

Fannie Mae needs another \$10.7B in federal aid

The mortgage insurer narrowed its quarterly loss to \$14.8 billion, but it is still leaning on the Treasury Department to survive

By Tami Luhby, CNNMoney.com senior writer

August 6, 2009: 6:41 PM ET

NEW YORK (CNNMoney.com) -- Fannie Mae, the government-controlled mortgage insurer, said Thursday that it needs another \$10.7 billion from the Treasury Department to stay afloat.

The new infusion means the troubled company has drawn a total of \$45.9 billion of its \$200 billion lifeline this year. Fannie Mae and its sister firm, Freddie Mac (FRE, Fortune 500), were taken over by the federal government last September amid the global financial meltdown.

In one hopeful sign, Fannie Mae (FNM, Fortune 500) narrowed its quarterly loss to \$14.8 billion, or \$2.67 per diluted share, down from \$23.2 billion, or \$4.09 per share, in the previous quarter. The company lost \$2.3 billion, or \$2.54 per share, in the second quarter last year.

Credit losses from the housing crisis are still to blame for Fannie Mae's dour results. The company racked up \$18.8 billion in credit-related expenses during the latest quarter. However, the company reduced its provision for credit losses to \$18.2 billion, from \$20.3 billion in the first quarter, because of a slowdown in the increase of estimated defaults and losses per default.

The value of non-performing loans on its books increased to \$171 billion as of June 30, compared with \$144.9 billion on March 31 and \$119.2 billion on December 31.

The Obama administration is leaning heavily on Fannie Mae and Freddie Mac to pull the country out of the housing meltdown. They are key players in the president's foreclosure rescue program.

The companies will soon have a new regulator. James Lockhart announced this week that he is stepping down as head of the Federal Housing Finance Agency after more than three years. Ed DeMarco, who helped develop and oversee the insurers' participation in the administration's rescue program, will serve as the agency's acting director. ■

http://money.cnn.com/2009/08/06/news/companies/Fannie_mae_earnings/index.htm?postversion=2009080618