this section to an enterprise, the charter for the enterprise  
3 is repealed and the enterprise shall have no authority to  
4 conduct new business under such charter, except that the  
5 provisions of such charter in effect immediately before  
6 such repeal shall continue to apply with respect to the  
7 rights and obligations of any holders of outstanding debt  
8 obligations and mortgage-backed securities of the enter-  
9 prise.

10           (c) WIND DOWN.—Upon the applicability of this sec-  
11 tion to an enterprise, the Director and the Secretary of  
12 the Treasury shall jointly take such action, and may pre-  
13 scribe such regulations and procedures, as may be nec-  
14 essary to wind down the operations of an enterprise as  
15 an entity chartered by the United States Government over  
16 the duration of the 10-year period beginning upon the ap-  
17 plicability of this section to the enterprise (pursuant to  
18 subsection (a)) in an orderly manner consistent with this  
19 Act and the ongoing obligations of the enterprise.

20           (d) DIVISION OF ASSETS AND LIABILITIES; AUTHOR-  
21 ITY TO ESTABLISH HOLDING CORPORATION AND DIS-  
22 SOLUTION TRUST FUND.—The action and procedures re-  
23 quired under subsection (c)—

24                   (1) shall include the establishment and execu-  
25                   tion of plans to provide for an equitable division and



1 distribution of assets and liabilities of the enterprise,  
2 including any liability of the enterprise to the United  
3 States Government or a Federal reserve bank that  
4 may continue after the end of the period described  
5 in subsection (c); and

6 (2) may provide for establishment of—

7 (A) a holding corporation organized under  
8 the laws of any State of the United States or  
9 the District of Columbia for the purposes of the  
10 reorganization and restructuring of the enter-  
11 prise; and

12 (B) one or more trusts to which to trans-  
13 fer—

14 (i) remaining debt obligations of the  
15 enterprise, for the benefit of holders of  
16 such remaining obligations; or

17 (ii) remaining mortgages held for the  
18 purpose of backing mortgage-backed secu-  
19 rities, for the benefit of holders of such re-  
20 maining securities.

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