1152.

APPROVAL—BONDS OF MONROE TOWNSHIP RURAL SCHOOL DISTRICT, DARKE COUNTY, OHIO, $10,000.00.

COLUMBUS, OHIO, September 13, 1937.

State Employes Retirement Board, Columbus, Ohio.
GENTLEMEN:

RE: Bonds of Monroe Twp. Rural School Dist., Darke County, Ohio, $10,000.00.

I have examined the transcript of proceedings relative to the above bonds purchased by you. These bonds comprise part of an issue of school bonds in the aggregate amount of $50,000, dated October 1, 1921, bearing interest at the rate of 6% per annum.

From this examination, in the light of the law under authority of which these bonds have been authorized, I am of the opinion that bonds issued under these proceedings constitute a valid and legal obligation of said school district.

Respectfully,
HERBERT S. DUFFY,
Attorney General.

1153.

FEDERAL HOUSING ADMINISTRATION DEBENTURES ELIGIBLE TO SECURE DEPOSIT OF PUBLIC FUNDS, WHEN.

SYLLABUS:

Debentures issued by the Federal Housing Administrator in exchange for mortgages insured under Title 12, *Section* 1710, *U. S. C. A., prior to July* 1, 1937, *are obligations of the United States, for the payment of the principal and interest of which the faith of the United States is pledged, and accordingly are eligible to secure the deposit of public funds under the provisions of Section* 2296-15a, *General Code.*

COLUMBUS, OHIO, September 14, 1937.

HON. CLARENCE H. KNISLEY, *Treasurer of State, Columbus, Ohio.*

DEAR SIR: This is to acknowledge receipt of your letter of recent date, requesting my opinion as to whether or not "Federal Housing

Administration Bonds" may be accepted as collateral to secure the deposit of state funds under the Uniform Depository Act.

Securities which shall be eligible to secure the deposit of public funds are described in Section 2296-15a, General Code, being one of the sections of the Uniform Depository Act. The following definition of such securities is pertinent to a determination of your inquiry:

> "Bonds or other obligations of the United States for the payment of the principal and interest of which the faith of the United States is pledged, including bonds of the District of Columbia."

The provisions of law defining the powers and duties of the Federal Housing Administration are contained in Title 12, Sections 1702, et seq., U.S.C.A. I do not find that the Federal Housing Administration is authorized to issue bonds as such. However, Section 1707, et seq., of such title authorizes the insuring of mortgages and the creation of a mutual mortgage insurance fund to be used by the administrator as a revolving fund. Section 1709 provides the conditions, terms and circumstances under which mortgages may be insured by the administrator upon application of the mortgagee. Section 1710 of this title authorizes the issuance of debentures to mortgagees and provides in so far as is pertinent as follows:

> "In any case in which the mortgagee under an insured mortgage shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled, upon the prompt conveyance to the Administrator of title to such property satisfactory to him and the assignment to him of all claims of the mortgagee against the mortgagor arising out of the mortgage transaction or foreclosure proceedings, to receive the benefits of the insurance as hereinafter provided. Upon such conveyance and assignment the obligation of the mortgagee to pay the annual premium charges for insurance shall cease and the Administrator shall issue to the mortgagee debentures having a total face value equal to the value of the mortgage on the date of the delivery of the property to the Administrator, and a certificate of claim, as hereinafter provided. * * *
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> (b) The debentures issued by the Administrator under this section to any mortgagee shall bear interest at a rate de-

termined by the Administrator at the time the mortgage was offered for insurance, but not to exceed 3 per centum per annum, payable semi-annually on the 1st day of January and the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued. All such debentures shall be subject only to such Federal, State, and local taxes as the mortgages in exchange for which they are issued would be subject to in the hands of the holder of the debentures and shall be a liability of the Fund only; except that debentures issued in exchange for mortgages insured under this section prior to July 1, 1937, shall be fully guaranteed as to principal and interest by the United States. In the event that the amount in the Fund is insufficient to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.
* * * * * * * * *"

It is apparent from the provisions of Section 1710, supra, that the only debentures issued by the Federal Housing Administrator which are guaranteed as to principal and interest by the United States are those debentures which were issued in exchange for mortgages insured under such section prior to July 1, 1937. As to such debentures, however, it is my opinion that they may properly be held to be "other obligations of the United States, for the payment of the principal and interest of which the faith of the United States is pledged" as the term is used in Section 2296-15a, supra.

Specifically answering your question, it is my opinion that debentures issued by the Federal Housing Administrator in exchange for mortgages insured under Title 12, Section 1710, U.S.C.A., prior to July 1, 1937, are obligations of the United States, for the payment of the principal and interest of which the faith of the United States is pledged, and accordingly are eligible to secure the deposit of public funds under the provisions of Section 2296-15a, General Code.

Respectfully,

HERBERT S. DUFFY,

Attorney General.