

(1) During the last 10½ years, the corporation, under its secondary market operations, has continuously been in the market for FHA and VA mortgages.

(2) When the market is "tight," FNMA's purchasing activities expand, thereby making a relatively greater volume of mortgage funds available in capital shortage areas. Thus, in 1957 and 1960, both tight money years, FNMA's secondary market purchases were \$1,021 million and \$980 million, respectively.

(3) When the market eases, and the need for liquidity furnished by FNMA decreases, mortgages are sold to private investors and the proceeds are used to buy more mortgages or to reduce borrowings. Illustrative are the \$446 million of sales in 1958, \$522 million in 1961, and \$780 million in 1963.

(4) FNMA's purchase prices are generally in the upper range of the market, thus providing stability to the price structures and interest rates for FHA and VA mortgages.

(5) Sales prices are sufficiently high to avoid undercutting the market for FHA and VA mortgages and to help to strengthen the position of such mortgages in the general market.

(6) In its financing program, FNMA is able to bring into the mortgage market a volume of investment funds (including those of public and private pension funds, foundations, personal and corporate trusts, foreign accounts, etc.) that would otherwise be channeled into other forms of investments.

(e) *Any other benefits.*—Generally speaking, FNMA's mortgage purchasing activities are heaviest when mortgage funds are in short supply and relatively expensive and lightest when the opposite conditions prevail. Thus, FNMA provides the housing industry with a volume of funds obtained from private sources at times when the regular outlets of mortgage originators are restrictive or nonexistent. Conversely, in times when funds of private mortgage investors are in excess of needs, the Association's portfolio provides a source from which investors can obtain FHA and VA mortgages for income purposes. FNMA thus operates as an important supplement to the general secondary market by acquiring a sizable portfolio of mortgages at times when private investment funds are in short supply and selling them when private investment funds are generally available. Such FNMA activities thus perform a valuable service in distributing private investment capital between capital shortage and capital surplus areas and help to smooth out the peaks and valleys of home financing which have long had an adverse effect on the efficient functioning of the housing industry.

FNMA's mortgage purchases under its secondary market operations are, in the main, oriented toward the financing of housing for low- and moderate-income families rather than for high-income groups and for luxury homes. Under its secondary market operations, FNMA has provided financing for more than 460,000 family residences or dwelling units having an average of \$11,753 per unit—a figure which is substantially below the statutory \$15,000 per dwelling maximum mortgage amount limitation for these operations that was established in 1954 and the \$20,000 limitation established in 1959. The dollar amount limitation on mortgage purchases under the secondary market operations was removed entirely in 1964 by 78 Stat. 769.

(f) *Pertinent geographic differentials.*—The following table shows the distribution of FNMA's purchases and sales of mortgages under its