

2. Operations

The Federal National Mortgage Association is a national corporation that had its inception in 1938 as a wholly owned instrumentality of the Federal Government pursuant to title III of the National Housing Act as then amended (52 Stat. 8). In 1954, the Association was rechartered as a mixed-ownership corporation (68 Stat. 590); all of its common stock is freely transferable and is owned by private shareholders; the preferred stock is owned in part by the Federal Government (Secretary of the Treasury) and in part by FNMA in the form of corporate treasury stock. The capitalization of the Association pertains only to the secondary market operations, one of three compartments from which the Association's activities are conducted.

The corporation's mortgage activities are conducted under three separate functions or operations—(1) the secondary market operations, basically a privately financed activity; (2) the special assistance functions; and (3) the management and liquidating functions, both the latter of which are operated for the account of the Government with U.S. Treasury funds (excepting the interests of, and funds of, investors in FNMA's participation certificates.) Each of the three activities has separate accountability and operates in much the same way as though each was a separate corporation. For purposes of efficiency and economy, however, staff and common services for all three programs are consolidated so that there is a single legal staff, a single accounting staff, a single audit staff, et cetera. A majority of the corporation's employees work on, or serve, and their expenses are charged to, more than one program or activity. An expense distribution system to record costs on a program basis is kept in the official books which are subject to audit.

FNMA conducts its overall activities nationally through five field offices located throughout the country so as to best serve the needs of the organizations which do business with the Association. In addition to these field offices (located in Philadelphia, Pa., Atlanta, Ga., Chicago, Ill., Dallas, Tex., and Los Angeles, Calif.), FNMA maintains a fiscal agency office and a mortgage sales office in New York City and an administrative or central office in Washington, D.C.

3. History

FNMA is a corporation which was established in 1938 to provide a market for the purchase and sale of FHA-insured mortgages. The scope of the Association's activities was broadened in 1948 to provide similar facilities for VA-guaranteed mortgages and, in 1965, for rural housing loans insured by the Farmers Home Administration of the Department of Agriculture. The secondary market operations of the Association date from 1954 when the corporation was rechartered by statute to provide a secondary market facility for home mortgages and to provide that the operation shall be "financed by private capital to the maximum extent feasible" (68 Stat. 590).

The secondary market operations of the Association are financed, in the main, through the issuance of preferred stock to the Secretary of the Treasury and common stock to organizations that sell mortgages to, or that borrow funds from, the Association and by borrowings from private investors through sales to them of the corporation's