

debentures and short-term discount notes not exceeding 10 times the sum of FNMA's capital and surplus in these operations. Other funds are derived from portfolio liquidation, fees, and charges for various services by the Association, interim borrowings from the Secretary of the Treasury, income from investments other than mortgages, and income from general operations.

The FNMA Charter Act provides that when all of the outstanding preferred stock held by the Secretary of the Treasury has been retired, the assets and liabilities of the corporation in connection with, and the control and management of, the secondary market operations shall be transferred to the owners of the outstanding common stock in order that the operations might thereafter be carried out by a privately owned and privately financed corporation.

As stated under question No. 1 of this part, the basic objective of the secondary market operations is to provide supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment funds available for home mortgage financing. In achieving this objective, the Association purchases acceptable FHA-insured and VA-guaranteed mortgages and FHDA-insured loans from organizations (such as mortgage banking companies, State and federally supervised banks and savings and loan associations, insurance companies, and other such organizations) in areas where, and at times when, mortgage funds are in short supply and sells such mortgages or loans from portfolio in areas where and when investors (such as banks, insurance companies, and the like) have funds available for mortgage investment.

Under its secondary market operations, dating from November 1, 1954, FNMA has contracted to purchase 491,682 FHA and VA mortgages totaling \$5,904 million in 10½ years through June 30, 1965, and purchased 457,440 mortgages with unpaid principal balances aggregating \$5,411 million. During the same period, sales aggregated 199,206 mortgages totaling \$2,332 million. The purchases related to properties located in 48 States, the District of Columbia, Puerto Rico, and the Virgin Islands as indicated in the answer to question No. 9(f) of part II hereof.

4. *Level of operations.* (See table 1.)

Program: Secondary market operations.

Department or agency, and office or bureau: Department of Housing and Urban Development; Federal National Mortgage Association.