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[20029002]

The purchases show the strong interest of Japanese investors in U.S. mortgage-based instruments , Fannie Mae 's chairman , David O. Maxwell , said at a news conference .

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He said more than 90 % of the funds were placed with Japanese institutional investors .

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The rest went to investors from France and Hong Kong .

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Earlier this year , Japanese investors snapped up a similar , \$ 570 million mortgage-backed securities mutual fund .

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That fund was put together by Blackstone Group , a New York investment bank .

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The latest two funds were assembled jointly by Goldman , Sachs & Co. of the U.S. and Japan 's Daiwa Securities Co .

[20029008]

The new , seven-year funds -- one offering a fixed-rate return and the other with a floating-rate return linked to the London interbank offered rate -- offer two key advantages to Japanese investors .

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First , they are designed to eliminate the risk of prepayment -- mortgage-backed securities can be retired early if interest rates decline , and such prepayment forces investors to redeploy their money at lower rates .

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Second , they channel monthly mortgage payments into semiannual payments , reducing the administrative burden on investors .

[20029012]

Such devices have boosted Japanese investment in mortgage-backed securities to more than 1 % of the \$ 900 billion in such instruments outstanding , and their purchases are growing at a rapid rate .

[20029013]

