

Ex-Fannie head OKs \$24.7 million settlement

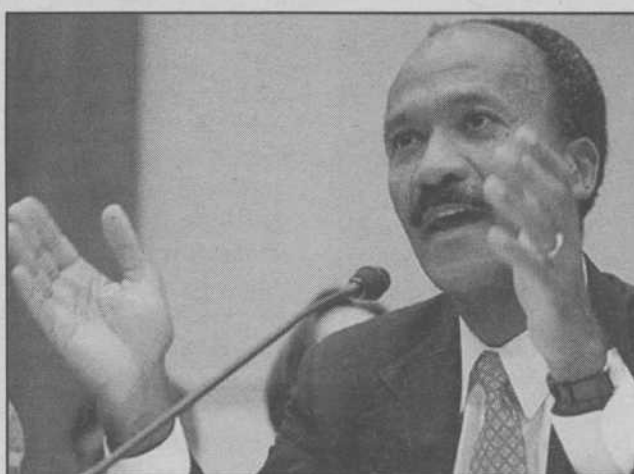
WASHINGTON (AP) — Former Fannie Mae chief Franklin Raines and two other top executives have agreed to a \$31.4 million settlement with the government announced recently over their roles in a 2004 accounting scandal.

Raines, former Fannie Mae chief financial officer Timothy Howard and former controller Leanne Spencer were accused in a civil lawsuit in December 2006 with manipulating earnings over a six-year period at the company, the largest U.S. financier and guarantor of home mortgages.

Raines, a prominent Washington figure who was President Clinton's budget

director, is relinquishing company stock options, proceeds from stock sales and other benefits. His part of the settlement is worth \$24.7 million.

The stock options were valued at \$15.6 million at the time they were issued to Raines, allowing him to buy shares at \$77.10 and higher. Fannie Mae shares have been battered by the turbulence in the housing market and traded Friday at around \$28 — making the options that Raines was returning of negligible value, people familiar with the settlement said. They spoke on condition of anonymity because they did not publicly wish to criticize the accord.



Former Fannie Mae head Franklin Raines faces a big fine.

Proceeds from Raines' sale of his company stock, valued at \$1.8 million, will be donated to programs that help homeowners facing foreclosure or other initiatives designed to boost homeownership. For Howard, stock sale proceeds of \$200,000 will go to such programs.

"While I long ago accepted managerial account-

ability for any errors committed by subordinates while I was CEO, it is a very different matter to suggest that I was legally culpable in any way," Raines said in a statement. "I was not. This settlement is not an acknowledgement of wrongdoing on my part, because I did not break any laws or rules while leading Fannie Mae. At most, this is an

agreement to disagree."

Howard is settling for a total \$6.4 million, including stock options valued at \$5.2 million when issued, and Spencer \$275,000.

The deal was announced by the Office of Federal Housing Enterprise Oversight, the agency that oversees Fannie Mae and Freddie Mac, the two big government-sponsored mortgage finance companies.

"OFHEO's mission is to ensure that (Fannie and Freddie) operate in a safe and sound manner," the agency's director, James B. Lockhart, said in a statement. "That cannot occur without corporate management providing prudent and responsible leadership and setting the appropriate ethical and overall 'tone at the top.'"

Fannie and Freddie both had multibillion-dollar accounting scandals that

stunned Wall Street and brought record civil fines against them in settlements with the government.

The amounts that Raines, Howard and Spencer are paying under the settlement are far less than what the government was seeking when it sued them in December 2006. OFHEO sought fines of around \$100 million against the three and restitution totaling more than \$115 million in bonus money tied to an improper accounting scheme.

The regulators alleged an accounting fraud at Washington-based Fannie Mae that included manipulations to reach quarterly earnings targets so that Raines, Howard, Spencer and other company executives could pocket hundreds of millions in bonuses from 1998 to 2004.

The three executives had (See Raines, Page 10)

Obama

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Illinois senator was moving steadily closer to winning enough delegates to clinch the nomination and prepared to battle through the final nine contests ending on June 3.

"We don't believe the structure of the race is going to change fundamentally," Plouffe told reporters. "We think there is an enormous amount of data that shows we're the stronger candidate."

With more than 99 percent of the vote counted, Clinton led Obama in Pennsylvania 54.6 percent to 45.4 percent, the state's elections division said.

The Pennsylvania win paid immediate dividends for the cash-strapped New York senator, who said she took in \$3 million since the polls closed on Tuesday. Clinton's campaign had more than \$10 million in debts at the end of March.

OBAMA HOLDS DELEGATE LEAD

An MSNBC count showed Clinton gained nine delegates on Obama in Pennsylvania. Obama now has 1,726 delegates to Clinton's 1,593, short of the 2,024 needed to clinch the nomination but moving closer.

But neither candidate can clinch the nomination without the help of superdelegates — nearly 800 party insiders who are free to support either Obama or Clinton. Plouffe said he expected those superdelegates to move toward the winner and end the nomination fight sometime after June 3.

"You're going to see the superdelegates make a decision shortly after that," he said.

Clinton hopes her win ignites a strong run through the last nine contests, bringing her closer in delegates won and votes cast and convincing those superdelegates she is the Democrat who can beat McCain.

Democrats have become increasingly worried about the negative tone of the race, and exit polls showed Pennsylvania voters shared the concern.

About two-thirds of Pennsylvania voters thought Clinton unfairly attacked Obama, while about half thought Obama had unfairly attacked Clinton, the polls showed.


But Clinton won 58 percent of those who decided in the last week, when Obama was on the defensive in a debate over a series of campaign controversies and Clinton questioned his toughness in an ad featuring images of al Qaeda leader Osama bin Laden.

Obama, who narrowed a 20-point Clinton lead in Pennsylvania opinion polls before falling short, already was looking ahead. He left Pennsylvania before the polls closed for an evening rally in Indiana.

"There were a lot of folks who didn't think we could make this a close race when it started," Obama said in Evansville. "Six weeks later, we closed the gap. We rallied people of every age and race and background to our cause."

Obama, who would be the first Black U.S. president, won nine of every 10 Black voters and led among young and male voters. Clinton, who would be the first woman U.S. president, won blue-collar workers, elderly voters and more than half of women.

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