

# Bloomberg News

## Fannie Sinks, Freddie Recovers in Biggest Trading Day on Record

By Michael Tsang

July 11 (Bloomberg) -- [Fannie Mae](#) and [Freddie Mac](#) seesawed in the heaviest trading on record as investors wagered on whether two biggest buyers of U.S. home loans would collapse.

Fannie and Freddie, which own or guarantee almost half the \$12 trillion of outstanding home loans in the U.S., plunged as much as [49 percent](#) and [51 percent](#) in early trading as concern escalated that a failure would force the government to rescue both companies and wipe out shareholders.

U.S. Treasury Secretary [Henry Paulson](#) said today the government has no plans to take over Fannie and Freddie and that they should continue as shareholder-owned companies with federal charters. Shares of the mortgage buyers bounced back from their lows of the day after Senator [Christopher Dodd](#) said direct borrowing from the Federal Reserve may be an option for easing their funding shortages.

**"I hate days like this to trade," said Joseph Saluzzi, the co-head of equity trading at Themis Trading LLC in Chatham, New Jersey. "You don't really know what's going on."**

[Freddie](#) recovered most of its losses, jumping as much as 7.9 percent at one point, before ending with a 3.1 percent decline. [Fannie](#) finished the day 22 percent lower. Both government-chartered companies fell to the lowest in 17 years.

Trading was the most on record for both companies. For Fannie, volume eclipsed 400 million [shares](#), 23 times more than the daily average over the past year and the most since at least July 1980, according to data compiled by Bloomberg. More than 391 million shares of Freddie changed hands, the heaviest since at least December 1988, the data showed.

After the close of regular trading, Fed spokeswoman [Michelle Smith](#) said that there have been no talks with Fannie and Freddie about borrowing from its so-called discount window.

The discount window offers direct loans to commercial banks at an interest rate a quarter point above the Fed's benchmark rate. Chairman Ben S. Bernanke and his colleagues opened the discount window to investment banks at the time of the collapse of Bear Stearns Cos. in March to alleviate the credit crisis.

[Fannie](#) has slumped 74 percent this year, while [Freddie](#) has lost 77 percent of its stock market value.

To contact the reporter on this story: [Michael Tsang](#) in New York at [mtsang1@bloomberg.net](mailto:mtsang1@bloomberg.net).