



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

NOV 12 2004

VIA COURIER

Mr. Ralph F. Boyd, Jr.
Executive Vice President and
General Counsel
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Dear Mr. Boyd:

On October 8, 2004, Freddie Mac submitted a new program request under Section 1322 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA) and its implementing regulations, to issue Multifamily Variable Rate Bond Certificates ("Certificates") as a permanent program. Prior to this request for approval, the Department had requested, by letter dated May 4, 2004, that Freddie Mac provide information, documentation, and a legal opinion on the Certificates program. Freddie Mac complied with this request on May 24, 2004. Freddie Mac supplemented the earlier information with additional information by letters dated September 17 and October 8, 2004.

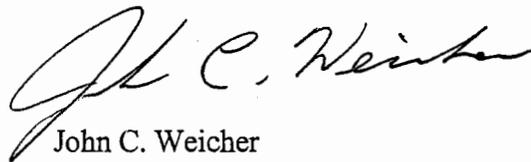
Having considered all of the information and documentation provided by Freddie Mac, as well as Freddie Mac's legal opinion submitted with its new program request, the Department has concluded that Certificates, which represent interests in pools of mortgage revenue bonds backed by multifamily mortgages, is not a program that meets the statutory definition of a "new program" under Section 1303(13) of FHEFSSA. Therefore, the Department's approval of Certificates as a new program is not required.

In reaching this conclusion, the Department determined that characteristics of the Freddie Mac Certificates are not "significantly different" from the characteristics of Freddie Mac's other securitization activities. For example, while the collateral for the Certificates consists of mortgage revenue bonds, rather than mortgage-backed securities, both are secured by residential conventional mortgages and are guaranteed by Freddie Mac. In fact, the Department notes that Freddie Mac has guaranteed mortgage revenue bonds for many years and that HUD's regulations permit housing goals credit, in some instances, for this activity. Also, although some of the pooled mortgage revenue bonds are tax-exempt, thereby passing tax-exempt interest income to investors in the Certificates, the Department concluded that this characteristic is not sufficient to meet the "significantly different" review standard required by FHEFSSA.

In making its determination, the Department consulted with the Office of Federal Housing Enterprise Oversight regarding any safety and soundness implications of the Certificates program and with the Department of the Treasury's Office of Market Finance regarding the Department of the Treasury's decision in late 2003 to authorize Freddie Mac's issuance of Certificates. These consultations raised no regulatory issues or concerns.

Should you have any questions regarding the Department's determination, please do not hesitate to contact me.

Sincerely,



John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

cc: Wendall Chambliss
Acting Associate General Counsel
Freddie Mac

Thomas B. Goodbody
Assistant General Counsel
Freddie Mac