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February 18, 2008

LETTER OF COMMENT NO. 12

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

Via e-mail to [director@fasb.org](mailto:director@fasb.org)

**File Reference: Proposed FSP FAS 157-c, *Measuring Liabilities under FASB Statement No. 157***

Dear Mr. Golden:

Freddie Mac appreciates the opportunity to comment on Proposed FSP FAS 157-c, *Measuring Liabilities under FASB Statement No. 157* (the "proposed FSP"). We fully support the efforts of the FASB to clarify the principles in FASB Statement No. 157, *Fair Value Measurements* ("SFAS 157"), on the measurement of liabilities and support the issuance of this guidance in current form.

Nature of Freddie Mac Debt

Freddie Mac is one of the world's largest issuers of debt, issuing a variety of maturities of debt securities (short-, medium-, and long-term) to finance purchases of mortgages and mortgage-related securities, as well as to fund other business activities. Our debt can be either callable or non-callable, and offers liquid securities to the global capital markets in a transparent and predictable manner. By diversifying our investor base and the types of debt securities we offer, we enhance our ability to maintain continuous access to the debt markets under a variety of conditions. At December 31, 2007, Freddie Mac had approximately \$739 billion of outstanding debt.

Despite the fact that we are such a large issuer of debt, our debt does not trade via a quoted price on computer terminal screens such as Bloomberg since many purchasers of our debt maintain "buy and hold" portfolios. After issuance, most of our debt instruments are not actively traded in the secondary market. In most cases, there is no quoted price in an active market for an identical liability and therefore none our debt meets the qualifications to be categorized in Level 1 of the SFAS 157 fair value hierarchy. Rather, we have categorized it as Level 2 since we receive quoted prices from dealers and pricing services based on observable inputs for *similar* debt securities in an active market on the valuation date. We believe that similar classifications will occur for those holding our debt as assets.

We are providing the FASB Staff with the above information in order to clarify the level assignment of our agency debt as required by SFAS 157.

Freddie Mac

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Availability of a Quoted Price

Despite our debt not being in Level 1 of the fair value hierarchy, as a large issuer of debt we have numerous live transactions we can look to as indicators of the fair value in which we both issue and repurchase our debt on a continuing basis. These transactions are also where we believe a holder of our debt would measure its fair value. Since our debt is outside of a Level 1 fair value measurement, we would look to the guidance proposed in paragraph 7 of the proposed FSP. As such, we would look to the prices of our issuances and repurchases of our debt as the appropriate indicators of fair value. Overall, we believe this to be a better measure of fair value than the transfer approach would provide since the transactions we would look to represent cash flows resulting from numerous, cash market transactions occurring on a routine basis. Conversely, the transfer approach would have us estimate cash flows of a hypothetical transaction that never occurs in order to arrive at a fair value measurement.

Based on the foregoing, we support the proposed FASB Staff Position articulated in Proposed FSP FAS 157-c. We believe the proposed FSP supports the principles-based framework provided in SFAS 157 and recognizes that the use of market observable inputs is superior to internal judgments. The hypothetical transaction concept is intended to allow for situations in which there is little, if any, market activity for the asset or liability at the measurement date; however, where market data is available, either on settlement or transfer transactions, it should take precedent to internally-produced assumptions.

We appreciate the opportunity to provide our comments. If you have any questions about our comments, please contact James Egan (703-903-3410), Denny Fox (703-714-3160) or James Brandt (703-714-3305).

Sincerely,

A handwritten signature in cursive script that reads "James Egan".

James R. Egan  
Senior Vice President – Corporate Controller

cc: Anthony Pizel  
Executive Vice President and Chief Financial Officer

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*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 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. At December 31, 2007, Freddie Mac owned or guaranteed approximately \$1.7 trillion of mortgages and mortgage-related securities.*