

September 12, 2013

Ms. Susan M. Cosper Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via email to director@fasb.org

Reference: File Reference No. EITF 12-Gr, Proposed Accounting Standards Update (Revised), Consolidation (Topic 810): Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force)

Dear Ms. Cosper:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft for the proposed Accounting Standards Update ("ASU") of Topic 810, *Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity* (the "proposed Update").

Freddie Mac was 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 participate in the secondary mortgage market principally by providing our credit guarantee on the mortgage-related securities we issue, and investing in mortgages and mortgage-related securities.

Freddie Mac has significant involvement with consolidated collateralized financing entities. Our primary business activity consists of the purchase and securitization of mortgage loans. Our securitization process involves the transfer of pools of mortgages that we have purchased to securitization trusts that issue mortgage-related securities that represent undivided beneficial interests in those pools of mortgages. We are the primary beneficiary of, and therefore consolidate, the majority of these securitization trusts, which meet the definition of a collateralized financing entity in the proposed Update. As of June 30, 2013, we consolidated collateralized financing entities that had outstanding financial liabilities of \$1.5 trillion.

We support the Task Force's efforts to resolve the diversity in practice that has developed in the accounting for the difference upon initial consolidation between the fair value of the assets and the fair value of the liabilities of a collateralized financing entity. However, please note that the removal of the ability to measure the financial liabilities of a consolidated collateralized

Freddie Mac Page 1 File Reference No. EITF 12-Gr financing entity at fair value under the fair value option guidance of Topic 825 (*Financial Instruments*) may conflict with other existing GAAP. Specifically, Subtopic 815-15 (*Derivatives and Hedging – Embedded Derivatives*) allows election of the fair value option for a hybrid financial liability. Many liabilities of collateralized financing entities, such as interest-only strips, are hybrid financial liabilities. The basis for conclusions of the proposed Update indicates that the Task Force intended to eliminate the ability to elect the fair value option for the financial liabilities of a consolidated collateralized financing entity to promote comparability among entities, but it is unclear whether the Task Force intended to preclude the election of the fair value option under Subtopic 815-15 for hybrid financial liabilities of consolidated collateralized financing entities.

The measurement of certain hybrid financial liabilities, such as interest-only strips, at a basis other than fair value may not faithfully represent the value of such instruments, and it is unclear how such instruments should be accounted for if the fair value option is not available. Additionally, we note that the proposed ASU on the recognition and measurement of financial assets and financial liabilities issued in February 2013 retained the fair value option for hybrid financial liabilities, despite potential concerns with comparability among entities. Accordingly, we believe it would be beneficial for the Task Force to clarify its intent regarding the fair value option for hybrid financial liabilities of consolidated collateralized financing entities, to avoid further diversity in practice for such instruments.

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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, as Conservator.

Freddie Mac appreciates the opportunity to comment on the proposed Update. If you have any questions about our comments, please contact Timothy Kviz (703-714-3800).

Sincerely,

Timothy Kviz

Vice President – Accounting Policy

cc: Mr. Ross J. Kari, Executive Vice President - Chief Financial Officer

Mr. Robert D. Mailloux, Senior Vice President - Corporate Controller and Principal Accounting Officer

Mr. Nicholas Satriano, Chief Accountant, Federal Housing Finance Agency

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