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October 19, 2010

CONFIDENTIAL TREATMENT REQUESTED

BY EMAIL

Gary J. Cohen, Esq.
General Counsel
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Re: Federal Home Loan Mortgage Corporation

Dear Mr. Cohen:

On behalf of our client, the Federal Home Loan Mortgage Corporation (“Freddie Mac”), we are hereby responding to questions posed verbally to Alfred Pollard of the Federal Housing Finance Authority (“FHFA”) on October 5, 2010, concerning the private-label securities (“PLS”) held in Freddie Mac’s Retained Portfolio.

Freddie Mac evaluates the PLS held in its Retained Portfolio by monitoring various performance metrics, including delinquency and default rates, subordination levels, and other measures that are reported monthly to Freddie Mac by the trustee. When Freddie Mac determines that any of the metrics are weakening, or when a PLS rating is downgraded, Freddie Mac prioritizes the PLS to a “watchlist” status. Freddie Mac subsequently determines whether the relevant counterparties of the watchlist PLS are viable, and determines what rights and remedies it may have under the applicable PLS governing documents (e.g., Pooling and Servicing Agreements (“PSA”)).

One of the typical rights under a PSA, for instance, is the right to have loans repurchased for breaches of representations and warranties made at the issuance of the PLS. If Freddie Mac, or another investor, were able to determine that there were, in fact, representation and warranty violations, it would provide notice of the violation and request that the trustee, issuer or other appropriate counterparty issue a request to repurchase the subject loans, all in accordance with the applicable PSA.

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Freddie Mac continues to monitor the PLS in its portfolio, and it continues to investigate and evaluate its options to pursue any and all remedies available to it. In addition, Freddie Mac is working closely with the FHFA on this matter, and it expects that the review of PLS and its rights and remedies will continue in the near term.

We have also enclosed with this letter at Tab 1 a document providing requested data relating to Freddie Mac's total single family PLS purchases from 2003 through June 30, 2010. As with other data recently provided by Freddie Mac to the FCIC, the attached data has been assembled specifically in response to the FCIC's requests. In addition, this data is being provided on an expedited basis given the FCIC's request that it be provided as soon as possible. Accordingly, while we believe that the attached data is materially accurate, the FCIC should bear the foregoing in mind as it reviews this data.

Finally, attached at Tab 2, and bates numbered FMAC-FCIC 000074936, is a slide titled Risk Profile: Non-Agency Credit Risk dated September 8, 2010 reflecting data regarding Freddie Mac's PLS Portfolio.

Freddie Mac considers this letter and the attached documents to contain confidential and/or proprietary information. To this end, we have labeled the attached documents as "Confidential." We respectfully request confidential treatment of these materials and would ask that the Commission provide us with prior notice and an opportunity to object before any public disclosure.

We appreciate your agreement to our continuing to produce responsive data on a rolling basis. In the interim, please feel free to contact me if you have any questions regarding this matter.

Sincerely,



Robert K. Kelner

Enclosure

cc: Alfred Pollard, Esq., Federal Housing Finance Authority
Jordan D. Hershman, Esq., Bingham McCutchen LLP

TAB 1

Freddie Mac Non-Agency Single Family Securities Purchases 2003 - June 2010¹

Year ²	CUSIP Count	UPB @ Purchase (dollars in millions)	LTD Impairment Expense ³	Remaining Credit Loss ⁴	Principal Shortfall	Interest Shortfall
2003	175	54,110	(11,497,069)	(2,398,562)	0	0
2004	316	102,914	(461,703,888)	(77,100,430)	451,675	(962)
2005	488	150,755	(4,642,688,444)	(912,727,639)	30,124,881	1,448,170
2006	326	97,624	(12,930,409,035)	(4,791,913,253)	195,771,482	561,626
2007	185	50,571 ⁵	(8,799,463,088)	(3,377,537,003)	97,525,559	2,996,690
2008	4	618	(4,800,604)	(4,191,302)	0	0

¹ As with other data recently provided by Freddie Mac to the FCIC, the data set forth above has been assembled specifically in response to the FCIC's requests. In addition, this data is being provided on an expedited basis given the FCIC's request that it be provided as soon as possible. Accordingly, while we believe that the data set forth above is materially accurate, the FCIC should bear the foregoing in mind as it reviews this data.

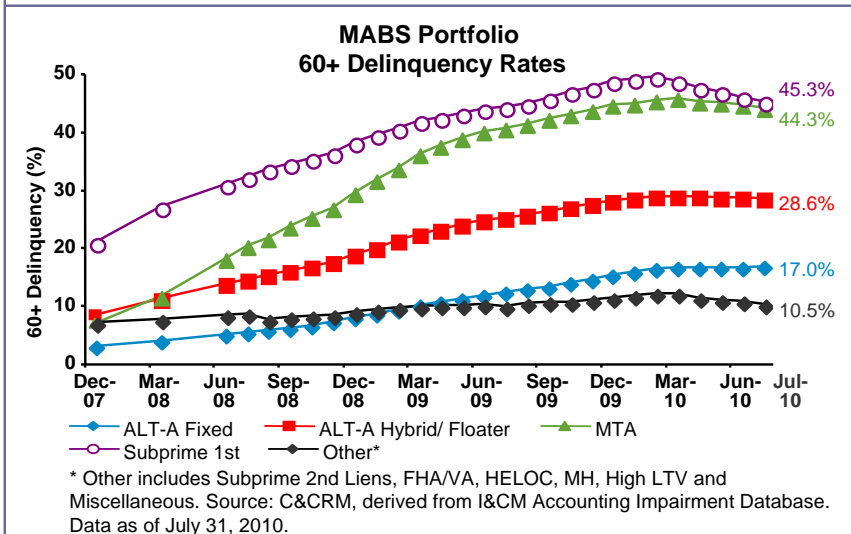
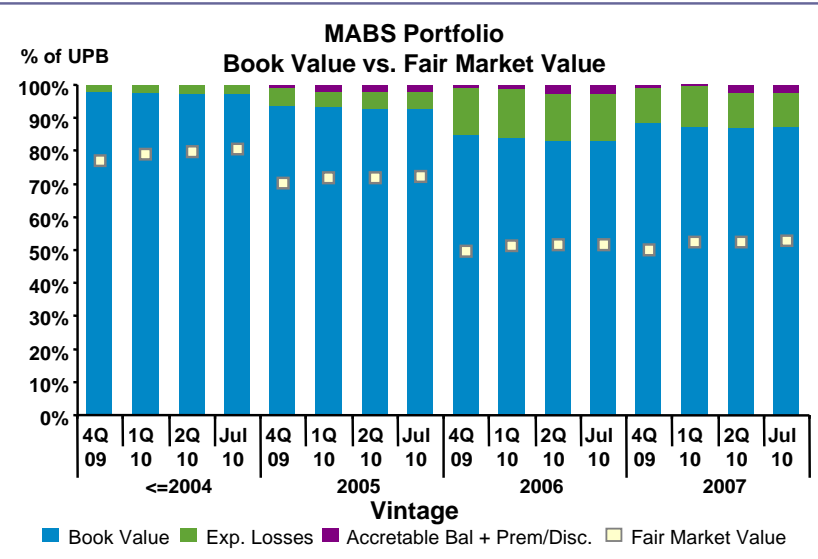
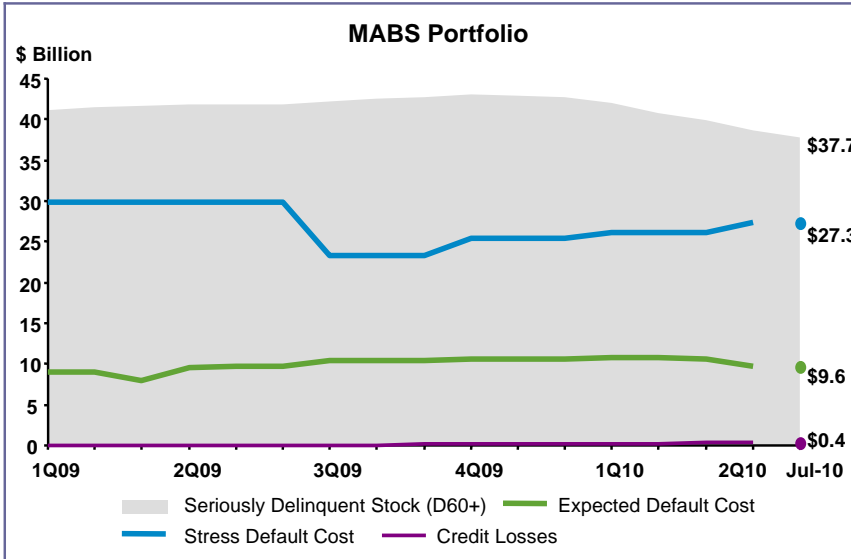
² Freddie Mac did not purchase any non-agency single-family securities in 2009 or during the first two financial quarters of 2010.

³ "Life-to-Date Impairment Expense" represents the amount of expense recorded to the income statement. The amounts above include impairments prior to the update of FAS115 in April 2009. The amounts were adjusted with the adoption of FAS115-2 in April 2009 and the subsequent changes in impairment expenses were recorded to retained earnings and not represented in the above data

⁴ "Remaining Credit Loss" is the present value of expected future losses.

⁵ This figure includes \$127M in securities backed by manufactured housing loans.

TAB 2



Outlook

- Loss severities continue at a high level, but have leveled over the past several months. Delinquency rates have started to stabilize for most asset types but remain at historically high levels.
- Delinquencies moderated due to small declines in most asset types. Overall delinquencies fell 1.4% to 40.0% in July. Subprime first lien delinquencies fell for the fifth consecutive month.

Current Trends (July 2010)

- As market prices start to stabilize or slightly increase, the liquidity premium is compressing for bonds in the portfolio. The weighted average security price of the MABS portfolio is 58.5% as of July.
- Cumulative principal losses are \$407 million as of July. Future expected losses are \$9.7 billion as of 2Q10. Projection of expected losses is potentially highly volatile due to the difficulty of estimating with precision the point at which credit enhancements will be exhausted.