

111TH CONGRESS
1ST SESSION

H. R. 1669

To require the Secretary of the Treasury to establish a market for municipal securities, to require cooperation between the Secretary and the Chairman of the Board of Governors of the Federal Reserve System in addressing the municipal securities market situation including through the establishment of municipal securities funding facilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2009

Mr. CONNOLLY of Virginia introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require the Secretary of the Treasury to establish a market for municipal securities, to require cooperation between the Secretary and the Chairman of the Board of Governors of the Federal Reserve System in addressing the municipal securities market situation including through the establishment of municipal securities funding facilities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; DEFINITIONS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Federal Municipal Bond Marketing Support and
4 Securitization Act of 2009”.

5 (b) DEFINITIONS.—For purposes of this Act the fol-
6 lowing definitions shall apply:

7 (1) BOARD.—The term “Board” means the
8 Board of Governors of the Federal Reserve System.

9 (2) GUARANTEE.—The term “guarantee” has
10 the same meaning as in section 3 of the Federal Fi-
11 nancing Bank Act of 1978.

12 (3) MUNICIPAL SECURITY DEFINED.—The term
13 “municipal security” has the same meaning as in
14 section 3(a)(30) of the Securities Exchange Act of
15 1934 and includes pooled investment funds under
16 trusts established by State or local governmental en-
17 tities and higher education savings plan trusts estab-
18 lished by States to the extent any such trust is not
19 excluded by the Secretary and does not consist of
20 funds invested by persons other than States or mu-
21 nicipalities the investment of which is subject to the
22 direction of such person.

23 (4) SECRETARY.—The term “Secretary” means
24 the Secretary of the Treasury.

1 **SEC. 2. COOPERATION TO ADDRESS LIMITATIONS ON AC-**
2 **CESS TO MARKETS FOR MUNICIPAL SECURI-**
3 **TIES.**

4 Upon the enactment of this Act, the Secretary of the
5 Treasury and the Board of Governors of the Federal Re-
6 serve System shall consult with each other extensively for
7 the purpose of—

8 (1) finding solutions for the grave effects of the
9 current financial crisis on the markets for municipal
10 securities; and

11 (2) cooperating in the activities authorized
12 under this Act to alleviate to the extent practicable
13 such effects on the municipal securities markets.

14 **SEC. 3. PURCHASE, SALE, GUARANTEE, AND**
15 **SECURITIZATION OF MUNICIPAL SECURITIES**
16 **BY SECRETARY AND FEDERAL FINANCING**
17 **BANK AUTHORIZED.**

18 (a) IN GENERAL.—The Secretary of the Treasury
19 shall establish a program, directly or through the Federal
20 Financing Bank, to—

21 (1) purchase municipal securities;

22 (2) issue securities backed by pools of such mu-
23 nicipal securities; and

24 (3) provide credit enhancement or guarantees
25 for municipal securities.

1 (b) SPECIFIC AUTHORITY.—In addition to the au-
2 thority conferred under section 6 of the Federal Financing
3 Bank Act of 1973 and subject to subsections (b) and (c)
4 of such section, the Federal Financing Bank may—

5 (1) make commitments to purchase and sell,
6 and to purchase and sell on terms and conditions de-
7 termined by the Bank, any municipal security issued
8 under a plan approved by the Secretary under sub-
9 section (c);

10 (2) may guarantee the repayment of principal
11 and interest on any municipal security issued under
12 a plan approved by the Secretary under subsection
13 (c); and

14 (3) may issue and sell instruments representing
15 interests in a pool consisting of municipal securities
16 purchased by the Federal Financing Bank under
17 this section.

18 (c) AUTHORITY OF SECRETARY OVER METHOD,
19 SOURCE, TIMING, TERMS, AND CONDITIONS OF MUNIC-
20 IPAL SECURITIES ISSUED FOR PURCHASE UNDER THIS
21 SECTION.—To insure the orderly and coordinated mar-
22 keting of municipal securities for purchase or guarantee
23 as to principal and interest under this section, and to en-
24 sure that appropriate financing planning has been made
25 with respect to such municipal securities, no municipal se-

1 curity may be purchased or guaranteed under this section
2 unless the Secretary has approved, prior to the issuance
3 of any such security —

4 (1) the method of financing;

5 (2) the source of financing;

6 (3) the timing of financing in relation to mar-
7 ket conditions and financing by Federal agencies;
8 and

9 (4) the financing terms and conditions, includ-
10 ing rates of interest and maturities, of the municipal
11 securities.

12 (d) STATUS OF INSURANCE AND INSTRUMENTS.—
13 Municipal securities sold by the Secretary, or by the Fed-
14 eral Financing Bank under subsection (b)(1), and instru-
15 ments issued by the Secretary, or by the Bank under sub-
16 section (b)(3), that represent pools consisting of municipal
17 securities—

18 (1) may be insured by the Secretary or the
19 Bank, respectively, as to the payment of principal or
20 interest by the issuer of the municipal security; and

21 (2) shall not, other than in connection with a
22 guarantee referred to in paragraph (1), be treated
23 for any purpose as an instrument which has the full
24 faith and credit of the United States.

1 **SEC. 4. FEDERAL RESERVE BOARD CREDIT FACILITY.**

2 (a) ESTABLISHMENT AUTHORIZED.—The Board of
3 Governors of the Federal Reserve System may establish
4 a credit facility, using resources and authority available
5 under the Federal Reserve Act, including section 10B and
6 the third undesignated paragraph of section 13 of such
7 Act, to provide financial resources for the purchase of mu-
8 nicipal securities by Federal reserve banks or member
9 banks or other persons.

10 (b) FUNDING FOR SECRETARY AND FEDERAL FI-
11 NANCING BANK.—Subject to the conditions described in
12 the third undesignated paragraph of section 13, the Board
13 may establish a credit facility, or use any credit facility
14 established under subsection (a), to provide funds to the
15 Secretary or the Federal Financing Bank to carry out any
16 authority under section 3.

17 **SEC. 5. BUDGET AUTHORITY.**

18 Any authority of the Secretary or the Federal Fi-
19 nancing Bank under this Act to purchase or guarantee
20 municipal securities shall be effective for any fiscal year
21 only to the extent or in amounts provided in advance in
22 appropriation Acts.

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