

114TH CONGRESS
1ST SESSION

H. R. 1224

To require the exercise of clean-up call options under securities issued by the Federal Home Loan Mortgage Corporation and to prohibit any new mortgage-backed securities issued by such Corporation or the Federal National Mortgage Association from containing provisions for a clean-up call option, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2015

Mr. PERLMUTTER (for himself and Mr. SCHWEIKERT) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require the exercise of clean-up call options under securities issued by the Federal Home Loan Mortgage Corporation and to prohibit any new mortgage-backed securities issued by such Corporation or the Federal National Mortgage Association from containing provisions for a clean-up call option, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Freddie Mac REMIC
5 Reform Act of 2015”.

1 **SEC. 2. EXERCISE OF CLEAN-UP CALL OPTIONS.**

2 Subtitle B of title XIII of the Housing and Commu-
3 nity Development Act of 1992 (12 U.S.C. 4611 et seq.)
4 is amended by adding at the end the following new section:

5 **“SEC. 1369F. EXERCISE OF CLEAN-UP CALL OPTIONS.**

6 “(a) REQUIREMENT.—In complying with any restric-
7 tion under law, regulation, order, or agreement with the
8 Director or the Secretary of the Treasury on the mort-
9 gage-backed securities issued by the Federal Home Loan
10 Mortgage Corporation, such Corporation or, during the
11 term of any conservatorship or receivership of such enter-
12 prise pursuant to section 1367, the Director, shall in the
13 case of any mortgage-backed security with a clean-up call
14 option (as such term is defined in subsection (d) of this
15 section) that is issued by such Corporation, exercise any
16 option under which the residual holder is willing to share
17 not less than 50 percent of any excess proceeds resulting
18 from exercise of such option or right with the Agency as
19 conservator or receiver of such Corporation, if such pro-
20 ceeds benefit the taxpayers of the United States.

21 “(b) PROHIBITION REGARDING ISSUANCE OF NEW
22 SECURITIES.—The Director shall prohibit the Federal
23 Home Loan Mortgage Corporation and the Federal Na-
24 tional Mortgage Association from issuing, after the date
25 of the enactment of this section, any mortgage-backed se-
26 curity with a clean-up call option.

1 “(c) USE OF PROCEEDS TO REDUCE DEFICIT.—The
2 Director shall ensure that any excess proceeds received as
3 a result of the exercise of any clean-up call option shall
4 be used only to reduce the budget deficit of the Federal
5 Government.

6 “(d) DEFINITIONS.—

7 “(1) MORTGAGE-BACKED SECURITIES.—The
8 term ‘mortgage-backed securities’ means debt obliga-
9 tions issued in the form of participation certificates,
10 collateralized mortgage obligations, mortgage-backed
11 commercial paper, and real estate mortgage invest-
12 ment conduits.

13 “(2) MORTGAGE-BACKED SECURITY WITH A
14 CLEAN-UP CALL OPTION.—The term ‘mortgage-
15 backed security with a clean-up call option’ means
16 any mortgage-backed security under which there is
17 an option or right to redeem all remaining classes of
18 such security at such time when the amount of the
19 aggregate remaining principal would be less than the
20 amount of the optional redemption or clean-up call
21 percentage, as defined in the applicable offering cir-
22 cular or offering circular supplement.

23 “(3) EXCESS PROCEEDS.—The term ‘excess
24 proceeds’ means, with respect to exercise of any
25 clean-up call option, the excess of the net proceeds

1 from the sale of the collateral underlying the mort-
2 gage-backed security with such option, and the re-
3 demption price as defined in the applicable offering
4 circular or offering circular supplement.”.

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