

## Public Law 288

## CHAPTER 513

## AN ACT

August 15, 1953  
[H. R. 6441]

To amend certain provisions of title XI of the Merchant Marine Act, 1936, as amended, to facilitate private financing of new ship construction, and for other purposes.

Merchant Marine  
Act, 1936, amend-  
ments.

New ship con-  
struction.

Mortgage insur-  
ance,  
52 Stat. 969.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 1103 of the Merchant Marine Act, 1936, as amended (U. S. C., title 46, sec. 1273), is amended by inserting "(a)" after the section number; and by inserting after the word "provided" and before the words "any mortgage offered" the words "90 per centum of the unpaid balance of"; and by striking out the last sentence thereof, and inserting at the end of the section the following:

46 USC 1271-  
1279.

"(b) The Secretary of Commerce is further authorized under such terms and conditions as he may prescribe not inconsistent with the provisions of this title, to insure against loss not to exceed 90 per centum of the unpaid balance of principal of loans and advances of credit made to finance the construction, reconstruction, or reconditioning of vessels with respect to which he is authorized to provide mortgage insurance under sections 1101 to 1109, inclusive: *Provided, however,* That the insurance authorized by this title may not be issued unless the Secretary of Commerce finds that the interest rate of the loan or mortgage to be insured is substantially less than the going interest rates generally charged for uninsured ship construction loans or ship mortgages of similar character and in the same area.

Eligibility re-  
quirements.

"(c) The aggregate amount of insurance of principal obligations of all mortgages and loans under this title and outstanding at any one time shall not exceed \$100,000,000."

49 Stat. 1995,  
46 USC 1151-  
1161.

SEC. 2. Section 1104 (a) (2) and (8) of such Act, as amended (U. S. C., title 46, sec. 1274), is amended—

(1) by inserting in paragraph (2) after the words "financed by the loan or advance" the following "or, in the case of vessels constructed under title V of this Act, involve an obligation in a principal amount which does not exceed 75 per centum of the cost of the vessel (exclusive of construction-differential subsidy and cost of national-defense features);";

(2) by inserting in paragraph (8) after the words "new loan or advance made to aid in financing" the words "construction of vessels under title V of this Act, as amended, or";

(3) by amending clause (c) of paragraph (8) to read as follows: "in foreign trade".

Payment after  
default.

SEC. 3. Section 1105 of such Act, as amended (U. S. C., title 46, sec. 1275), is amended to read as follows:

"SEC. 1105. (a) (1) In the event of the failure of the mortgagor to pay the principal or interest under an insured mortgage giving the mortgagee the right to foreclose, and failure on the part of the mortgagor to correct the default within thirty days, the mortgagee, provided an assignment of the mortgage and of the notes, bonds, or other evidences of indebtedness secured by the mortgage, and of all collateral held by the mortgagee securing such mortgage be tendered to the Secretary of Commerce at or before the expiration of forty-five days from the date of such default, shall thereupon have the right to demand payment of the insured portion of the unpaid balance of principal of said mortgage. If within a period of sixty days from date of such default, the Secretary of Commerce finds that there has been a failure to pay principal or interest under the mortgage or that such failure has not been corrected within the said thirty days, he shall accept the assignment and promptly pay to the mortgagee the

insured amount of the unpaid balance of principal of the said mortgage. Upon acceptance of such assignment, the obligations of the mortgagee to pay the premium charges for insurance shall cease.

“(2) In the event of the failure of the borrower to pay principal or interest due under an insured loan, the lender shall have the benefits of insurance against loss provided under section 1103 (b) of this title upon compliance with the terms and conditions of such insurance.

*Ante, p. 626.*

“(b) Any amount required to be paid by the Secretary of Commerce pursuant to subsection (a) shall be paid out of the fund to the extent that funds are available therein at the time such payment becomes due, and to the extent such funds are not available, the Secretary of Commerce shall pay to the assignor of the insured mortgage any amount required to fully satisfy the claim, which amount is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated.

“(c) The Secretary of Commerce shall cause the mortgage to be foreclosed and shall repossess the mortgaged vessel forthwith, and take such other action against the mortgagor or any other parties liable under the mortgage or the collateral, that, in his discretion, may be required to protect the interests of the United States and the insured lender, as they may appear, and such suits may be brought in the name of the United States, or in the name of the insured lender or assignee, and such lender or assignee shall make available to the United States all records and evidence necessary to prosecute any such suit. The Secretary of Commerce shall have the right in his discretion to accept a conveyance of title to and possession of the vessel from the mortgagor, and in the event of a sale under foreclosure proceedings, may purchase the vessel for an amount not greater than the insured portion of the unpaid balance of such mortgage or loan. In the event the Secretary of Commerce shall receive through the sale of the vessel or other collateral assigned to him an amount of cash in excess of the amount of any payment under section 1105 (a) (1) and the expenses of collection of such amount, he shall pay to the insured lender such cash amount, but not in excess of 10 per centum of the unpaid principal amount of such loan or mortgage, and unpaid interest to which the lender is entitled under the loan.

“(d) Notwithstanding any other provision of law relating to the acquisition, handling or disposal of property by the United States, the Secretary of Commerce shall have the right in his discretion to complete, recondition, reconstruct, renovate, repair, maintain, operate, charter or sell any property acquired by him pursuant to the assignment as provided in this section and may place the mortgaged vessel in the national defense reserve or may sell the same upon competitive bids for not less than the minimum sales price provided by the Merchant Marine Act, 1936, as amended. The buyer shall be required to make cash payment to the Secretary of Commerce of not less than 25 per centum of the sale price, and the balance shall be paid in equal annual installments over the remaining period of the expected useful life of such vessel. Interest at the rate of 3½ per centum per annum shall be paid on all such installments of the purchase price remaining unpaid. The Secretary shall also have the power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors or persons liable under collateral assigned to the Secretary of Commerce as herein provided.

49 Stat. 1985.  
46 USC 1245.

“(e) Any contract or commitment of insurance entered into by the Secretary of Commerce under this title shall be final and conclusive and shall not be subject to avoidance by any officer, employee, or agent of the United States, except in case of fraud, duress, or mutual mistake of fact.”

Approved August 15, 1953.