

# Court Overrules Hedge Fund Plaintiffs in Fannie, Freddie Case

Stockholm (HedgeNordic) - Fannie Mae and Freddie Mac shares plunged over 30% after a decision was handed down this past Tuesday by a U.S. federal appeals court that hedge funds still won't be able to sue the U.S. government for seizing their profits following Fannie and Freddie's post-2008 bailout.

Fannie Mae shares were down 34.7% while Freddie Mac shares slid 38.1%.

The government had been accused by shareholders of illegally seizing profits following a ruling in 2012 allowing it to collect a share of earnings each quarter. Both Fannie Mae and Freddie Mac have been under the guardianship of the Federal Housing Finance Agency since 2008.

"We've got to get them out of government control," Treasury Secretary Steve Mnuchin said last month, while Gary Cohn, director of the White House National Economic Council has said that U.S. president Donald Trump's administration plans to review the status of Fannie and Freddie. Mr Mnuchin, however, has said he doesn't support a plan to recapitalize the entities and then sells stakes in them, a plan known as "recap and release."

The court did say that some issues brought by the hedge funds could be adjudicated in lower courts, with the possibility that plaintiffs could demand a wider review or take their case to the Supreme Court. Other contract-based claims related to liquidation preferences and dividend rights have already been returned to the district court for on-going proceedings.

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