Fed Twists Payouts Harbors to Turmoil

DETROIT, Jul. 29 — The Federal Reserve moved to unwind the housing market crisis today, reversing its recent policy of sending securities to the troubled mortgage lenders Fannie Mae and Freddie Mac, and instead bleeding off $50 billion of mortgage-backed securities a week from the shrinking Fed balance sheet, a move designed to push up long-term rates and help the commercial banks ease their credit crunch.

The Fed said it would sell mortgage-backed securities to help increase the price of long-term Treasuries, offsetting the bleak economic outlook. The announcement is the latest in a string of Fed actions after the $1.2 trillion housing-market bailout by banks in February.

"We need to do everything we can to support the housing market," Fed Chairman Ben S. Bernanke said today. "We cannot simply do nothing to help the housing market, which is critical for the economy." He also said today that the Fed will continue to cut the target federal funds rate, which has fallen to 2 percent.

The Fed announced that it will sell mortgage-backed securities to help bring down long-term rates, which have pushed up to 6 percent, particularly on mortgages.

"The Fed's decision is a good one," said Richard B. Fisher, president of the Federal Reserve Bank of Dallas. "It will improve the outlook for the economy." He also said today that the Fed will continue to stimulate the economy by buying bonds.

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