



Fannie's Restatement Tab: \$1 Billion

The lender's costs this year for redoing its financials will hit \$850 million and the expense of preparing them will exceed \$200 million.

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Fannie Mae will spend more than \$1 billion this year to prepare its massive restatements covering the past few years. In a regulatory filing, the nation's biggest mortgage lender stated that for all of 2006, its restatement and related regulatory costs will amount to roughly \$850 million.

Further, costs associated with the preparation of financials and related regulatory filings for periods after 2004 will exceed \$200 million, the company reported. "We anticipate that the costs associated with preparation of our post-2004 financial reports and periodic SEC reports will continue to have a substantial impact on administrative expenses until we are current in filing our periodic financial reports with the SEC," the company added in the filing.

Fannie also will not report its third-quarter results on time and will not request the five-day extension permitted by the Securities and Exchange Commission, according to the filing. That is hardly surprising news, given that the company hasn't filed a financial statement since late 2004. The company is restating its results for 2002 and 2003 as well as the first two quarters of 2004.

In the regulatory filing, the company said it plans to complete its restatement and file its 2004 annual report by the end of the year. In discussing what it considers the huge resources required to complete the restatement, Fannie cited its "thorough and comprehensive review" of its accounting policies and practices.

The lender also touted its installation of its revised accounting policies and practices, which it asserted "are often complex because of the nature of policies such as accounting for derivatives and mortgage purchase and sale commitments."

Fannie also cited the need to obtain and validate market values for a large volume of transactions. Those deals, it said, include all of its derivatives, commitments, and securities at multiple points in time over the restatement period. The company said that process has been completed.

Further, Fannie is completing the beefing up and developing systems to track, value, and account for securities, commitments and derivatives; amortize deferred price adjustments; account for guarantee obligations; and monitor and assess impairment.

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