interest: *Provided*, That leases to nonprofit organizations for park or recreational purposes may be granted at reduced or nominal considerations in recognition of the public service to be rendered in utilizing the leased premises: *Provided further*, That preference shall be given to Federal, State, or local governmental agencies, and licenses, or leases where appropriate, may be granted without monetary considerations, to such agencies for the use of all or any portion of a reservoir area for any public purpose, when the Secretary of the Army determines such action to be in the public interest, and for such periods of time and upon such conditions as he may find advisable: *And provided further*, That in any such lease or license to a Federal, State, or local governmental agency which involves lands to be utilized for the development and conservation of fish and wildlife, forests, or other natural resources, the licensee or lessee may be authorized to cut timber and harvest crops as may be necessary to further such beneficial uses and to collect and utilize the proceeds of any sales of timber and crops in the development, conservation, maintenance and utilization of such lands. Any balance of proceeds not so utilized shall be paid to the United States at such time or times as the Secretary of the Army may determine appropriate. The water areas of all such reservoirs shall be open to public use generally, without charge, for boating, swimming, bathing, fishing, and other recreational purposes, and ready access to and exit from such water areas along the shores of such reservoirs shall be maintained for general public use, when such use is determined by the Secretary of the Army not to be contrary to the public interest, all under such rules and regulations as the Secretary of the Army may deem necessary. No use of any area to which this section applies shall be permitted which is inconsistent with the laws for the protection of fish and game of the State in which such area is situated. All moneys received by the United States for leases or privileges shall be deposited in the Treasury of the United States as miscellaneous receipts."

Short title.

SEC. 210. Title II may be cited as the "Flood Control Act of 1954".

Approved September 3, 1954.

Public Law 781 CHAPTER 1265

AN ACT

September 3, 1954
[H. R. 9987]

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1101 of the Merchant Marine Act, 1936, as amended (U. S. C., title 46, sec. 1271), is hereby amended to read as follows:

52 Stat. 969.

"SEC. 1101. As used in this title—

"(a) The term 'mortgage' includes a preferred mortgage as defined in the Ship Mortgage Act, 1920, as amended, and a mortgage which will become a preferred mortgage when recorded and endorsed as required by the Ship Mortgage Act, 1920, as amended;

"Mortgage."

41 Stat. 1000.
46 USC 984.

"(b) The term 'loan' includes any loan or advance of credit other than a mortgage loan;

"Loan."

"(c) The term 'vessel' includes all types of passenger, cargo, and combination passenger-cargo carrying vessels, tankers, tugs, towboats, barges, and dredges documented under the laws of the United States, and fishing vessels owned by citizens of the United States;

"Vessel."

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"Mortgagee."

"(d) The term 'mortgagee' includes the original maker of a loan secured by a mortgage and his successors and assigns, except that in the case of a mortgage involving a trust indenture and an issue of bonds or notes thereunder, it means the trustee designated in such trust indenture and his successors and assigns as trustee, but does not include the holders of the bonds or notes issued under such trust indenture; and the term 'lender' includes the original maker of any loan or advance of credit other than a loan secured by a mortgage, and his successors and assigns, except that in the case of a loan or advance of credit involving a trust indenture and an issue of bonds or notes thereunder, it means the trustee designated in such trust indenture and his successors and assigns as trustee, but does not include the holders of the bonds or notes issued under such trust indenture;

"Lender."

"Mortgagor."

"(e) The term 'mortgagor' includes the original borrower under a mortgage and his successors and assigns approved by the Commission; and

"Actual cost."

"(f) The term 'actual cost' of a vessel as of any specified date means the aggregate as determined by the Secretary of Commerce of (i) all amounts paid by or for the account of the mortgagor or borrower on or before that date, and (ii) all amounts which the mortgagor or borrower is then obligated to pay from time to time thereafter, for the construction, reconstruction or reconditioning (including designing, inspecting, outfitting, and equipping) of such vessel: *Provided*, That in no event, except for certain special purpose vessels as provided for in subsections (a) and (b) of section 1103 (46 U. S. C. 1273), shall the Secretary of Commerce pay as insurance under this title an amount in excess of 90 per centum of 75 per centum, or 90 per centum of 87½ per centum, as the case may be, of the amount paid by or for the account of the mortgagor or borrower for the construction, reconstruction, or reconditioning (including designing, inspecting, outfitting, and equipping) of such vessel."

SEC. 2. Section 1102 (46 U. S. C. 1272) is amended to read as follows:

Federal Ship Mortgage Insurance Fund.

"There is hereby created a Federal Ship Mortgage Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary of Commerce as a revolving fund for the purpose of carrying out the provisions of this title, and there shall be allocated to such fund the sum of $1,000,000 out of funds made available to the Secretary of Commerce under the appropriation authorized by section 1109 (46 U. S. C. 1279). Moneys in the fund shall be deposited in the Treasury of the United States to the credit of the fund or invested in bonds or other obligations of, or guaranteed as to principal and interest by, the United States."

SEC. 3. Section 1103 (46 U. S. C. 1273) is amended to read as follows:

Authorization of Secretary to insure mortgages.

"(a) The Secretary of Commerce, upon application by the mortgagor, is authorized to insure as hereinafter provided the interest on and 90 per centum of the unpaid balance of the principal of, any mortgage offered to him which is eligible for insurance as hereinafter provided and, upon such terms as the Secretary of Commerce may prescribe, is authorized to make commitments to insure any such mortgage prior to the date of execution or disbursement thereon: *Provided*, That in the case of special purpose vessels certified by the Secretary of Defense to be essential to national defense, the Secretary of Commerce may insure 100 per centum of the principal of and interest on any such mortgage eligible for insurance as hereinafter provided and upon such terms as the Secretary of Commerce may prescribe.

"(b) The Secretary of Commerce, upon application by the borrower, is authorized to insure as hereinafter provided the interest on and 90 per centum of the unpaid balance of the principal of, any loan offered to him which is eligible for insurance as hereinafter provided and, upon such terms as the Secretary of Commerce may prescribe, is authorized to make commitments to insure any such loan prior to the date of execution or disbursement thereon: *Provided*, That in the case of special purpose vessels certified by the Secretary of Defense to be essential to national defense, the Secretary of Commerce may insure 100 per centum of the principal of and interest on any such loan eligible for insurance as hereinafter provided and upon such terms as the Secretary of Commerce may prescribe.

Insurance contracts.

"(c) Each insurance contract made under this section shall run to the mortgagee or lender and be for the benefit of such mortgagee or lender and the holders of the obligations secured by the mortgage or evidencing the loan, and if the mortgagee or lender is a trustee under a trust indenture, for the benefit of the holders of the bonds or notes issued under such trust indenture.

Pledge of U. S.

"(d) The faith of the United States is solemnly pledged to the payment of the interest on and 90 per centum of the unpaid balance of the principal amount of each mortgage and loan insured under this title.

Aggregate unpaid principal, limitation.

"(e) The aggregate unpaid principal amount of the mortgages and loans insured under this section and outstanding at any one time shall not exceed $1,000,000,000."

SEC. 4. Section 1104 (46 U. S. C. 1274) is amended to read as follows:

Eligibility.

"(a) To be eligible for insurance under this title a mortgage, excepting as otherwise provided in section 1106 (46 U. S. C. 1276)—

"(1) shall have a mortgagee approved by the Secretary of Commerce as responsible and able to service the mortgage properly; and a mortgagor approved by the Secretary of Commerce as possessing the ability, experience, financial resources, and other qualifications necessary to the adequate operation and maintenance of the mortgaged property;

"(2) shall involve an obligation in a principal amount which does not exceed 75 per centum of the actual cost of the vessel, such actual cost to be determined by the Secretary of Commerce prior to the execution of the mortgage and such determination to be conclusive for the purpose of determining the principal amount of the mortgage: *Provided, however*, That in the case of a vessel, the size and speed of which are approved by the Secretary of Commerce, which is eligible for mortgage aid under section 509 of this Act and in respect of which the minimum downpayment by the mortgagor required by that section would be 12½ per centum of the cost of such vessel, the obligation may be in an amount which does not exceed 87½ per centum of such actual cost; or, in the case of vessels purchased pursuant to the Merchant Ship Sales Act of 1946, as amended, for exclusive use on the Great Lakes, involve an obligation in a principal amount which does not exceed 75 per centum of the net purchase price of such vessels plus 75 per centum of the amounts expended for altering, modifying, converting, and equipping such vessels in excess of that purchase price, or 75 per centum of the amount which the Secretary of Commerce estimates will be the value of such vessel so purchased for exclusive use on the Great Lakes when the reconstruction or reconditioning is completed, whichever is the lesser;

46 USC 1159.

60 Stat. 41.
50 USC app. 1735 note.

"(3) shall secure bonds, notes, or other obligations having maturity dates satisfactory to the Secretary of Commerce but not to exceed twenty years from the date of its execution;

"(4) shall contain amortization provisions satisfactory to the Secretary of Commerce requiring periodic payments by the mortgagor;

"(5) shall secure bonds, notes or other obligations bearing interest (exclusive of premium charges for insurance) at a rate not to exceed 5 per centum per annum on the amount of the unpaid principal at any time, or not to exceed 6 per centum per annum if the Secretary of Commerce finds that in certain areas or under special circumstances the mortgage or lending market demands it;

"(6) shall provide, in a manner satisfactory to the Secretary of Commerce, for the application of the mortgagor's periodic payments to amortization of the principal of the mortgage, exclusive of the amount allocated to interest;

"(7) shall contain such terms and provisions with respect to the construction, reconstruction, reconditioning, maintenance, purchase of a vessel for use on the Great Lakes pursuant to the Merchant Ship Sales Act of 1946, as amended, or operation of the property, repairs, alterations, payment of taxes, insurance, delinquency charges, revisions, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters pertinent to the security as the Secretary of Commerce may prescribe;

50 USC app. 1735 note.

"(8) shall secure a loan made to aid in financing, including payment of loans previously made to finance, and reimbursement of the mortgagor for expenditures previously made for, construction (including designing, inspecting, outfitting, and equipping) of vessels under title V of this Act, as amended, or the purchase by citizens of the United States of vessels for use on the Great Lakes pursuant to the Merchant Ship Sales Act of 1946, as amended, or the construction, reconstruction, or reconditioning (including designing, inspecting, outfitting and equipping), subsequent to the enactment of this title, of vessels owned by citizens of the United States which are designed principally for commercial use (a) in the coastwise or intracoastal trade; (b) on the Great Lakes, or on bays, sounds, rivers, harbors, or inland lakes of the United States; (c) in foreign trade; or (d) in the fishing trade or industry;

46 USC 1151 *et seq.*

50 USC app. 1735 note.

"(9) shall provide that the mortgagor shall pay to the mortgagee the amount required for the payment of each mortgage insurance premium charge at least sixty days before the payment of such premium charge to the Secretary of Commerce is due, and shall further provide that the failure of the mortgagor to make such payment shall be a default under the mortgage;

"(10) may, in the case of a passenger vessel having the tonnage, speed, passenger accommodations and other characteristics set forth in title V of this Act, as amended, with the approval of the Federal Maritime Board, provide that the sole recourse against the mortgagor of the United States as assignee of the mortgage for the payment of the principal of, and interest on, the mortgage and the bonds, notes or other obligations secured thereby shall be limited to repossession of the vessel and the assignment of insurance claims and that the obligation of the mortgagor for such principal and interest shall be satisfied and discharged by the surrender of the vessel and all right, title and interest therein to the United States: *Provided*, That the vessel upon

46 USC 1151 *et seq.*

surrender shall be (i) free and clear of all liens and encumbrances whatsoever except the lien of the preferred mortgage, (ii) in class and (iii) in as good order and condition, ordinary wear and tear excepted, as when acquired by the mortgagor, except that any deficiencies with respect to freedom from encumbrances, condition and class may, to the extent covered by valid policies of insurance, be satisfied by the assignment to the United States of claims of the mortgagor under such policies; and

"(11) shall contain such other provisions as may be agreed upon between the mortgagor and mortgagee, which are not inconsistent with the provisions of the preceding paragraphs of this subsection (a) and which are not disapproved by the Secretary of Commerce.

"(b) To be eligible for insurance under this title a loan— Loans.

"(1) shall be made by a lender approved by the Secretary of Commerce to a borrower approved by the Secretary of Commerce as possessing the ability, experience, financial resources and other qualifications necessary to the adequate operation and maintenance of the property;

"(2) shall be made to aid in financing, including payment of loans previously made to finance, and reimbursement of the borrower for expenditures previously made for construction (including designing, inspecting, outfitting and equipping) of vessels under title V of this Act, as amended, or for the construction, reconstruction or reconditioning (including designing, inspecting, outfitting and equipping) subsequent to the enactment of this title, of vessels owned by citizens of the United States which are designed principally for commercial use (a) in the coastwise or intercoastal trade; (b) on the Great Lakes or on bays, sounds, rivers, harbors, or inland lakes of the United States; (c) in foreign trade; or (d) in the fishing trade or industry; 46 USC 1151 *et seq.*

"(3) shall be payable prior to or simultaneously with the execution of the mortgage;

"(4) shall provide that no advance shall be made thereunder unless the sum of such advance and the principal amount of all other advances under insured loans then outstanding at the time of said advance shall be less than 75 per centum of the actual cost of such vessel, such actual cost to be determined by the Secretary of Commerce and such determination to be conclusive for the purpose of determining the principal amount of the loan;

"(5) shall provide that the borrower shall pay to the lender the amount required for the payment of each loan insurance premium charge at least sixty days before the payment of such premium charge to the Secretary of Commerce is due, and which shall further provide that the failure of the borrower to make such payment shall give the lender the right to mature the loan;

"(6) shall bear interest at an average interest rate not to exceed the maximum rate permitted by paragraph (5) of subsection (a) of this section; and Interest.

"(7) shall contain such other provisions as may be agreed upon between the borrower and the lender which are not inconsistent with the provisions of the preceding paragraphs of this subsection (b) and which are not disapproved by the Secretary of Commerce.

"(c) No commitment to insure a mortgage or loan shall be made by the Secretary of Commerce unless he finds, at or prior to the time such commitment is made, that the property or project with respect to which the mortgage or loan will be executed will be, in his opinion, Restrictions.

economically sound, and no mortgage or loan, unless made pursuant to a prior commitment, shall be insured unless the Secretary of Commerce finds, at or prior to the time the insurance becomes effective, that the property or project with respect to which the mortgage or the loan is executed will be in his opinion economically sound.

Authority of Secretary to fix premium charge.

"(d) The Secretary of Commerce is authorized to fix a premium charge for the insurance of mortgages and loans under this title. In the case of any mortgage insured under section 1103 (a) (46 U. S. C. 1273 (a)), such charge shall not be less than one-half of 1 per centum per annum nor more than 1 per centum per annum of the average principal amount of the mortgage outstanding. In the case of loans insured under section 1103 (b) (46 U. S. C. 1273 (b)), such charge shall not be less than one-quarter of 1 per centum per annum nor more than one-half of 1 per centum per annum of the average principal amount of the loan outstanding. Premium payments shall be made when moneys are first advanced under the mortgage or loan agreement and on each anniversary date thereafter. All such premium charges shall be computed and shall be payable to the Secretary of Commerce under such regulations as the Secretary of Commerce may prescribe.

Investigation of applications, etc.

"(e) The Secretary of Commerce shall charge and collect such amounts as he may deem reasonable for the investigation of applications for insurance, for the appraisal of properties offered for insurance, for the issuance of commitments, and for the inspection of such properties during construction, reconstruction, or reconditioning: *Provided*, That such charges shall not aggregate more than one-half of 1 per centum of the original principal amount of the mortgage or loan to be insured. Unless otherwise agreed, the charge for any such services shall be paid by the mortgagor or the borrower.

Deposits.

"(f) All moneys received under the provisions of sections 1101–1109 (46 U. S. C. 1271–1279) of this title shall be deposited in the fund."

SEC. 5. Section 1105 (46 U. S. C. 1275) is amended to read as follows:

Defaults.

"(a) (1) In the event of any act or failure to act which gives the mortgagee the right to foreclose, any such events being herein called defaults, and failure on the part of the mortgagor to remove and remedy the default within thirty days, the mortgagee shall have the right (i) in the case of a default in respect of the payment of principal or interest or the payment of any amount to provide for the payment of premium charges for mortgage insurance, to demand at or before the expiration of sixty days after any such default, and (ii) in the case of any other default, to demand at any time during the continuance of such default, payment by the Secretary of Commerce of the insured portion of the unpaid principal amount of said mortgage and of the unpaid interest thereon to the date of payment: *Provided*, That an assignment of the mortgage and of the obligations secured by the mortgage be tendered to the Secretary of Commerce at the time such demand is made. The Secretary of Commerce may at any time during the continuance of any default notify the mortgagee in writing, specifying the default, that by reason of such default the Secretary of Commerce intends to terminate the insurance contract sixty days after such notice is received by the mortgagee, and the mortgagee shall be entitled to demand payment by the Secretary of Commerce as above provided at any time during said sixty-day period, whether or not the default is removed and remedied, and if the mortgagee shall fail to make such demand, the insurance contract may be terminated by the Secretary of Commerce on or after the expiration of such period. Within a period of thirty days from the date of any such demand, the Secretary of Commerce shall accept the assignment and promptly

pay to the mortgagee the insured portion of the unpaid principal amount of said mortgage and unpaid interest thereon to the date of payment: *Provided*, That, except in any case in which the Secretary of Commerce has given notice of intention to terminate the insurance contract pursuant to the foregoing provisions, the Secretary of Commerce shall not be required to accept such assignment if prior to the expiration of said thirty-day period he shall find that there was no default or that such default was removed and remedied prior to any such demand.

"(2) In the event of an act or failure to act which gives the lender the right to mature the loan, any such events being herein called defaults, and failure on the part of the borrower to remove and remedy the default within thirty days, the lender shall have the right (i) in the case of a default in respect of the payment of principal or interest or the payment of any amount to provide for the payment of premium charges for loan insurance, to demand at or before the expiration of sixty days after any such default, and (ii) in the case of any other default, to demand at any time during the continuance of such default, payment by the Secretary of Commerce of the insured portion of the unpaid principal amount of said loan and of the unpaid interest thereon to the date of payment: *Provided*, That an assignment of the loan agreement and of the obligations evidencing such loan be tendered to the Secretary of Commerce at the time such demand is made. The Secretary of Commerce may at any time during the continuance of any default notify the lender in writing, specifying such default, that by reason of such default the Secretary of Commerce intends to terminate the insurance contract sixty days after such notice is received by the lender, and the lender shall be entitled to demand payment by the Secretary of Commerce as above provided at any time during said sixty-day period, whether or not the default is removed and remedied, and if the lender shall fail to make such demand, the insurance contract may be terminated by the Secretary of Commerce on or after the expiration of such period. Within a period of thirty days from the date of any such demand, the Secretary of Commerce shall accept the assignment and promptly pay to the lender the insured portion of the unpaid principal amount of said loan and unpaid interest thereon to the date of payment: *Provided*, That, except in any case in which the Secretary of Commerce has given notice of intention to terminate the insurance contract pursuant to the foregoing provisions, the Secretary of Commerce shall not be required to accept such assignment if prior to the expiration of said thirty-day period he shall find that there was no default or that such default was removed and remedied prior to any such demand.

Rights of lender.

"(b) Any amount required to be paid by the Secretary of Commerce pursuant to subsection (a) of this section shall be paid in cash.

Cash payment.

"(c) (1) In the event the Secretary of Commerce shall accept the assignment of a mortgage upon the default of the mortgagor pursuant to subsection (a) (1) of this section, he may institute foreclosure proceedings and in connection therewith repossess the mortgaged vessel forthwith and, subject to the provisions of section 1104 (a) (10) (46 U. S. C. 1274 (a) (10)), take such other action against the mortgagor that, in his discretion, may be required to protect the interests of the United States and of the mortgagee, as they may appear. Any suit may be brought in the name of the United States or in the name of the mortgagee and the mortgagee shall make available to the United States all records and evidence necessary to prosecute any such suit. If the Secretary of Commerce shall determine that the interests of the United States do not require foreclosure of the mortgage, he may make such agreement with the mortgagor

Foreclosure proceedings.

as in the opinion of the Secretary of Commerce will result in remedying the defaults. 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 unpaid principal amount of such mortgage and unpaid interest thereon. In the event the Secretary of Commerce shall receive through the sale of the vessel an amount of cash in excess of any payment made to the mortgagee under subsection (a) (1) of this section and the expenses of collection of such amount, he shall pay to the mortgagee such cash amount to the extent that the mortgagee has not been made whole through other sources for amounts advanced to the mortgagor but in no event shall such payment to the mortgagee exceed 10 per centum of the unpaid principal amount of mortgage and the interest thereon, and any excess of the amounts thus due the Government and the mortgagee shall be paid to the mortgagor.

Action against borrower.

"(2) In the event the Secretary of Commerce shall accept the assignment of a loan agreement upon the default of a borrower pursuant to subsection (a) (2) of this section, he shall take such action against the borrower or any other parties liable under the loan agreement or the obligations evidencing such loan thereunder that, in his discretion, may be required to protect the interests of the United States and of the lender as they may appear. Any suit may be brought in the name of the United States or in the name of the lender and the lender 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 property from the borrower, and may purchase the property for an amount not greater than the unpaid principal amount of such loan and unpaid interest thereon. In the event the Secretary of Commerce shall receive through the sale of the property an amount of cash in excess of any payment made to the lender under subsection (a) (2) of this section and the expenses of collection of such amount, he shall pay to the lender such cash amount to the extent that the lender has not been made whole through other sources for amounts advanced to the borrower but in no event shall such payment to the lender exceed 10 per centum of the unpaid principal amount of loan and the interest thereon, and any excess of the amounts thus due the Government and the lender shall be paid to the borrower.

Right of Secretary to complete, operate, or sell property.

"(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 sales 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.

46 USC 1101 *et seq.*

"(e) Any contract or commitment of insurance entered into by the Secretary of Commerce under the provisions of this title shall not be terminated, canceled, or otherwise revoked for any reason,

46 USC 1275.

except as provided in section 1105 of this title, and shall be conclusive evidence that the mortgage or loan complies fully with the provisions of this title and of the approval of the principal amount, interest rate, and all other terms of the mortgage or loan and of the mortgagor or borrower and of the mortgagee or lender; and any contract or commitment of insurance so entered into shall be incontestable from the date as of which such contract or commitment is entered into, except for fraud, duress, or mutual mistake of fact."

SEC. 6. Section 1106 (46 U. S. C. 1276) is amended to read as follows:

Prior loans; refinancing.

"No provision of this title shall be construed to authorize the Secretary of Commerce to insure a mortgage securing any loan or advance made prior to the enactment of this title, and no mortgage shall be insured for refinancing in whole or in part any existing mortgage indebtedness except—

"(1) where a substantial portion of the total amount to be secured by the new mortgage, not to extend beyond the maturity date of the original mortgage, shall be applied to new construction, reconditioning, or reconstruction of one or more of the mortgaged vessels: *Provided, however,* That the aggregate amount of all mortgages insured under this paragraph and outstanding at any one time shall not exceed $20,000,000, and provided that all of the eligibility requirements of section 1104 (46 U. S. C. 1274) not inconsistent with this paragraph are complied with;

"(2) where the Secretary of Commerce has insured a mortgage under the provisions of this title, and the mortgagor thereafter makes application to the mortgagee or another lender for an additional loan or advance for reconditioning or reconstructing the mortgaged property, the Secretary of Commerce may insure a new mortgage, not to extend beyond the maturity date of the original mortgage, in the amount of the principal outstanding balance of the original mortgage plus the amount of the additional loan, provided the amount of the additional loan is within the limits of paragraph (2) of subsection (a) of section 1104 (46 U. S. C. 1274) and the new mortgage conforms to the eligibility requirements of all the other paragraphs of said subsection (a);

"(3) where the Secretary of Commerce has insured a mortgage under the provisions of this title, the Secretary of Commerce may insure a new mortgage for the purpose of refunding such mortgage: *Provided,* That the principal amount of the new mortgage shall not exceed the then unpaid principal amount of the original mortgage; that the interest rate on the new mortgage shall not be higher than the interest rate on the original mortgage; that the maturity date of the new mortgage shall not be later than the maturity date of the original mortgage; and that the new mortgage shall otherwise conform to the eligibility requirements of subsection (a) of section 1104 (46 U. S. C. 1274); or

"(4) the Secretary of Commerce may insure mortgages given to finance the purchase of vessels theretofore acquired by the fund under the provisions of section 1105 (46 U. S. C. 1275) and to secure loans or advances made for reconditioning and reconstruction of such vessels."

SEC. 7. Section 1107 (46 U. S. C. 1277) is amended to read as follows:

False statement, etc.

"Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or

accepted by the Secretary of Commerce for insurance, or for the purpose of obtaining any extension or renewal of any loan, advance of credit, or mortgage insured by the said Secretary of Commerce, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said Secretary of Commerce under this title, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be guilty of a misdemeanor and punished as provided under the first paragraph of section 806 (b) of this Act."

46 USC 1228.

SEC. 8. Section 1108 (46 U. S. C. 1278) is amended to read as follows:

Rules and regulations.

"The Secretary of Commerce is authorized and directed to make such rules and regulations as may be deemed necessary or appropriate to carry out the purposes and provisions of this title."

SEC. 9. Section 1109 (46 U. S. C. 1279) is amended to read as follows:

Appropriation.

"There is hereby authorized to be appropriated the sum of $1,000,000 and such further sums as may be necessary to carry out the provisions of this title."

Approved September 3, 1954.