

## Rescue lifts Markets

**Janet Whitman, Financial Post, with files from Barbara Shecter in Toronto**  
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NEW YORK - Uncle Sam's seizure of Fannie Mae and Freddie Mac sent stock markets here and abroad soaring, buoyed by hopes the government's rescue of the two ailing mortgage giants would help end the global credit crisis.

But not everyone is so confident.

Many industry observers caution that the woes in the debt and U.S. housing markets extend far beyond Freddie and Fannie, government-sponsored agencies that own or guarantee nearly half of the mortgages that make up the US\$12-trillion U. S. home-mortgage market.

Few would disagree that the U. S. government was left with any choice but to bail out Fannie and Freddie. Their struggle to raise enough new funds to keep operating since the meltdown in the U. S. mortgage market was spooking investors around the globe.

George W. Bush, the U. S. President, said in an interview with Fox News Channel he believes the rescue plan will "stabilize the markets, which is necessary at this point in time."

A default on the massive amounts of debt held by Fannie and Freddie would have had huge ramifications because many investors around the globe, including central banks, hold big stakes in that debt. The U. S. government has pledged to invest US\$200-billion into the troubled mortgage companies. But their near-nationalization puts taxpayers on the hook for the entire US\$5.4-trillion the two agencies own or guarantee.

Taxpayers could end up with quite a tax bill if the housing crisis worsens.

Even with the high price tag, the rescue may not be enough to stabilize the markets.

"They're hoping for confidence to be restored; they're praying," said Alex Jurshevski, the chief executive of Recovery Partners, a Toronto firm that buys distressed assets from financial institutions.

"But all this does is underscore that they've been behind the eight ball from the beginning."

Long-term mortgage rates fell in the United States yesterday on news of the rescue. But not everyone is set to benefit from the cheaper rates.

"This will [give] Fannie and Freddie the means to be more flexible to write and process more loans," said Leonard Person, chief executive of Brooklyn-based real-estate company Heaven Homes.

"This is also great for anyone in the market to purchase a new home or investment property. But [it] does not help anyone currently facing foreclosure."

Down the road, meanwhile, the need for a much bigger bailout could put huge pressure on the already struggling U. S. economy.

"There is no question but that this is a very sad day for the American financial system and the capitalist economy," Mr. Bove said in a research note.