



January 15, 2009

Mr. Russell G. Golden
Director of Technical Application & Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to director@fasb.org

Reference: Proposed FSP FAS 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107

Dear Mr. Golden:

Freddie Mac appreciates the opportunity to comment on the proposed FASB Staff Position 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107 (the "proposed FSP") that amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments.

Freddie Mac is a publicly held company chartered by Congress in 1970 to increase the availability of funds for home ownership by developing and maintaining a secondary market for residential mortgages. We hold a significant amount of securities and loans that would be impacted by the proposed FSP. At September 30, 2008, our total investment securities classified as available-for-sale ("AFS") was comprised of approximately 56,000 different positions with a fair value of approximately \$490 billion. As of this date, we did not have any investment securities classified as held-to-maturity ("HTM"). Additionally, at September 30, 2008, our loan portfolio was comprised of approximately \$5,000 loans classified as held-for-sale ("HFS") with a carrying value of approximately \$12 billion and 135,000 loans classified as held-for-investment ("HFI") with a carrying value of approximately \$86 billion.

We fully support the efforts of the FASB to enhance disclosure regarding the fair value of securities and loans in order to provide more clarity and comparability to investors. However, we are concerned with the introduction of disclosures of new and additional measurement attributes that are inconsistent with the measurement attributes called for in

existing accounting standards for investment securities and loans, as we believe these disclosures may actually be confusing for users of the financial statements. Under the proposed FSP, the financial statements would no longer disclose only the results of the applicable accounting standards for investment securities and loans, but rather would effectively provide investors with a menu of alternative measurement attributes, some of which may be inappropriate when taken out of context and may not be meaningful to investors. We also believe the Board should reconsider the effective date of the proposed FSP to allow for sufficient time to implement the new disclosure requirements and establish related controls.

Disclosure of Different Reporting Measurement Attributes and Pro-forma Income Presentations

We do not believe that requiring disclosure of different reporting measurement attributes for the instruments within the scope of the proposed FSP improves the quality of information and presents an incomplete view of economic results that may be misleading. The proposed FSP would require disclosure of incurred loss amounts for securities classified as HTM and AFS and loans classified as HFS in accordance with the provision of FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan, whereby cash flows of the underlying securities are discounted at the security's effective interest rate to determine the incurred loss amounts. The concept of disclosing incurred losses based on discounted cash flows is not currently applied when determining impairments on security amounts and has no specific relevance in current accounting literature for investment securities under U.S. GAAP.

Additionally, we do not believe that disclosure of pro-forma income from continuing operations (before income taxes) with adjustments to the measurement attributes for only investment securities classified as AFS and HTM and loans classified as HFS provides meaningful information. The proposed FSP does not require disclosure of different measurement attributes for other assets held or liabilities incurred by an enterprise that may serve as natural economic hedges, are in designated hedging relationships, or represent an exposure to changes in fair value that caused an enterprise to elect the fair value option to mitigate income statement volatility. As a result, providing expanded disclosures for certain assets and liabilities, and not others, presents an incomplete picture of the natural economic offsets that may be occurring.

For example, many entities use securities classified as AFS and loans classified as HFI as natural economic hedges of mortgage servicing rights, debt securities, derivative financial instruments, etc. To require disclosure of incurred loss amounts and related pro forma income for only investment securities classified as AFS and HTM and loans classified as HFI would be misleading if the corresponding impacts to other assets and liabilities that serve as natural economic hedges were not presented as well. However, incurred loss amounts have no relevance and cannot be calculated for most, if not all, of these other assets and liabilities (i.e., derivative instruments, servicing rights, etc.).

While we understand that some investors desire additional information relating to financial assets, we are troubled by the fact that the proposed FSP does not address the underlying problem - the mixed attribute model - but rather simply introduces an additional measurement attribute for an incomplete population of instruments. As a result, we do not believe that the quality of information that would be provided under the proposed FSP is improved.

Exclusion of Financial Assets That Have Changes in Fair Value Recorded in the Income Statement

We agree that the proposed disclosures should exclude financial assets measured at fair value with changes in fair value recognized in earnings. The periodic changes in fair value are already disclosed in a clear and transparent manner. For financial assets measured at fair value with changes in fair value recognized in earnings, systems, processes, and controls are not currently in place to measure incurred losses, and we do not believe this information is meaningful.

We believe that financial assets that are recorded at the lower of cost or fair value (i.e., loans classified as HFS) also should be excluded from the scope of the proposed FSP. Because these assets are held for sale, we do not believe that disclosure of incurred loss amounts is meaningful as such losses are not likely to be realized given the intent to sell. A seller of the security would realize the fair value of the security, which presumably includes a market participant's expectation of expected losses and would not recognize the incurred loss amount itself. Disclosure of fair value is a meaningful disclosure, as it is consistent with the classification of the asset for accounting purposes and intent of management. Furthermore, loans classified as HFS may be in hedging relationships, whereby disclosure of incurred loss amounts for the loans coupled with disclosure of fair value for the corresponding financial instruments used for risk management purposes (whether or not designated hedging relationships have been established for accounting purposes) would distort the financial results and not be representative of the underlying economics.

Effective Date

We believe the Board should reconsider the effective date of the proposed FSP. For calendar year-end public companies, the annual financial statements must be filed with the Securities and Exchange Commission as early as March 2, 2009 (i.e., for large accelerated filers). The proposed effective date does not allow for sufficient time to derive the numbers and prepare the disclosures with the appropriate controls over financial reporting and disclosure controls and procedures required by Sections 404 and 302 of the Sarbanes-Oxley Act and still meet the March 2, 2009 filing date with the SEC.

Particularly problematic is calculating the incurred loss amounts for investment securities. Currently, cash flows are analyzed for specific securities subject to impairment, however these analyses are not conducted with an incurred loss view as described in the proposed FSP. For Freddie Mac, the proposed FSP would require the

calculation of incurred loss amounts for approximately 56,000 different investment security positions classified as AFS and a portfolio of approximately 95,000 loans classified as HFS. Our accounting systems would require modification and appropriate controls would need to be in place to ensure that the calculations are performed appropriately. Because of the large number of positions affected by the proposed FSP and the proposed effective date, Freddie Mac may be unable to issue its December 31, 2008 financial statements timely. If the effective date were delayed until the first quarter of 2009, we believe we would be able to develop the appropriate processes and controls necessary to comply with the disclosures contained in the proposed FSP.

We believe that comparative information for periods subsequent to adoption would be beneficial to help investors understand the trends from period to period. However, we do not believe that the benefits of deriving comparative disclosures for periods prior to the effective date of the proposed FSP outweigh the costs.

The views expressed in this comment letter are solely those of Freddie Mac, and do not purport to represent the views of the Federal Housing Finance Agency.

Freddie Mac appreciates the opportunity to provide comments on the proposed FSP. If you have any questions about our comments, please contact Denny Fox, Freddie Mac Vice President-Accounting Policy and External Reporting and Interim Principal Accounting Officer at 703-714-3160.

Sincerely,

Denny R. Fox Freddie Mac

Vice President Accounting Policy and External Reporting and Interim Principal

Accounting Officer

cc: Mr. David B. Kellermann, Senior Vice President and Interim Chief Financial

Officer

Ms. Wanda DeLeo, Federal Housing Finance Agency