



Federal Housing Finance Agency

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November 3, 2014

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

**Re: Staff Consultation Paper
Auditing Accounting Estimates and Fair Value Measurements**

Dear Office of the Secretary:

The Federal Housing Finance Agency (FHFA or Agency) welcomes the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) Staff Consultation Paper on *Auditing Accounting Estimates and Fair Value Measurements*, released on August 19, 2014.

FHFA is the prudential supervisor for Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. It also is the conservator for Fannie Mae and Freddie Mac. Accounting estimates and fair value measurements involve a high degree of subjectivity and judgment and are significant inputs to the financial statements of our regulated entities. In addition, these estimates and fair value measurements may be more susceptible to misstatement and generally require more auditor focus, as evidenced by the significant audit deficiencies noted by the PCAOB in its inspection process. Therefore, FHFA considers it prudent standard setting to update the PCAOB standards in this area, and we support the effort to address the auditing of accounting estimates and fair value measurements.

However, because of the pervasiveness of estimates included in financial statements and the challenge in trying to develop a single standard to address all of the issues identified by the staff, we encourage the PCAOB to carefully evaluate the scope and approach for updating the auditing standards. We recommend that the PCAOB adopt a phased approach to updating the auditing standards, rather than proposing a single standard. FHFA believes a phased approach would allow the PCAOB to focus on providing timely updates to address the most urgent PCAOB inspection deficiencies. Updated guidance for lower priority issues could then be developed in a prioritized and targeted manner and Staff Guidance could be issued in the interim as needed. This approach might alleviate some of the risk in trying to issue a new single standard in a timely manner. We also believe that a phased approach would have the advantage of forming a more

robust consensus for practitioners in the industry and allow the PCAOB to build an incremental foundation of updated auditing standards.

Thank you for the opportunity to provide the Agency's views on the Board's proposals. FHFA hopes the Board and staff will find these comments and recommendations helpful. If the Board or staff has any questions regarding this letter, please feel free to contact me at 202-649-3450.

Sincerely,



Nicholas J. Satriano
Chief Accountant and Senior Associate Director - Office of Risk Analysis
Federal Housing Finance Agency