

Fannie, Freddie to Delist From NYSE

By NICK TIMIRAOS
June 17, 2010

The federal regulator of Fannie Mae and Freddie Mac ordered the two mortgage-finance giants to delist their common and preferred stock from the New York Stock Exchange, the latest example of how the mortgage giants are shedding their ties to private ownership.

The move came one day after the NYSE formally notified the government that Fannie Mae no longer met listing standards because its shares had fallen below the \$1 share-price threshold maintained by NYSE Euronext.

A spokeswoman for the Federal Housing Finance Agency, the companies' regulator, said the notice from the NYSE prompted Wednesday's decision to voluntarily delist.

The FHFA said it chose that route rather than to present a "cure," or plan to bring the companies' shares back above \$1, because it couldn't be sure that such a plan would work or that it would be in the interest of the government and shareholders to try to keep prices above the \$1 threshold.

"A voluntary delisting at this time simply makes sense and fits with the goal of a conservatorship to preserve and conserve assets," said Edward DeMarco, the agency's acting director.

The U.S. government took over the companies through a legal process known as conservatorship in Sept. 2008 as rising mortgage defaults threatened to burn through thin capital reserves.

Even though the stocks of two companies have traded at low levels for the past year, on some days they were among the most actively traded, largely because they became a favorite of retail speculators, day traders attracted to inexpensive, high-profile shares. On one day last August, Fannie and Freddie accounted for nearly one in five shares traded on the Big Board.

They also drew attention from high-frequency traders. Some of those traders could take advantage of the shares' low prices, big volumes and narrow spreads to trade heavily on electronic exchanges that offered "liquidity" rebates, worth a fraction of one cent, to traders willing to buy or sell stocks when other investors needed to trade.

"Fannie and Freddie are probably the poster boy" for such trading opportunities that offered "nonstop arbitrage" to technologically-savvy firms, says **Sal Arnuk**, co-head of equity trading at **Themis Trading LLC**, a brokerage in Chatham, N.J. The value of those rebates can fall off when shares drop below \$1.

The stocks will remain registered with the Securities and Exchange Commission and will continue to be traded in the over-the-counter market, but some institutional investors are limited from trading there, which helped fuel a big selloff on Wednesday.

Fannie Mae shares closed down 39% at 56 cents in 4 p.m. trading, Freddie Mac shares declined 38% to 75 cents.

Most analysts who cover the companies have long assumed that the companies' common stock doesn't have any value because the government has had to pump so much money into the firms to keep them afloat.

The tab currently stands at \$145 billion and is expected to grow.

But some analysts said the delisting was overdue given the companies' financial woes.

"There's potential embarrassment" for the government because "by keeping it on the exchange, you may have been allowing people to get the impression that [the shares] had residual value" when that wasn't the case, said Jim Vogel, an analyst at FTN Financial.

Freddie said it expects the delisting of its common stock and the 20 listed classes of its preferred stock from the NYSE will happen on or about July 8. Fannie will delist from the NYSE and the Chicago Stock Exchange by mid-July.

—Jessica Holzer contributed to this article.