Freddie Mac
We make home possible®

Corporate Headquarters
8100 Jones Branch Drive
McLean, VA 22102

Tel: (703) 714-2500
www.FreddieMac.com

December 22, 2010

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. 1900-200, Proposed Accounting Standards Update, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings*

Dear Sir or Madame:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft for the proposed Accounting Standards Update ("ASU") of Topic 310, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings* (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. As of September 30, 2010, our consolidated balance sheet reflected approximately $1.9 trillion of mortgage loans. For the nine months ended September 30, 2010, we completed approximately $29 billion of loan modifications, of which approximately $25 billion were accounted for as troubled debt restructurings ("TDRs").

We support the Board's efforts to amend Topic 310, *Receivables*, to indefinitely defer the TDR disclosures required by the ASU of Topic 310, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* ("Update 2010-20"). However, when considered along with the provisions of the proposed ASU of Topic 310, *Clarifications to Accounting for Troubled Debt Restructurings by Creditors* (the "proposed TDR update"), we do not agree with the proposed effective date in the proposed Update.

Appendix A contains Freddie Mac's responses to each of the individual questions posed by the Board in the proposed Update.

* * * * * * *

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

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
Ms. Wanda I. DeLeo, Senior Associate Director and Chief Accountant, Federal Housing Finance Agency

Appendix A

This Appendix contains our responses and comments to the specific questions that were raised by the Board in the proposed Update.

Question 1: Do you agree that the effective date for the disclosure requirements for public entities about troubled debt restructurings in Update 2010-20 should be delayed to be concurrent with the effective date of the guidance presented in proposed Accounting Standards Update, Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors?

Response: Yes, we agree that the effective date for public entities for the TDR disclosures required by Update 2010-20 should be delayed to be concurrent with the effective date of the guidance presented in proposed TDR update (please refer to our response to question #2 below for our concerns with the proposed effective date of the proposed TDR update).

As the adoption of Update 2010-20 will introduce greater prominence to the nature, extent and performance of TDRs in a creditor's loan portfolio, we strongly believe that the alignment of the effective dates of Update 2010-20 with that of the proposed TDR update, which could drastically change industry practice for what is considered a TDR, is critical to mitigating potential confusion amongst users of financial statements. We share the concerns noted by the Board regarding the operational burden for preparers as well as the utility of information provided to users of financial statements that could be caused by the adoption of Update 2010-20 in one quarter and the application of the proposed TDR update shortly thereafter.

Question 2: Is the proposed effective date operational? If not, please explain why.

Response: No, as discussed in our comments on the proposed TDR update, we do not believe the proposed effective date (periods ending after June 15, 2011) is operational. Considering the potential implications of the proposed TDR update, the proposed effective date would not provide us with sufficient time to implement the proposed accounting and disclosures and establish the necessary controls, for a variety of reasons.

The most significant operational issue relates to the potential increase in the population of loans accounted for as TDRs. Apart from issues associated with applying the proposed TDR update to the volume of restructuring activities for loans in our portfolio, an added burden is the fact that our servicers do not report to us the specific terms of many of our loss mitigation activities that result in temporary, insignificant delays in contractual cash flows, and do not involve any permanent changes to the contractual terms of the loan agreement (e.g., repayment plans, forbearance agreements). We would have to work with thousands of servicers to obtain information about all loss mitigation activities undertaken with debtors over the past several years. It may not be operationally feasible to coordinate and execute an effort of this magnitude in a controlled manner in such a short amount of time.

Further complicating operational matters are the changes to industry practice (e.g., prohibition of use of debtor's concession test) and the introduction of subjectivity (e.g., determining a "market rate") put forth by the proposed TDR update. Apart from the operational difficulties (as described in our comment letter on the proposed TDR update), developing and executing a process (e.g., determining appropriate credit spreads, full re-underwriting) to identify the appropriate population of loans considered TDRs would require significant effort and costs.

When these matters are combined with the transition provisions of the proposed TDR update (i.e., retrospective to earliest period presented), the prospect of evaluating all of this information in such a short amount of time becomes even more burdensome and challenging. As such, we recommend that in conjunction with the proposed TDR update, the Board undertake a fundamental reconsideration of TDR accounting and its objectives as part of the Board's re-deliberation of the exposure draft on Accounting for Financial Instruments and convergence agenda with the International Accounting Standards Board. Complementary to this, we believe the Board should consider establishing additional disclosure requirements related to all loan modification activities with the same objectives as those contained in Update 2010-20.

For further information regarding the operational challenges, concerns regarding the proposed effective date and transition provisions, and our recommendations to the Board, please refer to our responses on the proposed TDR update submitted to the Board on December 13, 2010.