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Corporate Headquarters
1551 P.O. Box 2000
McLean, VA 22102

File Reference No. 1530-100
Proposed Statement

June 18, 2007



LETTER OF COMMENT NO. 55

Mr. Lawrence W. Smith
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to director@fasb.org

Re: File Reference No. 1530-100, Proposed Statement of Financial Accounting Standards, *Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60*

Dear Mr. Smith:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft (“ED”) of the proposed Statement of Financial Accounting Standards, *Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60* (the “Proposed Statement”).

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, 2006, Freddie Mac owned or guaranteed approximately \$1.5 trillion of mortgages and mortgage-related securities.

We fully support the efforts of the FASB to clarify the accounting relative to financial guarantee insurance. We would, however, like to respond regarding the proposed scope of the ED.

While the substance of our guarantees of mortgage loans and mortgage-related securities is very similar to financial guarantee insurance discussed in the Proposed Statement, we account for our guarantees under FASB Interpretation No. 45, *Guarantor’s Accounting and Disclosure Requirements for guarantees, Including Indirect Guarantees of Indebtedness of Others* (“FIN 45”) since we are not an insurance enterprise. In addition, the accounting model described in the Proposed Statement for unearned premium revenue, premium revenue recognition, and claim liability are not representative with how our performance is measured by the marketplace. Consequently, we do not believe that the scope of the Proposed Statement should be expanded beyond insurance enterprises.



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We suggest that the Board consider use of the FIN 45 model for all financial guarantee insurance contracts, regardless of the type of enterprise that is issuing the guarantee (i.e., an insurance enterprise, a non-insurance enterprise, a government sponsored enterprise such as Freddie Mac, etc.). We believe that a consistent accounting model for the same economic activity for all entities provides a better framework for both users and preparers of financial statements. Additionally, we would encourage the Board to consider addressing subsequent measurement and extinguishment issues related to guarantees accounted for under FIN 45.

We are not prepared to respond about whether the proposed accounting model would be an improvement in practice for insurance enterprises that issue financial guarantee insurance, since we are not an insurance enterprise subject to FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*.

Freddie Mac appreciates the opportunity to provide our comments on the Proposed Statement. If you have any questions about our comments, please contact James Egan (703-903-3410), Denny Fox (571-382-3325), or Timothy Kviz (571-382-6412).

Sincerely,

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

James R. Egan

Senior Vice President and Principal Accounting Officer

cc: Anthony Pizsel

Executive Vice President and Chief Financial Officer