

September 30, 2010

Mr. Russell G. Golden
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. 1790-100, Proposed Accounting Standards Update, *Comprehensive Income (Topic 220) Statement of Comprehensive Income*

Dear Mr. Golden:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft for the proposed Accounting Standards Update of Topic 220, *Comprehensive Income* (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 June 30, 2010, our consolidated balance sheet reflects over \$2.0 trillion of both financial assets and financial liabilities, and over (\$17 billion) of accumulated other comprehensive income.

We support the Board’s efforts to amend Topic 220, *Comprehensive Income*, with the objective of improving comparability, consistency, and transparency in financial reporting. For many entities, especially financial institutions, proposed changes articulated in the Exposure Draft for the proposed Accounting Standards Update of Topic 825, *Accounting for Financial Instruments* and Topic 815, *Accounting for Derivative Instruments and Hedging Activities* (“Financial Instruments project”) will substantially increase the volume and complexity of items that will be recognized in other comprehensive income (“OCI”). As the volume and complexity of items reported in OCI increase, we generally agree with the Board’s view that it would be beneficial to address the presentation of items reported in OCI.

We believe that the proposed Update accomplishes the objective of improving the comparability and consistency of the reporting of comprehensive income by eliminating two of the three existing presentation alternatives for OCI. However, the information contained in OCI is not substantively changed. Financial statements users could find the same information in the

existing financial statement presentation alternatives for OCI, so we do not believe that transparency is significantly improved. That being said, we are concerned that presentation of a single continuous statement of comprehensive income may diminish the importance or prominence of net income, as net income will become a subtotal.

As the Board considers the effective date of the proposed Update, we encourage the Board to take into consideration the other projects on the agendas of the FASB and the International Accounting Standards Board, several of which may impact either the content or presentation of OCI. While we agree with the Board's plan to align the proposed effective date of the proposed Update with the effective date of the Financial Instruments project, we believe the Board should also consider projects that may affect the presentation of OCI, such as the Board's Financial Statement Presentation project, as well as convergence with International Financial Reporting Standards. We believe that users of financial statements may have a difficult time comparing financial results over time if presentation requirements are repeatedly changing, so we encourage the Board to minimize the number of changes that occur from the issuances of new pronouncements.

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Appendix A includes 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 provide our comments 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. Charles E. Haldeman, Jr., Chief Executive Officer
Mr. Ross J. Kari, Executive Vice President - Chief Financial Officer
Mr. Robert D. Mailloux, Senior Vice President – Corporate Controller and Principle Accounting Officer
Ms. Wanda I. DeLeo, Senior Associate Director and Chief Accountant, Federal Housing Finance Agency

Appendix A

This Appendix includes Freddie Mac's responses to the questions raised by the Board in the proposed Update.

Question 1: Do you agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements such as relationships between changes in the statement of financial position, the components of other comprehensive income, and the components of net income in each period? If not, why not, and what changes would you suggest to the amendments in this proposed Update?

Response: We do not disagree with providing a statement of comprehensive income. Due to the proposed changes to the accounting for financial instruments contained in the Financial Instruments project, the volume and complexity of the items reported in OCI may increase. Additionally, given that the proposed subsequent measurement attribute for almost all financial instruments is fair value, we understand the desire to present a continuous statement of comprehensive income. However, we are concerned that the presentation of a continuous statement of comprehensive income may diminish the importance or prominence of net income.

Presentation of a single continuous statement of comprehensive income will result in net income becoming a subtotal. Net income is an important metric and indicator of an entity's performance and profitability. It is also useful in understanding timing and certainty of cash flows, as well as assisting in predicting future cash flows. Showing this indicator as a mere subtotal may unintentionally result in financial statement users treating comprehensive income as replacement for net income as a performance metric. We urge the Board to carefully consider the potential implications of presenting net income as one of subtotals in the statement of comprehensive income, and we propose an alternative presentation (i.e., a separate statement of operations in addition to a statement of comprehensive income).

Question 2: Do you agree that the option should continue to report the tax effect for each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements?

Response: We agree that the option to report the tax effect for each component of other comprehensive income, either in the statement of comprehensive income or in the notes to the financial statements, should be retained. This option will provide preparers with the choice of disclosing the tax effect based on the relevance and significance of the information presented in the primary financial statements and its relevance to users of financial statements. The same information would be available to users under both alternatives, so we believe that preparers should have the flexibility to determine how to best reflect this information in the financial statements.

Question 3: Do you believe that a requirement to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive

income in the statement of comprehensive income would improve the understandability and comparability of financial statements?

Response: We do not agree that reclassification adjustments should be required to be presented in both OCI and net income. We agree that the reclassification adjustments should be shown in OCI. However, rather than require the reclassification adjustments to be shown in net income, we encourage the Board to require preparers to disclose in the notes to the financial statements which lines on the income statement contain reclassification adjustments. Given that reclassification adjustments in OCI could affect more than one line in net income, we believe that net income may become overly complicated if the reclassification adjustments are required to be presented in net income.

Question 4: What costs, if any, will a reporting entity incur as a result of the proposed changes?

Response: We do not believe that the cost of implementing the proposed changes will be significant, as the proposed changes are in substance the reorganization of financial information that is currently being presented in primary financial statements.

Question 5: The Board plans to align the proposed effective date of the amendments in this proposed Update with the effective date of the amendments in the proposed Update on financial instruments. Are there any significant operational issues that the Board needs to understand to determine the appropriate effective date for the amendments in this proposed Update?

Response: We agree with the Board that the effective date for the proposed Update should be aligned with the effective date of the proposed Update on accounting for financial instruments. However, we believe there are other projects that should be considered in arriving at the appropriate effective date. Please refer to the body of our letter for additional considerations regarding the effective date of the proposed Update.

Question 6: The amendments in this proposed Update would not change the guidance on the calculation and display of earnings per share. Do you believe that the Board should change the guidance on earnings per share? If so, what changes would you recommend and why?

Response: We agree with the Board that the guidance on the calculation of earnings per share should not be changed. Management, investors and analysts view earnings per share as a function of net income and consider it as an important indicator of an entity's performance. This indicator is well understood and widely applied. Furthermore, the components of other comprehensive income are typically unrealized gains/losses that are not considered to be results of operations for a reporting period and, as a result, should not be included in earnings per share calculation. Therefore, we believe the calculation of earnings per share should not be changed.