Fannie Mae Will Not Pay $44.4 Million to Executives

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Fannie Mae will not pay $44.4 million budgeted for executives who led the mortgage finance company during years of faulty accounting, the company said in a regulatory filing on Tuesday.

The company had budgeted the payments to eight current senior executives and dozens of other officers who benefited from an incentive program that was tied to company earnings, according to a filing with the U.S. Securities and Exchange Commission.

Fannie Mae's decision ends one of the few outstanding issues after Fannie's $400 million settlement with OFHEO in May and a $6.3 billion earnings restatement completed in December.

Daniel Mudd, the company's current chief executive, will miss out on a payment of $4 million as a result. Franklin Raines, the former chief executive who was forced to resign in December 2004, was due to be paid $11.2 million, while Timothy Howard, the former chief financial officer who resigned at the same time, was to be paid $3.4 million.

The company's regulator, the Office of Federal Housing Enterprise Oversight, said in a statement that it "concurs with the decision" to withhold the pay "for 46 former and present senior executives for the years 2001-2003 and 2002-2004."

OFHEO and Fannie's board agreed to the terms of Tuesday's announcement and the decision over compensation "was not directed at any specific individual but rather reflected the performance of Fannie Mae in the years 2001-2004."

Robert Levin, the company's chief business officer, will lose $2 million in bonuses. Michael Williams, the chief operating officer, will forego $1.85 million. Kenneth Bacon, the company's executive vice-president for housing and community development, will lose $539,000 in bonuses. Leanne Spencer, the former controller who resigned amid the scandal, will lose out on $371,000.

In this case, returning pay might be proper and not a slight on the executives involved, said Lucian Bebchuk, the director of the corporate governance program at Harvard Law School. "This follows the principle that if was not earned it must be returned," he said.

Because the bonuses were tied to earnings that ended up being flawed, he said, "It is not necessarily the executive's fault that the money should be returned."