



FEDERAL HOUSING FINANCE AGENCY

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Office of the Director

November 13, 2008

David M. Moffett
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102-3110

CONFIDENTIAL

**Re: Notice to Suspend Affordable Housing Allocations
(FRE-OC-2008-071)**

Dear Mr. Moffett:

Pursuant to section 1337 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, which establishes funding requirements for the Housing Trust Fund and Capital Magnet Fund, Freddie Mac is required to set aside an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases. The section also allows the FHFA to suspend contributions on a temporary basis.

This letter serves as notice to Freddie Mac that FHFA is suspending allocations under this section until further notice due to our findings of the following:

- The amount of the contribution would further contribute to the financial instability of Freddie Mac.
- While FHFA has suspended capital classifications, the contributions would further erode the requirement to maintain a positive net worth as Freddie Mac anticipates drawing funds from the U.S. Treasury to maintain this positive net worth (pursuant to the Senior Preferred Stock Purchase Agreement).

Until further notice, Freddie Mac should not set aside or allocate funds for the Housing Trust Fund and the Capital Magnet Fund. Public disclosures should appropriately reference the temporary suspension by FHFA.

Should you have further questions, please contact Jeffrey Spohn, Senior Associate Director, Office of Conservatorship Operations, at 202-414-3763.

Sincerely,


James B. Lockhart III
Director