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Fannie Backs Down and Kills Plan to Call Its Securities

NEW YORK, April 14 (LendingIntelligence.com) — [Fannie Mae](#) reversed course late last Friday and backed off its controversial plan to prematurely buy back mortgage-backed securities from investors.

Fannie Mae, the government-sponsored enterprise, said it would rescind every one of its April 4 mortgage-backed securities "'cleanup calls,' and will not exercise any further cleanup calls." About \$1.5 billion of Fannie securities would have fallen under the call's scope.

By paying back investors before the maturation date, Fannie Mae would have cut the investors' take on the securities. Some MBS investors began selling the called securities at a discount to reflect the faster prepayment speed engendered by the call.

Investors had blasted the Fannie Mae plan, even though the GSE was within its legal right to call the securities. Some on Wall Street had said the move amounted to "sticking it to investors."

"We are always competing with others in the marketplace, and when customers say there is a concern, we listen to them and we respond," said Timothy Howard, Fannie's executive vice president and chief financial officer, in a prepared statement.

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