FEDERAL RESERVE LENDING DISCLOSURE: FOIA, DODD-FRANK, AND THE DATA DUMP

HEARING

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DOMESTIC MONETARY POLICY
AND TECHNOLOGY

OF THE

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CONTENTS

FEDERAL RESERVE LENDING DISCLOSURE: FOIA, DODD-FRANK, AND THE DATA DUMP

Wednesday, June 1, 2011

U.S. House of Representatives,
Subcommittee on Domestic Monetary
Policy and Technology,
Committee on Financial Services,
Washington, D.C.

The subcommittee met, pursuant to notice, at 3:40 p.m., in room 2128, Rayburn House Office Building, Hon. Ron Paul [chairman of the subcommittee] presiding.

Members present: Representatives Paul, Jones, Luetkemeyer, Schweikert; Clay, Maloney, and Green.

Ex officio present: Representative Bachus.

Chairman Paul. This hearing will come to order.

I would like to advise the members that the microphones we have improvised will be live all the time. So be careful what you say; the microphone is on. I imagine that is true down there, as well.

First, I want to welcome our two witnesses, and I will introduce them a little bit later. But, once again, I apologize to everybody for the inconvenience. I apologize to myself, because nobody likes to be inconvenienced. But it looks like we have a system set up here so that we can pursue our hearing.

And, without objection, all members' opening statements will be made a part of the record.

I will go ahead with an opening statement, and I will have time for anybody else who wants to have an opening statement.

I want to emphasize that I consider these hearings to be very, very important. They have come about because of many things that have happened over the last few years, and a lot of movement in the country for more transparency, in general, as well as with the Federal Reserve System. And I think my position on this is fairly well-known.

But, also, there has been legislation passed. The Dodd-Frank bill has stipulations about more information coming to us. That legislation passed last year. There have also been the court cases that are under the Freedom of Information Act. We will be dealing with a lot of that today. And, also, the provisions in the law that was language that was put in by, basically, Senator Sanders, that has required some additional information.

But, what is referred to today so often in hearings on the materials that came out of the Freedom of Information Act, it is called "the dump." And I find that rather interesting, to call it that, because it sounds like a lot of material was dumped. And when you think of 29,000 pages of technical information, it is very large, and a lot of people have been studying it. Our staffs have been working very hard, and, quite frankly, it isn't all that easy to figure out.

It reminds me of a story that was told, supposedly a true story, that an individual was being audited by the Federal Reserve. And they came to him, and they said, "We want 5 years of everything that you have ever done, every receipt you have ever had." And, of course, that made him very unhappy, so he put them all together in a bushel basket and he dumped them. And I will tell you what, it didn't go over very well, and he got into a lot of trouble. I am not suggesting this is similar, but it is a story that reminds me, when I look and try to figure out really what we have, it is a lot of material, and to sort this out is not easy.

One argument, and I understand the argument very clearly, on the hesitancy of the Federal Reserve not to give out too much information too early, with the idea that it might be proprietary and it might set the stage for concerns in the market.

But, I think it is in contrast to the purpose of the SEC. The SEC has a purpose to investigate, demand reports, and get the information out immediately, and that is their responsibility. And if a company doesn't let us know exactly what they are doing and what their accounting procedures are, they get into a lot of difficulty. But the argument seems to be different for the Federal Reserve, that, oh, if we have information about a bank that might be in difficulty, in a market situation, that information should be available to us. So I take the position that information shouldn't be that detrimental to us and the more we can get, the better.

I am hopeful that today we will be able to ask some pertinent questions to get more information and that members can follow up with more questions later on, and that there will be more transparency without ever injuring anybody. That certainly would be my goal.

I would now like to yield 5 minutes to Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman. And thank you so much for holding this hearing to examine information disclosed by the Federal Reserve in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Freedom of Information Act.

Also, I want to thank the witnesses for appearing today.

Due to the U.S. financial crisis, the Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This legislation was crafted as a response to the financial crisis, which has cost nearly 10 million American jobs and over $10 trillion in household wealth. Nearly 4 million families have lost their homes to foreclosure and an additional 4.5 million have slipped into the foreclosure process or are seriously behind on their mortgage payment.

According to the Financial Crisis Inquiry Report, a combination of excessive borrowing, risky investments, and a lack of transparency put the financial system on a collision course of self-destruction. In the years leading up to the crisis, too many financial institutions, as well as too many households, borrowed too much, leaving them vulnerable to financial distress if the value of their investments declined even modestly.

For example, as of 2007, the 5 major investment banks were operating with extraordinarily thin capital. By one measure, their leverage ratios were as high as 40:1, meaning for every $40 in assets, there was only $1 in capital to cover losses. Less than a 3 percent drop in asset value could wipe out a company.

Leverage was often hidden in off-balance-sheet entities, in derivatives positions, and through "window dressing" of financial reports available to the investing public. Within the financial system, the danger of this debt was increased because transparency was not required or desired. Undercover corporate dealings assisted in the financial meltdown which still plagues us today.

In order for democracy and capitalism to exist correctly, transparency must be at the core. Trust and transparency and the rule of law are fundamental to this Nation's success. And business depends in some way on trust—a trust that business produces good products and a trust that business will deliver good services. Democracy depends in some way on trust. Transparency promotes government accountability, free and fair elections, competition and free markets; and the rules of law are critical to it.

The Dodd-Frank Wall Street Reform and Consumer Protection Act addresses these issues by reforming the Federal Reserve in two ways:

One, it limits the Federal Reserve's 13(3) emergency lending authority by prohibiting emergency lending to an individual entity. The Secretary of the Treasury must approve any lending program, and the program must be broad-based and loans cannot be made to insolvent firms. Collateral must be sufficient to protect taxpayers from losses.

And two, it requires the Federal Reserve to disclose counterparties and information about amounts, terms, and conditions of 13(3) and discount window lending, and open-market transactions on an ongoing basis, with specified time delays.

These are just a few examples of the importance of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Thank you, Mr. Chairman. I look forward to the witnesses' comments.

Chairman PAUL. I thank the gentleman.

Mr. Luetkemeyer, you are recognized for an opening statement.

Okay. There are no more opening statements, so I will go ahead and introduce our witnesses.

First, we have Mr. Scott Alvarez, who is General Counsel at the Board of Governors, a post he has held since 2004. He has been with the Board for 30 years. And, also, Mr. Thomas Baxter, Jr., has been General Counsel and Executive Vice President of the legal group at the Federal Reserve Bank of New York since 1995. He also serves as Deputy General Counsel of the FOMC. Mr. Baxter has been with the New York Fed for more than 30 years.

It has been agreed upon by the witnesses, Ranking Member Clay, and myself that Mr. Alvarez will deliver the oral remarks for the joint written testimony of Mr. Alvarez and Mr. Baxter. This testimony may run longer than the customary 5 minutes. And without objection, your joint written statement will be made a part of the record.

I now yield to Mr. Alvarez.

JOINT STATEMENT OF SCOTT G. ALVAREZ, GENERAL COUNSEL, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM; AND THOMAS C. BAXTER, JR., GENERAL COUNSEL, FEDERAL RESERVE BANK OF NEW YORK

Mr. ALVAREZ. Chairman Paul, Ranking Member Clay, members of the subcommittee, Thomas Baxter, the General Counsel of the Federal Reserve Bank of New York, and I appreciate the opportunity to discuss the ways the Federal Reserve informs the Congress and the American people about its policies and actions.

Central bank lending facilitates the implementation of monetary policy and allows the central bank to address short-term liquidity pressures in the banking system. This role of lender of last resort is a critical one, long filled by central banks around the world, especially during times of economic crisis, when discount window lending can mitigate strains in financial markets that could otherwise escalate and lead to sharp declines in output and employment. In the United States, all discount window loans are fully secured, and the Federal Reserve has not suffered a loss to date on its discount window lending.

The Federal Reserve regularly releases significant detailed information about its operations in order to promote the understanding of how the Federal Reserve fosters financial stability and economic stability and to facilitate an evaluation of our actions while preserving the ability to effectively fulfill the responsibilities that Congress has given the Federal Reserve. Since 1914, the Federal Reserve has published its balance sheet every week.

We also publish full financial statements annually that are audited by an independent public accounting firm, which for the last 4 years has been Deloitte & Touche. These audits cover Maiden Lane, Maiden Lane II, and Maiden Lane III, as well as the transactions conducted through the discount window and with foreign central banks.

The Federal Reserve also publishes a special monthly report to Congress, posted on our Web site, that details the Federal Reserve's emergency lending programs, including providing information on the amount of lending under each program, the type and level of collateral associated with those loans, and information about the borrowers under those facilities.

In addition, the Federal Reserve Bank of New York maintains a Web site that includes schedules of purchases and sales of securities as part of open-market operations, with CUSIP information describing the securities involved.

The Federal Reserve is fully cooperating with the GAO in an extensive review of each of the special lending facilities developed during the crisis. This review will assess operational integrity, internal controls, security and collateral policies, policies governing third-party contractors, and the existence of any conflicts of interest or inappropriate favoritism in the establishment or operation of the facilities.

As provided by the Dodd-Frank Act, on December 1, 2010, the Board published detailed information on its Web site about the Federal Reserve's actions during the financial crisis. This release includes the names of borrowers, the amount borrowed, the date credit was extended, the interest rate charged, information about collateral, and the description of the credit terms under each facility.

Similar information was provided for the draws of foreign central banks on their dollar liquidity swap lines with the Federal Reserve. For agency MBS transactions, details included the name of the counterparty, the security purchased or sold, and the date, amount, and price of the transaction.

On March 31, 2011, the Federal Reserve released documents related to the discount window in response to requests filed under the Freedom of Information Act. The March 31st release included documents containing information related to borrowers at the discount window between August 8, 2007, and March 1, 2010, that was not required to be disclosed under the Dodd-Frank Act.

Going forward, the Dodd-Frank Act provides for the release of information on any broad-based emergency lending facility 1 year after the termination of the facility, as well as a GAO audit of the facility. The Act also provides for the release of information regarding discount window lending and open-market operations conducted after July 21, 2010, with a 2-year lag.

For lending facilities, including both emergency lending facilities and the discount window, and for open-market operations, the Federal Reserve will publish information disclosing the identity of the borrower or counterparty, transaction amount, interest rate or discount paid, and the collateral pledged.

The Federal Reserve believes the lags provided by the Dodd-Frank Act for the release of transaction-level information establish an important balance between the public's interest in information about participants in transactions with the Federal Reserve and the need to ensure that the system can effectively use its congressionally authorized power to maintain the stability of the financial system and implement monetary policy.

We will carefully monitor developments in the use of the discount window and other Federal Reserve facilities and keep the Congress informed about their effectiveness. The Federal Reserve has worked and will continue to work with the Congress to ensure that our operations promote the highest standards of accountability, stewardship, and policy effectiveness, consistent with meeting our statutory responsibilities.

We appreciate the opportunity to describe the Federal Reserve's efforts on this important subject and are happy to answer any questions you may have. And we will be responsive to any written questions you may submit, as well.

Thank you very much, Mr. Chairman.

[The joint prepared statement of Mr. Alvarez and Mr. Baxter can be found on page 26 of the appendix.]

Chairman PAUL. I thank the gentleman.

I will yield myself 5 minutes, but announce that we will likely be able to have repeat questioning. I think the time will permit that. But I will start off with 5 minutes.

I first want to ask unanimous consent to submit an article for the record from Bloomberg called, "Fed Gave Banks Crisis Gains on $80 Billion Secretive Loans as Low as 0.01%." Without objection, it is so ordered.

I want to refer to one document. And this little document from the material that we got from the Federal Reserve is called a "Chart Pack of Market Monitoring Metrics for Fed Facilities." I am sure you know all 29,000 pages, and you probably know exactly what I am talking about, but it tells you about the problem that we have in trying to find out information.

And this particular document has 327 pages to it, but, in this particular document, it has some interesting material that I did not know about, and I want to ask about it. It reveals that there was a previously undisclosed Fed lending program known as the single-tranche open-market operations, and it is referred to as "ST OMO." This is something new, and it allows the Fed to give .01 percent—that is, free money—to companies like Goldman Sachs and was essentially a free loan to these well-connected businesses.

But, also, the problem that we had in analyzing this to find out information that we are looking for is, it turns out that, just in this particular area, 81 percent of the contents has been redacted. So, we end up with a lot of pages, and then we end up with 19 percent that actually has information that we have to sort out.

The question is, why were these details not mentioned? Is it that everything has to be done in secret? We would like to know, the people would like to know, but we didn't see any evidence until this was dug out of here. And maybe it was mistakenly not redacted or something like that. It makes us wonder why we don't know about this.

That, of course, is one of my big beefs with the Federal Reserve, that the central bank wields so much power, so much financial power, you literally can have transactions greater than what we can do with our own budget. And that is why it is a deep concern to me, but to many other people as well.

But why was this not published? And are these and other programs that have yet to be disclosed—are there others? Why were so many pages redacted? Can you really claim this to be in compliance with FOIA, the Freedom of Information Act, when we don't know what has been excluded?

I would like to get your reaction to this and for you to talk specifically about this one program and what has been going on with it.

Mr. ALVAREZ. Mr. Chairman, the program you refer to, the single-tranche OMO program, was not a secret program. It was actually publicly announced by the Federal Reserve on March 7, 2008, when the program began. It was a short-term program that ended in January of 2009. And transactions that were conducted under that program as part of our open-market operations were reported, along with other open-market operations, on the New York Federal Reserve Bank Web site very quickly after the transactions occurred.

The documents you have before you are from the response for the Freedom of Information Act request. And so that, itself, should explain why there are redactions. The way the Freedom of Information Act works, it is a request for certain types of information in documents. First, the agency collects all documents that may have any information that relates to the request. Then, information that is not requested is taken out of the documents, redacted from the documents, simply because it is not responsive to the request.

So, it is not a desire to keep things secret. It is, instead, a desire to be responsive to the request. Often, when a requester asks for documents, there is information that is extraneous or not the kind of information that was requested, not relevant to the request, and that is taken out of the documentation. And that is why you see redaction in the documents before you.

These documents were reviewed by the court and released by the court in accordance with the Freedom of Information Act.

Chairman PAUL. Does that mean, if somebody were to follow up and broaden that request, all that material could become available? Would they have to just change the Freedom of Information Act request?

Mr. ALVAREZ. If another request was made for a broader range of information, we would review that information, determine what is confidential and what could be released, and a decision then would be made on that request.

Chairman PAUL. Could it be made so broad that you just turn over everything?

Mr. ALVAREZ. I am not sure there are enough people in the world to look at everything we have to turn over, but we would do the best we could.

Chairman PAUL. Okay.

My 5 minutes is up, and I now yield to Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

And thank you, Mr. Alvarez.

Just one question. Has the dramatic and, I believe, welcome increase in transparency, including your own initiatives and those called for in the Wall Street Reform Act of 2010, had any adverse or troubling consequences either for policymaking at the Fed or for the financial institutions that you regulate and interact with?

Mr. ALVAREZ. We think the increases in transparency, particularly around monetary policy, that we have taken in the last few years have been very helpful and responsive and have improved understanding of the Federal Reserve and the policy actions we are trying to take.

We have provided a lot of detailed information about the credit transactions we engaged in during the crisis. Congress, we think, struck a very important balance between the need for access to that information and providing a delay so that participants in the transaction don't experience the stigma that often occurs when there is an immediate release of information, allowing, therefore, an explanation for why institutions have participated in the facilities.

We are monitoring whether there will be any effect. We, of course, won't know until we see how these facilities operate in the future. We will keep the Congress informed on the effectiveness. If there is any bad effect, we will let you know.

Mr. CLAY. So you will inform the Congress as to if there needs to be changes in the—

Mr. ALVAREZ. Absolutely.

Mr. CLAY. Okay. Thank you for your response.

And, at this time, Mr. Chairman, I would like to yield the balance of my time to the gentlewoman from New York.

Mrs. MALONEY. I thank the gentleman for yielding, and I thank the chairman for holding this important hearing.

And I welcome both of our witnesses.

And I think we all have to remember that we were really on the verge of collapse, that this was a—we had the great recession instead of a great depression because of the monetary policy and many of the steps that we took.

One of those steps that we have taken to stabilize our markets and move forward is the Dodd-Frank bill. And, in that, we required the GAO to conduct an audit of the Federal Reserve, and we also required the Fed to make information about the transactions through emergency lending facilities from December 2008 to March 2010 available to the public. In addition, Dodd-Frank required that the Fed disclose information about the entities that used the discount window or under I believe it was section 13(3) lending facilities.

But in addition to what we required in Dodd-Frank, the Federal Reserve is also already subject to robust congressional oversight. And I would like to ask our two witnesses, can you give the committee some examples of the types of congressional oversight that you are already required to do, even before Dodd-Frank?

Mr. ALVAREZ. Two of the most important types of oversight are: The Chairman of the Federal Reserve, who is also the Chairman of the FOMC, provides testimony on the economy twice each year, on the call of the House and the Senate. And that is an important check on monetary policy and the state of the economy.

Another important method is this hearing and hearings like this that we are going through. The staff and the Governors and the Chairman of the Federal Reserve, and the Presidents of the Reserve Bank have often been called to Congress to report on every aspect of our duties and how we implement various policies. And you use those as oversight of us, and we explain positions that we have taken.

So, I think it is the interaction between the Congress and the Federal Reserve in testimonies, in particular, that have been an effective form of oversight.

Mrs. MALONEY. Okay. My time is about to expire, but, as you know, there is a GAO audit authority now. Was there anything that is excluded from the GAO audit authority?

Mr. ALVAREZ. The GAO is authorized to audit a full range of the Federal Reserve's responsibilities. That includes all of the emergency transactions, the discount window, our supervisory authority, our consumer authority, all the various aspects of authority.

An area that Congress has reserved is the implementation of monetary policy, the actual policymaking decision process. The GAO does look at how we implement the policy, in the form of making sure that transactions actually occur as appropriate, that they are accounted for properly on the balance sheet, that they are fully disclosed. But the decision-making process for monetary policy is the one thing outside the GAO's scope of authority.

Mrs. MALONEY. Mr. Chairman, may I follow up with one brief question on what are the arguments for excluding it? Why was that excluded? What is the argument for it?

Mr. Alvarez?

Mr. ALVAREZ. The importance of allowing the Federal Reserve and the FOMC to conduct monetary policy independently has been demonstrated throughout the world in both actions by other central banks and in a variety of studies of monetary policy.

The point, I think, is that the Congress wanted to reserve to the FOMC the ability to have discussions that are full and free and frank and to explore all the possible alternatives for monetary policy to reach the best monetary policy decision.

Moreover, the GAO doesn't do audits in the sense of a technical audit like a financial auditor might do, but does performance reviews and policy reviews. So that would mean that the GAO would review the alternatives considered for monetary policy, how the decisions were made, whether the decisions were actually appropriate. That would cause second-guessing of the FOMC, cast into doubt whether the FOMC was actually making the policy decisions or whether the GAO was making policy decisions in monetary policy, and make it more difficult for the monetary policy to be done effectively by the Federal Reserve.

Mrs. MALONEY. Thank you.

Thank you, Mr. Chairman.

Chairman PAUL. Thank you.

I now yield 5 minutes to the vice chairman, Mr. Jones from North Carolina.

Mr. JONES. Mr. Chairman, thank you very much. And I appreciate you holding these hearings, as others have said.

I am going to take a little different approach. I represent the Third District of eastern North Carolina. It is a great district to represent, the home to the Camp Lejeune Marine Base, Cherry Point Marine Air Station, and the Outer Banks.

The frustration of the average businessperson down in my district is very deep and severe. And we have had numerous inquiries from the Third District, the citizens of the Third District, about the Federal Reserve and how decisions are made.

I know you cannot go into some of the backroom negotiations at the Reserve; I am not even asking that. But how do you say to the small-business owner that, in this crisis situation, we seem to find ways to help foreign banks, foreign entities? And I am looking here at the note that my staff prepared for me—Harley-Davidson, McDonald's, GE, Verizon, Toyota. And yet, I have people in my district saying, "I go to the local banks, and I can't get any loans, and my credit has always been good."

Why and how does the Federal Reserve seem to be able to find the way to help these entities that are gigantic? And through greed and manipulation, they cheated, and, yet, they get bailed out. They get the help, when the average businessperson down in eastern North Carolina and probably across America, they can't even go to a bank that they have been banking with for 15 or 20 years and get a loan. And yet, here we are at the Federal Reserve, looking at those foreign banks who might need some help or these corporations that might need some help.

It really is—that is why this hearing is very important. The transparency, the trust—and that is a big word to me, "trust"—is just not there with the average system, when it comes to the Federal Reserve. And yet, if it had not been for the push by—I won't name all the entities that pushed—to tell you to show the bottom line, to show what was in the closet of decisions, who was being helped, we never would have known it.

And yet, I know you gentlemen are attorneys, and you are probably not at the position where the person ought to be here who ought to be putting a hand on the Bible to tell the truth to the American people.

That is my concern, is, how do we build the confidence of the American people when we see what is happening at the Federal Reserve?

Mr. ALVAREZ. Congressman, we understand that and feel that same frustration.

The programs that were designed and implemented by the Federal Reserve during the financial crisis were not designed to aid big companies for the sake of aiding big companies. The programs that we designed—for example, the TALF program—were designed to pass money and credit and liquidity on to the American people. So, for example, the TALF resulted in 3 million more auto loans during the crisis than would have occurred, a million more student loans, and almost a million small-business loans.

The programs you are talking about that aided Harley-Davidson and Toyota and other companies were the commercial paper facility, which provided short-term funding to those companies so they could continue to keep employment up and manufacturing up in the United States, so that they could continue to provide jobs and provide opportunities in the United States.

Our efforts were all designed to try to keep the economy moving in order to help individuals and small businesses, not for the sake of helping the larger institutions.

And I understand that there is a different perception. Part of that perception, I think, comes from the fact that most of the financial tools that we were given are designed to work through banks or work through large markets. So we use the tools the best we can in order to have the funding aid the broadest range of people possible.

Mr. JONES. Mr. Chairman, I know my time is about up. But I guess, in a way, that if it had not been for Bloomberg and the Wall Street Journal and all of these raising the questions, doing investigation, I don't know if we would be having this hearing today. I don't know.

Chairman PAUL. I thank the gentleman.

I yield 5 minutes to Mrs. Maloney from New York.

Mrs. MALONEY. I thank the chairman for yielding.

And, as he is well aware, on Friday the jobs numbers come out. And the economy has been improving, not as fast as we would all like, but we are digging our way out of that hole.

And now that we have the benefit of hindsight and we are slowly recovering from the financial crisis of 2008, I know that some have taken the position—a position that I do not agree with—that the Fed's lending during this time actually helped contribute to the crisis. And some have argued that the Fed didn't need to take the actions that it took because the situation would have stabilized on its own.

But I would like to ask our panelists today, isn't it true that, without the actions that the Fed took, that by not setting up the facilities it did, by not giving institutions access to the discount window to provide additional liquidity to our economy, that the crisis would have been far worse?

So your comments, please, Mr. Alvarez and Mr. Baxter?

Mr. ALVAREZ. Thank you, Congresswoman.

We believe that the facilities that the Federal Reserve established did ease the crisis, and they certainly were designed to do that. The studies that are beginning to come forward now show that they actually were successful in unfreezing various markets—the commercial paper market, the asset-backed securities market—and providing liquidity to the financial system that was important for the financial system to continue to operate.

The funding that we provided was without any losses to the taxpayer. Indeed, the emergency lending facilities resulted in $9 billion worth of interest and fees that were passed on to the Treasury.

As I was explaining to Congressman Jones, the facilities were designed to provide real relief to American consumers and small businesses in the form of student loans, auto loans, small-business loans, credit card loans, as well as allowing the operation of companies that relied on the commercial paper market, which had frozen up, to continue to find a source of funding to keep their operations going.

So, we think that the facilities were successful and were a good use of taxpayer funds.

Mrs. MALONEY. I would say that there is an impression—I hear it, and I think other Members of Congress hear it—that is out there, that all of the actions the Fed took during the crisis served only to help financial institutions. But I want to make clear the point that, and I want to make sure that people understand, that all of these actions were in the form of loans, and, in fact, over $125 billion has been returned to the Treasury over and above what was loaned out.

That is what I read. I want to know if that is true. Is that true?

Mr. ALVAREZ. We have, in the last 2 years, provided about $127 billion in earnings to the Treasury. Yes, that is correct.

Mrs. MALONEY. But can you bring this down to Main Street? Can you give the committee members and the general public some examples of how that lending helped not only stabilize the economy and keep our financial institutions in place, but literally helped Main Street and working men and women?

Mr. ALVAREZ. I would like to return to the TALF program, which was one specifically designed to make sure that loans were made in the United States to help students obtain education loans for college, to help small businesses have SBA loans, credit card loans, to provide auto lending, to provide equipment leasing, and a variety of other kinds of loans that were not being made during the financial crisis because of liquidity shortages.

That program was extraordinarily successful—

Mrs. MALONEY. Is it still operating?

Mr. ALVAREZ. It is. It has closed, but there are still about $14 billion in loans outstanding. There were $70 billion of credits extended through the program through its life. Much of it has been repaid.

Mrs. MALONEY. I would like to ask about a number of programs that the Fed engages in, including holding gold for foreign countries, account services, and liquidity programs. In your experience, are these common activities for central banks?

Mr. BAXTER. Yes, Congresswoman, they are common for central banks. It is common for central banks around the world to hold reserves, and, as you know, the dollar is the principal reserve currency. At the Federal Reserve in New York, we hold over $3 trillion on behalf of foreign central banks and countries.

It is very important to hold those sizable reserves because those sizable reserves are principally invested in Treasury securities, which helps to finance the debt of the United States. So, holding dollar reserves is a very important function of the Federal Reserve, and we do that at the New York Fed. And it is similar to functions that other foreign central banks perform around the world.

Mrs. MALONEY. My time has expired. Thank you, Mr. Chairman.

Chairman PAUL. Thank you.

I yield 5 minutes to Mr. Green from Texas.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the witnesses for appearing, as well.

I am interested in the central banks of other countries as compared to our country and this disclosure that they engage in compared to our country. I know that the systems are not going to be the same, but with reference to disclosure, can you give us some indication so that we can have some sort of comparison?

Mr. ALVAREZ. The practices of disclosure vary quite a bit across the world, but I believe the Federal Reserve is one of the, if not the, most transparent central banks.

Many central banks in developed countries do not, for example, announce their policy decision or the votes that are taken. The Federal Reserve does both of those. Many central banks do not provide minutes for their meetings. The Federal Reserve provides minutes 3 weeks after each meeting. Many foreign central banks do not publish at all the transcripts of their meetings, and the Federal Reserve publishes the transcript 5 years after each meeting.

On the discount window lending, that is a common power that foreign central banks have, but they are much less transparent in that area, as well. Indeed, you may recall that, at the start of the crisis, it was a leak about a discount window loan made by the Bank of England to Northern Rock that resulted in a run on Northern Rock there. So, the foreign countries tend to be more circumspect about the information they disclose about their discount window lending operation.

Mr. GREEN. Yes, sir?

Mr. BAXTER. With respect to the incident that Mr. Alvarez described, the British Parliament has written a report, which is entitled, "The Run on the Rock," and it has a section that describes how that run began. And that was triggered by public reports about a borrowing by Northern Rock at the Bank of England. With the permission of the Chair, we could submit that report for the benefit of the subcommittee.

Mr. GREEN. Thank you.

One other quick question, Mr. Chairman, if I may.

I know that you probably have gone through this, but explain to those who are viewing why it is important to have disclosure and why you try to achieve this balance that you have with reference to disclosure. For example, why not just have a CPA come in or someone come in and just audit everything all the time every day? What is the downside?

Mr. ALVAREZ. We do have a CPA come in—Deloitte & Touche, currently—to do an audit of our financial statements, including all of our transactions, our discount window lending and our open-market transactions.

The thought on disclosure is that disclosing the names of borrowers and the amount they have borrowed provides the American people with more information to make sure that the Federal Reserve is acting in a responsible way in its lending facilities.

The balance on the other side is that the discount window is a very important tool both in good times and in bad—in good times, for providing short-term liquidity to institutions when they need it and also as a monetary policy tool to help reduce the volatility of interest rates; and in emergency times, to provide liquidity to institutions that are generally healthy, but where panic has caused asset values to be out of whack, as it were, so that the institution can't fund itself in an appropriate way.

So the discount window is a very important tool. The concern is that, because it is often used by both healthy and troubled institutions, the public will be confused if it sees the names of a borrower at the discount window and not be certain if that institution is healthy or not. And if a healthy institution is wrongly thought to be troubled because it has accessed the discount window, then that could cause problems for that institution. That causes institutions to back away from using the discount window, and that makes it a much less effective tool, both in good times and in bad times, for addressing liquidity crises.

So it is important to have a balance in the disclosure. That is why we think the lag time, the 2-year period between the actual loan and the announcement of the borrower, is important. That leaves the institution some period of time to explain itself, to demonstrate its health, and to not be tied to a troubled transaction at a difficult time.

Mr. GREEN. I think my time is up. Thank you, Mr. Chairman.

Chairman PAUL. Thank you.

I would like to direct this question to Mr. Baxter. And I want to follow up on Mr. Jones' question about how some of these decisions are made and how sometimes the big guy seems to benefit and the little people lose their mortgages and lose their homes and they lose their jobs. And, quite frankly, it is very difficult at times in this country, because it seems like people are too-little-to-save—there are people who are too-big-to-forget about them, too-big-to-let-them-fail.

But I want to direct a question about the foreign loans. And it seems to me from the figures I look at, that nearly one-third of all the loans during this period of time went to foreign banks. And, at one time, at the peak of this, 88 percent of these overall discount window loans went to foreign banks. But at the New York Fed, I think practically, essentially 100 percent of the loans were going to foreign banks.

And the answer I get is that, they are foreign banks but they have subsidiaries, and they qualify under the rules—I wouldn't say under the law, but under the rules—that they can go to the discount window. But it just seems to be way out of proportion, when you think of that tremendous amount of loaning that went to these foreign banks. And this is not easy for the average American citizen to understand.

Could you enlighten us on why it seems to be disproportionate? I am sure they don't represent that percentage of the financial problems that existed. A third of the problems didn't deal with foreign banks, surely. What is the explanation for that?

Mr. BAXTER. Yes, Chairman Paul. Thank you for that question.

First, the starting point is Federal statutory law. And section 13, paragraph 14, of the Federal Reserve Act says to the Federal Reserve that, with respect to discount window borrowing, we are to treat the branch or the agency of a foreign bank just like we treat our own U.S.-charterd depository institutions. So, there is this principle of national treatment that we start with, and it is a principle that is embedded in the Federal Reserve Act itself. And so, we must treat the branch and agency of a foreign bank in the same manner we treat our own. That is the starting point.

The second is, New York is the money center of the United States. And with respect to foreign banks that intend to come to our country and invest in our people and form branches and agencies in the United States, many of those foreign banking organizations look to form those organizations in the money center, which is in New York.

The short answer to your question, Chairman Paul, is the law requires us to lend to branches and agencies. And with respect to New York in particular, that tends to be the place where foreign banking organizations enter our country.

Chairman PAUL. Okay. Proportionately, it still seems to be out of whack. Wouldn't the system invite foreign banks? They are making most of their money overseas. Just open up a subsidiary in New York. And, therefore, they get the line of credit and the protection of the bank, and it is almost like free insurance for them.

Do you think this is a good idea, that a foreign bank, all they have to do is open up and get these bailouts? It just doesn't seem fair at all.

Mr. BAXTER. These were loans, Chairman Paul. They weren't gifts in any way. And the foreign banks have to repay, just like everyone else, the principal and interest.

Second, if a foreign bank—and some do—decides that they would prefer not to form a branch or an agency but to start a subsidiary bank in the United States, that is their option. And some foreign banks do just that. And, of course, the subsidiary bank, which would have a U.S. charter, that has access to the discount window as well.

Mr. ALVAREZ. I would add one more thing.

There is a limit on the amount that they can borrow. They are limited by the amount of collateral that they have, that they can post at the discount window. So, that is dollar collateral in the United States. That doesn't allow the foreign bank to borrow to the full extent of its assets worldwide. It borrows in order to support its dollar activities. And those dollar activities are largely, though not exclusively—you have a point there—but largely in the United States.

Chairman PAUL. Could the argument be made that maybe the banks in Greece should have had a lot more subsidiaries in New York, and maybe then Greece wouldn't be in so much trouble, the Fed would have bailed them out too?

Mr. ALVAREZ. No, their assets are in Greece, so they are Greek assets. And they would go to the Greek central bank to borrow there, not to the United States.

Chairman PAUL. Okay.

Mr. Green, do you have any more questions?

No? Okay. Mr. Jones, for 5 minutes.

Mr. JONES. Mr. Chairman, thank you again.

Looking through a lot of these reports—and I want to go to Libya and see if you can help me understand the rationale by the Treasury and the Reserve.

I will just read one paragraph: "Arab Banking Corporation, the lender part-owned by the Central Bank of Libya, used a New York branch to get 73 loans from the U.S. Federal Reserve in the 18 months after Lehman Brothers Holdings collapsed."

Help me understand, so that I can explain to people back in my district, that here we are, an undeclared war. Any time—and I thank God we haven't lost any American military at this point, but we certainly have fired a bunch of missiles. And we are spending millions and millions of dollars, probably billions by now. And we are helping other countries.

What is the protection if Libya is Gaddafi and Gaddafi is Libya—or, at least, it has been for a period of time—and we have made these loans to their affiliate or to Libyan banks, their relationships, what happens in a wartime situation, where we are trying to drive Gaddafi out of business and we have made these loans to him or to Libya?

How do you explain to that person that each and every one of us, on both sides of the political aisle, has talked about today that can't get the loans? How do you explain this to Walter Jones, who happens to be a Member of the Congress, so he can explain it to his people back home?

Mr. ALVAREZ. The Arab Banking Corporation is a bank located in Bahrain. It is not located in Libya. The Libyans bought a substantial part of that bank after all the loans that were extended by the Federal Reserve were repaid.

We work with the Treasury Department and the State Department, which have responsibility for identifying banks that the United States should not deal with for foreign policy reasons. The responsibility for designating those banks rests with them. We consult with them to make sure that we don't lend to institutions that they have determined we should not be lending to.

At the time our credits were extended, Arab Banking Corporation was not identified by Treasury or State Department as a bank that was of concern. It was a foreign bank that had an operation in the United States that was well-rated in all other respects, like another foreign bank from a foreign country.

Mr. JONES. Mr. Chairman, I tell you, knowing that you, for many years, have picked up more and more support for your legislation to audit the Federal Reserve, I wish, truthfully—and it has nothing to do with you gentlemen here today, but I am telling you that the distrust out here by the American people is as deep and as severe as I have ever seen it. And not only Congress itself, not only the Administration, but the Federal Reserve is just, at this point, at a very low ebb as it relates to trust.

And I am not talking about you personally. You are two men of high integrity, I know that. But, right now, the Federal Reserve is not held in high esteem by many people in this country.

I will yield back.

Chairman PAUL. I thank the gentleman.

I have a few short questions, and then we will finish up.

One thing is, on a follow-up on what Mr. Jones says, is, the confidence is very low. But when you speak of independence—and I understand your terms, and I disagree with the need for that, but I understand it. But what people hear, when you say "independence," they hear "secrecy." You are going to keep it from us.

And like the point I made at the beginning, the SEC is to pressure companies to reveal information, where the Federal Reserve does the opposite. They want—no, we can't tell anything because it might disturb the markets.

I have one question: During the crisis or at any time that you are aware of, has the Federal Reserve or Treasury participated in any gold swaps arrangements?

Mr. ALVAREZ. The Federal Reserve does not own any gold at all. We have not owned gold since 1934. So we have not engaged in any gold swaps.

Chairman PAUL. But it appears on your balance sheet that you hold gold.

Mr. ALVAREZ. What appears on our balance sheet is gold certificates. Before 1934, the Federal Reserve did own gold. We turned that over, by law, to the Treasury and received, in return for that, gold certificates.

Chairman PAUL. If the Treasury entered into—because under the Exchange Stabilization Fund, I would assume they probably have the legal authority to do it—they wouldn't be able to do it, then, because you have the securities for essentially all the gold?

Mr. ALVAREZ. No, we have no interest in the gold that is owned by the Treasury. We have simply an accounting document that is called "gold certificates" that represents the value at a statutory rate of the gold that we gave to the Treasury in 1934.

Chairman PAUL. It is still measured at $42 an ounce, which makes no sense whatsoever.

But, the conventional wisdom today says that gold is really not money. We don't want it to be money. If you are for the gold standard, there is something wrong with you. And, yet, we hold the gold.

And, there has been the suggestion made, and I have sort of encouraged the suggestion, if gold is not money and it is an asset and you don't even use it because it is on your balance sheets and you don't even use it at the real value, why—would you have a position on this? Why shouldn't the Treasury just sell the gold and give it back to the people? The people had it at one time. Let the people have it.

Would you have any objection to that? Would you advise us and say, "No, that is not good; we ought to hold the gold?" Do you think holding the gold is a good idea or a bad idea?

Mr. ALVAREZ. I have no position on that at all. That is clearly a matter for the Treasury.

Chairman PAUL. No position?

Mr. ALVAREZ. It is a matter for the Treasury. It is not within the purview of the Federal Reserve.

Chairman PAUL. Mr. Baxter, would you have an opinion?

Mr. BAXTER. My opinion is, I agree with Mr. Alvarez.

Chairman PAUL. No position.

It is amazing, because I have asked questions of the Federal Reserve, the Members of the Board, for years. And whether it has been Mr. Greenspan—I can't recall exactly what I have asked Mr. Bernanke—but it is always, "Well, no, we have to hold on to these assets." But if it is not money and we don't need it and we are not going on a gold standard, I would think that they shouldn't be holding it.

The reason I ask that is, the truth is, gold is money. And people don't throw it away, and people do cling to it. But I would be really—there are a lot of people who suspect, because of this lack of transparency, that there have been a tremendous amount of gold swaps and loans made and central banks sold a lot of gold off after the last 10 years. A lot of the gold has left the West and has gone to the East. And the central banks now have positive trade balances; they buy up the gold.

There has to be a message in there and a significance, even for those who don't want the restraints of gold, there has to be a message out there that we should look at, because we are in a financial mess and it has to do with our monetary system, and it is being reflected today in rising prices and a weak economy. And just printing all this money isn't doing any good.

All this stuff that has been done for 30 years—when you look at the economic statistics now, they are horrible. And these people who lost their jobs, they are still unemployed. The people who bought stocks in the year 2000, if they held on, they probably haven't even broken even. They probably lost purchasing power.

So, eventually, I think—I know this is off the subject a little bit. But it is reflected only in that we don't know exactly what goes on. And people, when they don't know, then they get suspicious, and they say, "Well, it is kept secret from us. Why aren't we allowed to know?" And we just march on.

And the type of dollars we are talking about, and when we hear about this money going to central banks and banks that Qadhafi was a part owner in, this really stirs up the emotions of a lot of people.

I do appreciate you being here. And I know that there will be a lot of questions, there will be written questions submitted. And we would appreciate your cooperation in sending us your answers.

The Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

Also, I would like to emphasize at this time that this hearing deals with a very complex matter and is a large amount of material. And, therefore, written questions, I am sure, will be followed up. So I ask for as much cooperation as you can give us, because there are times when questions are sent in and they sort of get lost. But because there is so much and it is complicated and now that our time looks like it is going to be shortened, we may have to depend a lot on our written questions. So we ask you for your cooperation there.

And I thank you.

Mr. ALVAREZ. Thank you very much.

Mr. BAXTER. Thank you, Mr. Chairman.

Chairman PAUL. This hearing is adjourned.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

A P P E N D I X

June 1, 2011

United States House of Representatives
Committee on Financial Services
Subcommittee on Domestic Monetary Policy & Technology
Hearing on Federal Reserve Lending Disclosure: FOIA, Dodd-Frank, and the Data Dump
June 1, 2011

Congressman Ron Paul
Statement for the Record

Today's hearing deals with one of the most pressing issues this subcommittee will face during this Congress, the issue of Federal Reserve transparency. While the Federal Reserve is still far less transparent than it should be, recent disclosures of the Federal Reserve's lending programs have greatly increased our knowledge of the Fed's monetary policy during the height of the financial crisis.

In December 2010 and March 2011, a remarkable thing happened: the Fed disclosed information on its lending facilities and discount window operations, including who borrowed money, what amounts were loaned, maturity dates, interest rates, and collateral. It took an act of Congress, the Dodd-Frank Act, to bring about the December releases that discovered the details of the emergency lending facilities set up by the Fed during the crisis. The March 2011 disclosures covered discount window lending, the oldest Fed lending tool, whose operations had never before been disclosed. It took a three year legal battle regarding the Freedom of Information Act's (FOIA) applicability to the Fed in order to gain access to this information. The suits brought by Bloomberg and Fox News resulted in 29,000 pages of unorganized, heavily redacted documents being provided. Combining these two data releases has given us a fuller, if still woefully incomplete, picture of the Fed's operations during the financial crisis and the nearly $3 trillion balance sheet it has built up.

On November 25, 2008, the Fed created the Term Asset-Backed Securities Loan Facility (TALF) which was intended to "lend up to $200 billion... to holders of certain AAA-rated ABS [asset-backed securities]." When the Fed released TALF data in December of 2010, 18% of TALF loans were backed by subprime credit card and auto loan securities, 17% of TALF loans were backed by "legacy", a.k.a. troubled, commercial real estate securities, and 13% of TALF loans were backed by student loan securities. On March 11, 2008, the Fed created the Term Securities Lending Facility (TSLF) to "lend up to $200 billion...to primary dealers... secured... by... securities, including federal agency debt, federal agency residential mortgage-backed securities (MBS), and non-agency AAA/Aaa-rated private-label residential MBS." When the Fed released TSLF data in December of 2010, 26% of loans were backed by AAA/Aaa-rated securities, 17% were backed by non-AAA-rated securities, and 57% of loans were backed by collateral whose rating was not published by the Fed.

Recent news reports have brought to light the existence of a previously undisclosed Fed lending program known as "single-tranche open market operations" (ST OMO). This program loaned money at rates as low as 0.01% to major firms such as Goldman Sachs, and was essentially a free loan to these politically well-connected firms. Data about this program was not published, but instead was gleaned through examination of charts published in March as a result of the Fed's Freedom of Information Act (FOIA) disclosure. The charts were found within a 327-page document which had 81% of its content redacted.

Out of the funds loaned through the Fed's credit facilities, nearly one-third was loaned to foreign banks. Some facilities and programs, such as the Mortgage-Backed Securities Purchase Program, the Commercial Paper Funding Facility, and the TSLF, provided more than half of their funding to foreign banks. During the peak of the financial crisis, up to 88% of overall discount window lending went to foreign banks, and nearly 100% of the New York Fed's discount window lending went to foreign banks.

Not surprisingly, these data disclosures have raised significant new questions about the Fed's behavior. Among many questions raised are: Why did foreign firms receive such a large percentage of Fed lending? What advantages were given to large financial institutions that had access to multiple lending facilities for prolonged periods of time? Did extending loans to non-financial firms go beyond the Fed's emergency lending authority? Why did investors who participated in TALF have to have a relationship with the Fed's primary dealers, and did this give an unfair advantage to wealthy investors, such as the wives of two Morgan Stanley executives? Why did the Fed set up single-tranche open-market operations (ST OMO) which gave primary dealers access to $80 billion at rates as low as 0.01%, essentially providing a direct government subsidy to these firms, and why did the Fed only disclose this information in chart form? Are there other programs that have yet to be disclosed? Why were so many pages redacted in the 327-page document that alluded to ST OMO? Can you really claim to be in compliance with FOIA when such significant portions of documents are redacted? How can we trust that this data was "not responsive" to the FOIA request? Are we to trust the non-transparent Fed that we really don't need to see that information? If the Fed claims to lend against AAA collateral and then does not, can we trust anything the Fed publishes in a press release? Can we trust that collateral classified by the Fed as AAA really is AAA?

More issues emerge from the Fed's handling of the FOIA requests brought by Bloomberg and Fox News. The Fed used several arguments in refusing to comply. Among them was the Fed's claim that it was a private institution and not subject to FOIA, since the documents requested were held by the New York Fed, a private bank, and thus exempt. Fortunately for the American people, the court rejected that assertion. But what exactly is the legal relationship between the private regional banks and the Board of Governors? The Fed also claimed that lending records of discount window borrowers were privileged or confidential information that could cause imminent competitive harm if disclosed, or even cause a run on banks, and therefore should be exempt from FOIA. This has been the Fed's long-standing defense of the secrecy of the discount window. One of the judges in the case summed up the Fed's secrecy succinctly: "[T]he risk of looking weak to competitors and shareholders is an inherent risk of market participation; information tending to increase that risk does not make the information privileged or confidential."

Given the massive amount of data released last December and this March, and the fact that much information in the March data release was redacted, it is all but certain that there remains much to be discovered about the Fed's bailouts through the discount window and its credit facilities. The Federal Reserve's actions in bailing out Wall Street through credit facilities and quantitative easing provoked a backlash among the American people and among many members of Congress. Trillions of dollars worth of loans and guarantees were provided to rich bankers and their worthless holdings of mortgage debt were snapped up by the Fed, while Main Street Americans continued to suffocate under harsh taxation and the prospect of increasing inflation. These events have awakened many Americans to the problems with the Fed's loose monetary policy, the bubbles it has created in the past, and the potential hyperinflation it might cause in the future. We should not neglect the fundamental need for more transparency of the Fed and a thorough audit that can help shed light on operations of the Federal Reserve System. We need stronger audit authority over the Fed, both looking back at previous market interventions and also ensuring that any future credit facilities, bailout vehicles, or large-scale asset purchase programs are subject to oversight.

At this hearing we hope to receive substantive answers from the Fed about its lending behavior during the worst part of the financial crisis, and we hope to receive assurances about the Fed's future compliance with the Dodd-Frank bill's requirements for public access to lending information. Aside from our ability to ask questions at the hearing, the hearing record will remain open for 30 days to allow the Fed time to respond to our written questions. At a time when the Fed's balance sheet is rapidly approaching the $3 trillion dollar mark, it is absolutely imperative that the Fed come clean with the details of its open market operations, lending operations, and asset purchases. Pumping trillions of dollars into the banking system with no oversight by Congress and no accountability to the American people cannot be allowed to continue.

HON. WM. LACY CLAY (MO-1)

JUNE 1, 2011 OPENING STATEMENT

SUBCOMMITTEE ON DOMESTIC MONETARY POLICY AND TECHNOLOGY

HEARING ENTITLED "FEDERAL RESERVE LENDING DISCLOSURE: FOIA, DODD-FRANK, AND THE DATA DUMP"

THANK YOU MR. CHAIRMAN

FOR HOLDING THIS HEARING TO EXAMINE INFORMATION DISCLOSED BY THE FEDERAL RESERVE IN COMPLIANCE WITH THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT AND THE FREEDOM OF INFORMATION ACT. ALSO, I WANT TO THANK THE WITNESSES FOR APPEARING.

DUE TO THE U.S. FINANCIAL CRISIS, THE UNITED STATES CONGRESS PASSED THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2010. THIS LEGISLATION WAS CRAFTED AS A RESPONSE TO THE FINANCIAL CRISIS WHICH HAS COST NEARLY 10 MILLION AMERICAN JOBS AND OVER $10 TRILLION IN HOUSEHOLD WEALTH. NEARLY 4 MILLION FAMILIES HAVE LOST THEIR HOMES TO FORECLOSURE AND AN ADDITIONAL 4.5 MILLION HAVE SLIPPED INTO THE FORECLOSURE PROCESS OR ARE SERIOUSLY BEHIND ON THEIR MORTGAGE PAYMENT.

ACCORDING TO THE FINANCIAL CRISIS INQUIRY REPORT; A COMBINATION OF EXCESSIVE BORROWING, RISKY INVESTMENTS, AND THE LACK OF TRANSPARENCY PUT THE FINANCIAL SYSTEM ON A COLLISION COURSE OF SELF DISTRUCTION.

IN THE YEARS LEADING UP TO THE CRISIS, TOO MANY FINANCIAL INSTITUTIONS, AS WELL AS TOO MANY HOUSEHOLDS, BORROWED TOO MUCH, LEAVING THEM VULNERABLE TO FINANCIAL DISTRESS; IF THE VALUE OF THE INVESTMENTS DECLINED EVEN MODESTLY.

FOR EXAMPLE, AS OF 2007, THE FIVE MAJOR INVESTMENT BANKS WERE OPERATING WITH EXTRAORDINARILY THIN CAPITAL. BY ONE MEASURE, THEIR LEVERAGE RATIOS WERE AS HIGH AS 40 TO 1, MEANING FOR EVERY $40 IN ASSETS, THERE WAS ONLY $1 IN CAPITAL TO COVER LOSSES. LESS THAN A 3% DROP IN ASSET VALUE COULD WIPE OUT A COMPANY.

LEVERAGE WAS OFTEN HIDDEN IN OFF-BALANCE SHEET ENTITIES; IN DERIVATIVES POSITIONS; AND THROUGH "WINDOW DRESSING" OF FINANCIAL REPORTS AVAILABLE TO THE INVESTING PUBLIC. WITHIN THE FINANCIAL SYSTEM, THE DANGER OF THIS DEBT WAS INCREASED BECAUSE TRANSPARENCY WAS NOT REQUIRED OR DESIRED; UNDERCOVER CORPORATE DEALINGS ASSISTED IN THE FINANCIAL MELTDOWN WHICH STILL PLAGUES US TODAY.

IN ORDER FOR DEMOCRACY AND CAPITALISM TO EXIST CORRECLTY, TRANSPARENCY MUST BE AT THE CORE; TRUST, TRANSPARENCY AND THE RULE OF LAW ARE FUNDAMENTAL TO THIS NATION SUCCESS.

BUSINESS DEPENDS IN SOME WAY ON TRUST; A TRUST THAT BUSINESS PRODUCES GOOD PRODUCTS AND A TRUST THAT BUSINESS WILL DELIVER GOOD SERVICES.

DEMOCRACY DEPENDS IN SOME WAY ON TRUST. TRANSPARENCY PROMOTES GOVERNMENT ACCOUNTABILITY, FREE AND FAIR ELECTION, COMPETITON AND FREE MARKETS, AND THE RULE OF LAW ARE CRITICAL TO IT.

THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT ADDRESSES THESE ISSUES BY REFORMAING THE FEDERAL RESERVE: 1) IT LIMITS THE FEDERAL RESERVE'S 13(3) EMERGENCY LENDING AUTHORITY BY PROHIBITING EMERGENCY LENDING TO AN INDIVIDUAL ENTITY. THE SECRETARY OF TREASURY MUST APPROVE ANY LENDING PROGRAM, PROGRAM MUST BE BROAD BASED, AND LOANS CANNOT BE MADE TO INSOLVENT FIRMS. COLLATERAL MUST BE SUFFICIENT TO PROTECT TAXPAYERS FROM LOSSES. 2) IT REQUIRES THE FEDERAL RESERVE TO DISCLOSE COUNTERPARTIES AND INFORMATION ABOUT AMOUNTS, TERMS AND CONDITIONS OF 13(3) AND DISCOUNT WINDOW LENDING, AND OPEN MARKET TRANSACTIONS ON AN ON-GOING BASIS, WITH SPECIFIED TIME DELAYS. THESE ARE JUST A FEW EXAMPLES OF THE IMPORTANCE OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT.

THANK YOU AGAIN MR. CHAIRMAN AND I LOOK FORWARD TO THE WITNESSES COMMENTS!

For release on delivery
2:00 p.m. EDT
June 1, 2011

Testimony

of

Scott G. Alvarez

General Counsel

Board of Governors of the Federal Reserve System

and

Thomas C. Baxter, Jr.

General Counsel

Federal Reserve Bank of New York

before the

Subcommittee on Domestic Monetary Policy and Technology

Committee on Financial Services

U.S. House of Representatives

June 1, 2011

Chairman Paul, Ranking Member Clay, and members of the Subcommittee, we appreciate the opportunity to discuss the different ways in which the Federal Reserve informs the Congress and the American people about our policies and actions. The Federal Reserve regularly releases significant, detailed information about its operations. Our aim in doing so is to promote understanding of how the Federal Reserve fosters financial and economic stability and to facilitate an evaluation of our actions while also preserving the ability to effectively fulfill the responsibilities that the Congress has given the Federal Reserve. In that context, we will describe the Federal Reserve's compliance with the disclosure provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), including the data we released in December 2010 about the transactions we conducted to stabilize markets during the recent financial crisis, restore the flow of credit to American families and businesses, and support economic recovery and job creation in the aftermath of the crisis. We will also address our March 2011 release, under the Freedom of Information Act, of documents regarding the use of the Federal Reserve's discount window during the crisis.

The role of lender of last resort is a critical responsibility long filled by central banks around the world. Central bank lending facilitates the implementation of monetary policy and allows the central bank to address short-term liquidity pressures in the banking system. During normal times, the Federal Reserve's discount window provides a backup source of liquidity for depository institutions in sound financial condition to address unexpected, short-term funding pressures. In doing so, the discount window facilitates the smooth and efficient flow of credit to U.S. households and businesses. In periods of crisis, the discount window is a tool that can be used to support market liquidity, and thereby mitigate strains in financial markets that could otherwise escalate and lead to sharp declines in output and employment. All discount window loans are fully secured and the Federal Reserve has not suffered a loss on any discount window loans.

Disclosure and Integrity of the Federal Reserve's Financial Statements

Since it began operation in 1914, the Federal Reserve has published full financial statements. We release our balance sheet every week, both by individual Reserve Bank and on a consolidated basis for the entire Federal Reserve System.[1] In addition, the Federal Reserve publishes annual financial statements with information on our assets and liabilities as well as income and expenses in the same detail as a publicly traded corporation.[2]

During the recent financial crisis, the Federal Reserve expanded its weekly balance sheet disclosures to include information about the amount of credit outstanding under each of the credit facilities established during the crisis. The Federal Reserve also initiated in June 2009 a special monthly report, which we provide to the Congress and publish on the Board's website, that provides additional detail about the Federal Reserve's emergency lending programs, including information on the amount of lending under each program, a description of the type and level of collateral associated with those loans, and information about the borrowers under those facilities.[3] This report includes aggregate information about credit provided to depository institutions through the discount window as well as information on the Federal Reserve's securities holdings and the holdings of Maiden Lane, Maiden Lane II, and Maiden Lane III. The

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[1] This information is published each Thursday, for the week ending the preceding Wednesday, through the Federal Reserve's H.4.1 Statistical Release, "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks." The current release, as well as past releases dating from 1996, is available on the Board's website at www.federalreserve.gov/releases/h41/default.htm. The website also provides descriptive information and an interactive guide for each table in the release.

[2] This information is included in the Board's annual report, which is submitted to the Congress each spring and published on the Board's website at www.federalreserve.gov/boarddocs/rptcongress.

[3] See the *Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, available at www.federalreserve.gov/monetarypolicy/clbsreports.htm. For more information on the various Federal Reserve liquidity and credit facilities and further background on the Federal Reserve's balance sheet, see www.federalreserve.gov/monetarypolicy/bst.htm.

Board's website also contains detailed information about the terms and conditions of each of the emergency lending programs, the availability of discount window lending, the swap lines opened with foreign central banks, and the arrangements with third-party vendors used by the System during the financial crisis, as well as expansive data and numerous reports and other information on all aspects of Federal Reserve operations.[4]

The Federal Reserve Bank of New York (FRBNY) also maintains a website that offers detailed information on open market operations taken to implement the monetary policy decisions of the Federal Open Market Committee. This information includes schedules of purchases and sales of securities as part of open market operations with CUSIP information describing the securities involved. With this information, a description of every open market operation can be examined shortly after it is conducted. Other open market information available on the FRBNY website includes summary and individual data on the securities held in the System Open Market Account and information about the federal funds rate.[5] The site also contains a great deal of additional data related to FRBNY operations, including the names of the primary dealers, some legal forms for transacting business, and other information about fiscal agency activities on behalf of the U.S. Treasury.

The Federal Reserve's annual financial statements are audited by an independent public accounting firm, which performs customary procedures to assure their accuracy and integrity. For the last four years, for example, Deloitte and Touche has audited the financial statements of the Federal Reserve Board and the Federal Reserve System as a whole. In each year, the Federal Reserve has received a clean auditor opinion, meaning that the financial statements present fairly the financial positions of the Federal Reserve. Further, the external auditor also opines that the

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[4] The Board's website is at www.federalreserve.gov.

[5] FRBNY's website is at www.newyorkfed.org. See www.newyorkfed.org/markets/openmarket.html for information about open market operations.

Federal Reserve has maintained effective internal controls over financial reporting. The independent audit also covers transactions conducted through each of the special lending facilities established by the Federal Reserve under section 13(3) of the Federal Reserve Act and the financial statements of Maiden Lane, Maiden Lane II, and Maiden Lane III, as well as the transactions conducted through the discount window and with foreign central banks. By statute, the Board's Office of Inspector General (OIG) is responsible for ensuring that the auditor and the audits are independent. The results of these financial audits are reported annually to the Congress along with the audited financial statements of the Federal Reserve System and published on the Board's website.[6] The OIG also has conducted its own review of the special lending facilities established under section 13(3) of the Federal Reserve Act.

In addition to these audits, the Federal Reserve, and in particular, the special lending facilities established by the Federal Reserve during the recent financial crisis, have been subject to a number of other audits and reviews. These include special audits by the Office of the Special Inspector General for the Troubled Asset Relief Program for each program that involved any funding from the TARP program.[7] The Congressional Oversight Panel and the Financial Crisis Inquiry Commission also conducted reviews and both have issued public reports.[8]

Moreover, the Federal Reserve's financial statements and a broad range of our functions are subject to review by the Government Accountability Office (GAO). For example, in recent years the GAO has conducted reviews of the policies and practices of the Federal Reserve in its supervision and regulation of bank holding companies, state-chartered banks that are members of

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[6] The latest *Annual Report of the Board of Governors of the Federal Reserve System* is available on the Board's website at www.federalreserve.gov/boarddocs/rptcongress.

[7] See www.sigtarp.gov/audits.shtml.

[8] See Congressional Oversight Panel (2011), *March Oversight Report—The Final Report of the Congressional Oversight Panel* (Washington: GPO, March 16), www.gpo.gov/fdsys/pkg/CHRG-112shrg64832/pdf/CHRG-112shrg64832.pdf; The Financial Crisis Inquiry Commission (2011), *The Financial Crisis Inquiry Report* (Washington: GPO, January), www.gpoaccess.gov/fcic/fcic.pdf.

the Federal Reserve System, and other banking organizations. It has also conducted reviews of the Federal Reserve in other areas, including our oversight and operation of payment systems; our implementation and enforcement of consumer protection laws; our policies on the acquisition of U.S. banking organizations by sovereign wealth funds; our efforts to address cyber security; and the need for financial regulatory reform. These reviews are not limited to auditing the integrity of the financial statements or public reporting of these activities. Rather, the GAO reviews the development of policies and provides assessments of and suggestions regarding appropriate policies.

In response to a directive from the Congress in the Dodd-Frank Act, the GAO is currently conducting a special review of all loans and other Federal Reserve transactions between December 1, 2007, and July 21, 2010, under the special lending facilities and other programs developed during the financial crisis.[9] This review will assess operational integrity, internal controls, security and collateral policies, policies governing third-party contractors, and the existence of any conflicts of interest or inappropriate favoritism in the establishment or operations of the facilities.[10] The Federal Reserve is fully cooperating with the GAO in its conduct of this extensive review and will continue its close cooperation with the GAO to assist in its reviews of Federal Reserve functions generally.

Recent Information Releases

As provided by the Dodd-Frank Act, on December 1, 2010, the Board published detailed information on its website about the Federal Reserve's actions during the financial crisis, including transactions to stabilize markets, restore the flow of credit to American families and

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[9] This audit is being undertaken pursuant to section 1109 of the Dodd-Frank Act and is to be completed in July 2011.

[10] See 31 U.S.C. § 714(f).

businesses, and support economic recovery and job creation in the aftermath of the crisis.[11] Many of these transactions, conducted through a variety of broad-based lending facilities, provided liquidity to financial institutions and markets through fully secured, mostly short-term loans. Purchases of agency mortgage-backed securities (MBS) supported mortgage and housing markets, lowered long-term interest rates, and fostered economic growth. Dollar liquidity swap lines with foreign central banks helped stabilize dollar funding markets at home and abroad. Other transactions provided liquidity to particular institutions whose disorderly failure during the financial crisis could have severely stressed an already fragile financial system.[12] The Federal Reserve followed sound risk-management practices in administering all of these programs, most of which ended during 2010. The Federal Reserve has incurred no credit losses to date on these programs, and does not expect to incur any credit losses on the few programs still outstanding.

In the December 1 data release, the Federal Reserve provided vast amounts of information about the programs and the terms and conditions of the individual transactions made under them. The information provided detailed explanations as well as definitions of the material terms for each facility. Data concerning the material terms were made available in multiple formats, including Excel files that allow users to search, sort, and filter the data for each program in multiple categories. For the broad-based lending facilities, details included the name of the borrower, the amount borrowed, the date the credit was extended, the interest rate charged,

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[11] See section 1103(b) of the Dodd-Frank Act. The data released on December 1, 2010, included transaction-level information about the following programs: the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF); the Term Asset-Backed Securities Loan Facility (TALF); the Primary Dealer Credit Facility (PDCF); the Commercial Paper Funding Facility (CPFF); the Term Securities Lending Facility (TSLF); the TSLF Options Program (TOP); the Term Auction Facility (TAF); agency MBS purchases; dollar liquidity swap lines with foreign central banks; assistance to Bear Stearns, including Maiden Lane; and assistance to American International Group, including Maiden Lane II and III. The information can be found on the Board's website at www.federalreserve.gov/newsevents/press/monetary/20101201a.htm.

[12] The Dodd-Frank Act has substantially modified the ability of the Federal Reserve to extend emergency credit to single identified non-banking companies. Now, credit under section 13(3) of the Federal Reserve Act may only be offered through credit facilities with broad-based eligibility.

information about collateral, and other relevant credit terms. Similar information was provided for the draws of foreign central banks on their dollar liquidity swap lines with the Federal Reserve. For agency MBS transactions, details included the name of the counterparty, the security purchased or sold, and the date, amount, and price of the transaction.

In addition, as mandated by the Dodd-Frank Act, the Board's website directly links to the Federal Reserve's audit-related information, including GAO reports, annual audited financial statements, and reports related to emergency lending authority provided to the Congress.[13] The Board has also charged staff with identifying other information that could be posted to this site that would help to explain the accounting, financial reporting, and internal controls of the Board and the Reserve Banks.

On March 31, 2011, the Federal Reserve released documents related to the discount window in response to requests filed by Bloomberg L.P. and Fox News Network LLC under the Freedom of Information Act. Discount window lending under section 10B of the Federal Reserve Act offers secured, short-term loans from the Reserve Banks to depository institutions located in the lending Reserve Bank's district. The March 31 release included documents containing information related to borrowers at the discount window between August 8, 2007, and March 1, 2010, that was not required to be disclosed under the Dodd-Frank Act.

Future Information Disclosures

Going forward, the Dodd-Frank Act provides for the release of information on any broad-based emergency lending facility one year after the termination of the facility. The act also provides for the release of information regarding discount window lending and open market operations conducted by the Federal Reserve after July 21, 2010, with a two-year lag. For lending facilities (including both emergency lending facilities and the discount window) and for

[13] See www.federalreserve.gov/newsevents/reform_audit.htm.

open market operations, the Federal Reserve will publish information disclosing the identity of the borrower or counterparty, transaction amount, interest rate or discount paid, and collateral pledged.

The Federal Reserve believes that the lags provided by the Dodd-Frank Act for the release of transaction-level information about open market operations, emergency lending facilities, and discount window lending activities establish an important balance between the public's interest in information about participants in transactions with the Federal Reserve and the need to ensure that the System can effectively use its congressionally authorized powers to maintain the stability of the financial system and implement monetary policy. We remain concerned that a more rapid release of information about borrowers accessing the discount window and emergency lending facilities could impair the ability of the Federal Reserve to provide the liquidity needed to ensure the smooth working of the financial system. If institutions believe that publication of their use of Federal Reserve lending facilities will impair public confidence in the institution, then institutions may choose not to participate in these facilities. Experience has shown that banks' unwillingness to use the discount window can result in more volatile short-term interest rates and reduced financial market liquidity that, in turn, can contribute to declining asset prices and reduced lending to consumers and small businesses.

We will carefully monitor developments in the use of the discount window and other Federal Reserve facilities and keep the Congress informed about their effectiveness.

Conclusion

The Federal Reserve has worked and will continue to work with the Congress to ensure that our operations promote the highest standards of accountability, stewardship, and policy effectiveness, consistent with meeting our statutory responsibilities. We appreciate the opportunity to describe the Federal Reserve's efforts on this important subject and are happy to answer any questions you may have.

Questions for the Honorable Scott Alvarez, General Counsel, Board of Governors of the Federal Reserve System and Thomas C. Baxter, General Counsel, Federal Reserve Bank of New York, from Chairman Paul:

1. In testimony before the Subcommittee on June 1, 2011, Federal Reserve Bank of New York (FRBNY) General Counsel, Thomas Baxter, indicated that the FRBNY's lending during the financial crisis was more heavily weighted toward foreign institutions because New York, as a leading financial center, attracted more foreign institutions. However, this response did not explain the disproportionate use of Federal Reserve lending facilities by foreign institutions. Can the Federal Reserve provide statistics on the proportion of foreign institutions relative to U.S. institutions that are part of the Federal Reserve System? Can the Federal Reserve explain the factors that contributed to disproportionate borrowing by foreign institutions, especially in the following lending facilities which provided more than 50% of their total lending to foreign institutions: Commercial Paper Funding Facility, Mortgage-Backed Securities Purchase Program, Term Auction Facility; and Term Securities Lending Facility?

As required by the provisions of the International Banking Act of 1978 and the Monetary Control Act of 1980, branches and agencies of foreign banks operating in the United States (foreign branches) have long had access to the Federal Reserve's lending facilities on the same basis as domestic depository institutions. Foreign branches have a large presence in U.S. financial markets; in aggregate, they provide substantial amounts of credit to U.S. households and businesses and are active participants in U.S. fixed-income markets. In aggregate, these institutions account for about 10 percent of bank credit extended in the United States. Unlike most domestic banks, foreign branches do not have a large retail deposit base. As a result, they rely heavily on wholesale funding sources such as large time deposits and repurchase agreements to fund their assets. For example, these funding sources account for about 70 percent of the total liabilities of foreign branches. In contrast, large time deposits and repurchase agreements account for only about 10 percent of the liabilities of U.S. chartered depository institutions. As a result, foreign branches were particularly vulnerable to the intense liquidity pressures evident during the crisis when wholesale funding markets were severely disrupted. These institutions turned to the Federal Reserve's liquidity programs to address their dollar liquidity pressures and to avoid fire sales of assets that would otherwise have been necessary. The availability of these liquidity programs to foreign-owned financial institutions operating in the United States helped to address the severe strains in U.S. financial markets during the crisis and to support the flow of credit to U.S. households and businesses.

2. The Federal Reserve created the Term Asset-Backed Securities Loan Facility (TALF), which was intended to "lend up to $200 billion...to holders of certain AAA-rated ABS [asset-backed securities]." When TALF data was released in December 2010, they revealed that 18% of TALF loans were backed by subprime credit card and auto loan securities, 17% were backed by "legacy" (i.e. troubled) commercial real estate securities, and 13% were backed by student loan securities. Similarly, the Term Securities Lending Facility (TSLF) was to "lend up to $200 billion...to primary dealers secured...by...securities, including federal agency debt, federal agency residential-mortgage-backed securities (MBS), and non-agency AAA/Aaa-rated private-label residential MBS." Data released for

the TSLF revealed that 14% of loans were backed by collateral rated below AAA. Over 50% of all collateral posted consisted of agency-backed MBS or CMO (collateralized mortgage obligations), whose ratings were not published. While it has generally been assumed that these Agency securities have a AAA rating due to their implicit government backing, the high collateral-to-loan ratio of the TSLF (4 to 1) implies that these securities were not in fact performing at a AAA level—not to mention that no one knew what any mortgage securities were actually worth during the financial crisis. Given that the Federal Reserve stated to the public that it would accept high-rated collateral in conducting loan operations through these facilities, yet nonetheless loaned funds against questionable or low-rated collateral, how is the public to trust the public statements made by the Federal Reserve? In accepting lower grade collateral than the lending facility originally intended, was there a protocol the Reserve Banks were to follow in accepting lower rated collateral? If not, how were determinations made about what collateral was acceptable? Additionally, what surety was given that AAA-rated collateral was truly AAA, especially given the uncertain quality of many MBS at the time?

The TALF program accepted only AAA-rated securities backed by loan types approved by the Board of Governors and consistent with the program terms published on the websites of the Federal Reserve Bank of New York and Board of Governors. In addition to the AAA credit rating requirement, there were a number of additional requirements designed to ensure the quality of the collateral pledged to the program. For example, each loan was fully collateralized and the value of all collateral was discounted in determining the size of the loan it could support; for non-mortgage-backed ABS, an outside auditor had to attest to the accuracy of the information provided by the sponsor and issuer of all newly issued collateral regarding compliance with TALF collateral eligibility requirements; legacy CMBS were subject to an additional internal credit review by FRBNY staff; and TALF borrowers always had their own money at risk in a first-loss position if the collateral did not perform to expectations. Partly in response to the conservative terms offered on the TALF program, about four-fifths of TALF loans have been repaid early, all outstanding collateral is performing to expectations, and all the outstanding loans remain well collateralized.

The Federal Reserve established the Term Securities Lending Facility (TSLF) in 2008 as a means of addressing the pressures faced by primary dealers in accessing term financing. When collateral markets became illiquid in 2008, primary dealers had increased difficulty obtaining funding and, therefore, were less able to support broader markets. The details, including the terms of acceptable collateral, were made public at the very start of the facility. Under this program, the Federal Reserve temporarily loaned its relatively liquid Treasury securities to primary dealers in exchange for less liquid securities that were harder to finance during a period of financial market stress. The TSLF loans were made with recourse to the borrower, meaning that the borrower was obligated to repay the loan regardless of the value of the collateral. In addition, the borrower pledged securities as collateral that met certain eligibility criteria, such as carrying an investment grade rating by major nationally recognized statistical rating organizations (NRSRO). All U.S. Treasury and U.S. government agency securities posted as collateral to the TSLF met the TSLF program criteria for collateral. The FRBNY conducts its own due diligence and analysis of collateral pledged against loans on a post-lending basis, primarily reviewing information provided by clearing banks, to ensure that these securities adhere to the eligibility requirements of the particular lending program in which the loan was made.

The collateral-to-loan ratio throughout the TSLF program was approximately 106%, not 400% as noted in the question. This ratio was driven by the haircuts specified on the collateral schedule and the composition of securities pledged as collateral. This ratio does not provide information on the performance of the pledged collateral. All credit extended under the TSLF has been fully repaid, with interest.

3. The Commercial Paper Funding Facility (CPFF) provided 60% of its total lending to foreign institutions. The CPFF also supplied funding predominantly to large firms, such as Harley Davidson, Chrysler, Caterpillar, ING, and AIG. To what extent did smaller firms that issued commercial paper know about and have access to the CPFF? What efforts were made by the Federal Reserve to ensure that all eligible parties were made aware of the facility?

The Board of Governors announced the creation of the facility on October 7, 2008 via a public press statement posted on its website. Information on how to access the facility was made available on both the FRBNY's website and the Board's website. As with other major Federal Reserve announcements, major media organizations reported on the CPFF to the general public. Following the initial announcement, FRBNY staff reached out to many CP market participants to inform them of the CPFF and receive feedback. The outreach included working with the FRBNY's Primary Dealers, the Depository Trust & Clearing Corporation (DTCC), the Securities Industry and Financial Markets Association (SIFMA) and the Commercial Paper Industry Working Group (CPIWG), who service or represent CP issuers in the market, to ensure information was disseminated to a wide group of CP market constituents.

The CPFF was open to any CP issuer who met the program eligibility requirements. To register for the facility, the CP issuer must have been a U.S. issuer issuing U.S. dollar-denominated commercial paper (including asset-backed commercial paper (ABCP)) that was rated at least A-1/P-1/F1 by a major NRSRO and, if rated by multiple major NRSROs, rated at least A-1/P-1/F1 by two or more major NRSROs. Only issuers that were active between January 1 and August 31, 2008 were eligible to issue to the facility. Inactive ABCP issuers were ineligible to participate in the CPFF from January 2009 on. An issuer was deemed inactive if it did not issue ABCP to entities other than the sponsoring institution for any consecutive period of three months.

Many large firms and a smaller-number of mid-sized firms registered for the program, though not all chose to issue to the facility. The composition of firms was largely reflective of the highly rated CP market more generally. Large firms with access to capital markets encompass the large majority of the CP market. Mid-sized firms have historically represented a much smaller segment of the highly rated CP market and small firms typically do not issue CP.

4. The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) loaned primarily to two firms, JP Morgan and State Street. Each of the Maiden Lane facilities was set up to assist a particular institution. To what extent were lending facilities set up for the benefit of specific firms facing financial difficulties? To what extent were lending facilities created at the behest of specific firms, either through formal or informal lobbying?

The AMLF was introduced to help money market mutual funds (MMMFs) meet investors' demands for redemptions in October 2008. While banking firms were intermediate participants in the AMLF, it was not established to assist banking firms. Under the AMLF, the Federal Reserve Bank of Boston lent to financial institutions that in turn used the funds to purchase asset-backed securities from MMMFs in order to allow MMMFs to meet redemption demands by customers. Eleven banking entities from six organizations borrowed from the AMLF. These firms used AMLF loans to finance purchases of assets from nearly 200 money funds. All AMLF loans were repaid in full, on time, with interest.

The Federal Reserve authorized the establishment of six special facilities to provide assistance to specific institutions under section 13(3) of the Federal Reserve Act in the pursuit of financial stability during the crisis. The establishment of these facilities was aimed at stabilizing the financial system and mitigating the impact of financial stresses on the economy. Two of these facilities, those set up for Citigroup and Bank of America, ultimately did not require a loan from the Federal Reserve.

The loans provided to the four remaining facilities, Maiden Lane LLC, Maiden Lane II LLC, Maiden Lane III LLC and AIG Revolving Credit Facility were fully collateralized. Maiden Lane LLC received a loan from the Federal Reserve Bank of New York of $28.8 billion to purchase assets from Bear Stearns to support JP Morgan Chase's acquisition of Bear Stearns. The Bear Stearns merger with JP Morgan Chase prevented a disorderly failure of Bear Stearns and potentially severe consequences on market functioning and the economy. Maiden Lane II LLC received a loan from the Federal Reserve Bank of New York of $19.5 billion to purchase residential mortgage-backed securities (RMBS) from AIG's insurance subsidiaries in order to alleviate capital and liquidity drains on AIG. Maiden Lane III LLC received a loan from the Federal Reserve Bank of New York of $24.3 billion to purchase collateralized debt obligations (CDOs) from certain counterparties of AIG Financial Products (AIGFP) in exchange for terminating the related credit default swaps (CDS) contracts between the counterparty and AIGFP which were contributing to capital and liquidity drains on AIG. The AIG Revolving Credit Facility (RCF) was a credit line extended by the Federal Reserve Bank of New York for up to $85 billion to AIG. The RCF, Maiden Lane II LLC and Maiden Lane III LLC prevented a failure of AIG which would have had widespread consequences for the economy and indirectly impacted millions of Americans.

5. Given that information pertaining to discount window transactions during the financial crisis has been disclosed to the public, through the Bloomberg News and Fox News FOIA requests, without causing any material harm to institutions that used the discount window,

will the Federal Reserve disclose the details of discount window transactions that occurred during the financial crisis on the Board's website in the same manner disclosures were made of the other facilities and programs conducted by the Federal Reserve during the crisis? If not, please provide an explanation of why the Federal Reserve will not make such information available.

The FOIA Service Center page of the Board's public website makes available to any person upon request a copy of the records released on March 31, 2011 in the *Fox News* and *Bloomberg* FOIA lawsuits. Any person wishing to obtain a copy may submit a request using the Board's electronic FOIA request form, or by calling the Board's FOIA Service Center. The Board's public announcement, describing the records released on March 31, 2011 and the method for obtaining copies can be found at:
http://www.federalreserve.gov/generalinfo/foia/servicecenter.cfm.

The March 31, 2011 releases resulted from litigation under the Freedom of Information Act ("FOIA"). Because FOIA requires disclosure of documents, as opposed to the underlying data or information, the Board made responsive documents available to the requesters and the public as noted above.

The Board's December 1, 2010 disclosures of section 13(3) lending information were made pursuant to section 1109(c) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which requires publication of specified information "on [the Board's] website ...." 124 Stat. 2129.

The Federal Reserve's discount window has been an important source of liquidity for depository institutions, especially during times of financial stress. Discount window credit is a common and important tool among central banks around the world and one of the most important tools during a financial crisis. Unlike grant programs, the discount window involves the extension of credit on a fully secured basis. To date, the Federal Reserve has never lost money on discount window lending.

Depository institutions have argued that public disclosure of information regarding borrowing at the discount window will discourage use of the discount window. They contend that, because both healthy and troubled depository institutions access the discount window, the public may misconstrue use of the discount window as a sign of financial weakness. Indeed, disclosure of access to credit from the Bank of England by Northern Rock led to runs on that institution. In accordance with the Dodd-Frank Act, the Board will disclose information regarding borrowings through the discount window, including the identity of the borrowers, amount borrowed, terms of the borrowing and collateral information, no later than eight quarters following any discount window transaction entered into after July 21, 2010.

The Board believes that the disclosure of discount window borrowing after a reasonable delay appropriately balances the need to hold the Federal Reserve accountable for its lending activities with the concerns about the viability of discount window. We will continue to inform Congress of any concerns that arise as we implement this provision.

6. Given that information pertaining to certain "covered transactions", a definition which includes open market operations, will have to be disclosed to the public under the provisions of the Dodd-Frank Act, will the Federal Reserve disclose the details of open market operations that took place during the financial crisis and before the passage of Dodd-Frank, such as Single-Tranche Open Market Operations? If not, please provide an explanation of why the Federal Reserve will not make such information available.

As required by section 1109(c) of the Dodd-Frank Act, on December 1, 2010, the Board published detailed information on transactions conducted under the Federal Reserve's Agency Mortgage-Backed Securities Program, which were undertaken prior to the enactment of the Dodd-Frank Act pursuant to the System's open market operation (OMO) authority.

In addition, the Federal Reserve has released significant information about single-tranche OMOs, which were conducted with the intention of mitigating heightened liquidity stress that was occurring in funding markets during the financial crisis in 2008. The program itself had been disclosed publicly at the time of its inception, each auction was announced to the public on the website of the FRBNY at the same time it was announced to the primary dealers, and each auction's aggregated results were immediately posted to the same website. Additional aggregated information on the single tranche OMO program was included in the Board's H.4.1 weekly data release on the condition of the Federal Reserve Banks and in the System Open Market Account annual report for 2009. Information on single-tranche OMO transactions has also been made public in connection with the *Fox* FOIA litigation. On July 6, 2011, the Board published additional data concerning the program, including trade and settlement dates, counterparty names, amounts, and rates for all transactions under the program. This information may be found at: http://www.federalreserve.gov/monetarypolicy/bst_tranche.htm

7. Will the details of the "QE2" program and ongoing rollovers of maturing MBS into Treasury debt securities be disclosed to the public? If not, please provide an explanation of why the Federal Reserve will not publicize such information.

The Federal Reserve has provided to the public a substantial amount of information concerning the program to purchase longer-term Treasury bonds. The Federal Open Market Committee announced on November 3, 2010 that, in order to promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee would purchase a further $600 billion of longer-term Treasury securities by the end of the second quarter of 2011, at a pace of about $75 billion per month. The FOMC's announcement can be found at:

http://www.federalreserve.gov/newsevents/press/monetary/20101103a.htm. The program is part of the FOMC's open market operations ("OMO").[1]

Moreover, the current holdings of SOMA, including maturity date, CUSIP, coupon, par value and other information regarding securities held in SOMA can be found at: http://www.newyorkfed.org/markets/soma/sysopen_accholdings.html.

In the Dodd-Frank Act, Congress gave careful consideration to the public's interest in greater transparency in OMO transactions and to the legitimate expectations of confidentiality of parties to OMO transactions and the potential effects that premature disclosure of counter-party information could have on the Federal Reserve's ability to execute OMO transactions efficiently and at the best price. In striking this balance, Congress concluded that the Board should be permitted to delay the release of information about OMO transactions. In accordance with the Dodd-Frank Act, the Board will disclose counter-party information with respect to OMO transactions, including the reinvestments of maturing MBS into Treasury securities, conducted after July 21, 2010, no later than eight quarters after the transactions.

8. The documents released by the Federal Reserve in response to the Freedom of Information Act requests from Bloomberg News and Fox News contained large amounts of information that was redacted. The Federal Reserve has indicated that the information was determined not responsive to the FOIA requests and was therefore redacted. Is the Federal Reserve willing to release all of these records in their original form to the House Committee on Financial Services? If not, please explain why.

In providing to Bloomberg News and Fox News the documents at issue in their FOIA litigation, the Board redacted from those documents certain information that was not sought by the requests. Should the Board receive a request from the House Committee on Financial Services for the unredacted documents at issue in the *Bloomberg/Fox* FOIA litigation, it will work with the Committee, as it has in the past in response to other similar requests, to assist the Committee in accessing the information it needs.

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[1] Additional details regarding the program, including the Trading Desk at the Federal Reserve Bank of New York's plans for distributing purchases of Treasury securities for the System Open Market Account ("SOMA"), were made available November 3, 2010 on the Federal Reserve Bank of New York's website at: http://www.newyorkfed.org/markets/opolicy/operating_policy_101103.html. The Federal Reserve Bank of New York currently publishes a list of FAQs regarding the purchase program which provides information such as: the maturity sectors of Treasury securities the Desk planned to purchase, how much the Desk planned to purchase in each issue, how much the Desk planned to purchase each month in Treasury securities, and other information. The FAQs can be found at: http://www.newyorkfed.org/markets/lttreas_faq.html.

9. In the documents disclosed by the Federal Reserve on discount window transactions, it appears that banks, especially primary dealers, used the discount window like a revolving line of credit, essentially acquiring longer term funding through what is typically an overnight program. Why was the discount window used in such a fashion even when emergency lending facilities were set up to provide longer term financing through programs such as the TSLF or PDCF?

The Term Securities Lending Facility (TSLF) and the Primary Dealer Credit facility (PDCF) were liquidity facilities set up during the financial crisis for primary dealers. Under the TSLF, primary dealers engaged in temporary swap transactions with the Federal Reserve Bank of New York in which the dealer received Treasury securities and pledged other high-quality securities as collateral. The swaps were priced through competitive auctions and had maturities of 28 days. The PDCF extended overnight loans to primary dealers against collateral that was eligible for tri-party repurchase agreements. Primary dealers were discouraged from using the PDCF as a source of longer-term funds by usage fees that rose with the frequency of borrowing. All credit extended under both the TSLF and the PDCF has been fully repaid, with interest.

Discount window loans (primary, secondary, and seasonal credit) are available only to depository institutions, that is, commercial banks, thrifts, credit unions, and U.S. branches and agencies of foreign banks. None of the primary dealers at this time or over the past few years were depository institutions, so none of the primary dealers have had access to the discount window. Although there is no prohibition against primary dealers being depository institutions, currently all primary dealers are broker dealers. In several cases, however, the broker-dealer subsidiaries of bank holding companies are primary dealers. In such cases, the commercial bank subsidiary of the holding company is eligible to borrow from the discount window and the primary dealer /broker-dealer subsidiary would have been able to borrow from the other lending facilities established for the primary dealers.

Easing the terms on primary credit (discount window) loans was one of the first steps the Federal Reserve took in response to the financial crisis. The easing was intended to increase the liquidity of depository institutions and thereby support their ability to lend to businesses and households. On August 17, 2007, the Federal Reserve narrowed the spread of the primary credit rate over the FOMC's target rate from 100 basis points to 50 basis points, and lengthened the maximum maturity from overnight to 30 days. On March 16, 2008, the Federal Reserve lowered the spread to 25 basis points and extended the maximum maturity to 90 days. The easing of terms on discount window borrowing was part of the Federal Reserve's broader efforts to address strains in term funding markets and the liquidity strains in financial markets. As financial market conditions improved, the Federal Reserve normalized the terms on primary credit. Over the first few months of 2010, the Federal Reserve returned the typical maximum maturity on primary credit to overnight and widened the spread of the primary credit rate over the top of the FOMC's range for the federal funds rate to 50 basis points. By June 2010, borrowing had again fallen near zero.

10. What was the necessity of setting up Single-Tranche Open Market Operations (ST OMO) and programs such as the TSLF when they accomplished essentially the same task of providing 28-day credit? Was the existence of these separate operations due to the fact that the TSLF allowed the Fed to purchase secondary credit and not just primary credit, something not legally permissible under the ST OMO conducted through the Fed's open market operation authority?

Both the single-tranche (ST) OMO and the TSLF programs were aimed at relieving strains in the term funding markets. Since these strains were quite significant, the Federal Reserve provided more than one way to help alleviate the pressures. Both programs addressed term funding pressures for the primary dealers, though the mechanics were different, as was the list of eligible securities.

Mechanically, the ST OMO allowed primary dealers to bid at auction for direct 28-day financing of any of their OMO-eligible securities (i.e., U.S. Government securities and U.S. agency issued or guaranteed securities); they pledged their securities and received funds in exchange. With TSLF, however, the dealers bid at auction to essentially swap their program-eligible securities for U.S. Treasury securities, which they then had to finance in the market. Presumably it was easier for them to find term financing for the U.S. Treasury securities they received than it was for them to finance the securities they pledged into the program. So, after winning a TSLF auction, the primary dealer would still have to obtain financing for the U.S. Treasury securities they received from the FRBNY.

There are other key differences between the ST OMO and TSLF programs.

The ST OMO program relied on standard legal authorities for open market operations, and transactions under this program were very similar to the shorter-term repo operations long conducted by the Federal Reserve in implementing monetary policy. Under this program, primary dealers could deliver as collateral any of the types of securities--Treasuries, agencies, and agency MBS--that are typically accepted in open market operations.

The legal authority for a key part of the TSLF--the so-called "schedule 2" TSLF operations--relied partly on the Federal Reserve's emergency lending authority in section 13(3) of the Federal Reserve Act. Under TSLF, primary dealers could borrow Treasury securities from the Federal Reserve for a period of 28 days. In contrast to the ST OMO program, under the TSLF primary dealers could pledge as collateral a range of highly rated private securities. Rates and amounts borrowed by individual primary dealers under the TSLF were determined through competitive auctions. Initially, the securities accepted as collateral in TSLF operations were limited to AAA-rated securities. Later as the crisis intensified in September of 2008, the range of collateral accepted was expanded to include all investment-grade securities. The ability of primary dealers to finance private investment-grade securities through the TSLF was very important in addressing the disruptions in financial markets during the crisis.

11. Can the Federal Reserve provide to the Committee a graph and/or spreadsheet for each of the emergency lending facilities (including the ST OMO) showing the high, low, and average rates charged in the facility over its lifetime in conjunction with the prevailing market rate for the same type of transaction over the same period?

Please see attached response for this question.

Attachments in response to Question 11

The TALF was created to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of asset-backed securities (ABS) collateralized by a variety of consumer and business loans; it was also intended to improve market conditions for ABS more generally. Under the TALF, nonrecourse loans were issued to holders of eligible ABS, which serve as collateral for the loan.

The TALF loan interest rates consisted of a base rate and a spread. The base rates were chosen to line up with the interest rate paid by the ABS to minimize basis risk. The spreads were chosen to compensate the Treasury and Federal Reserve for risk. In some cases, the spreads were also adjusted to reflect differences in the average level of the base rates; in particular, the prime rate exceeds Libor, which exceeds the federal funds rate. The interest rate spreads on TALF loans were set below spreads on highly-rated ABS prevailing during the early stages of financial crisis, but well above spreads during more normal market conditions to provide borrowers with an incentive to voluntarily repay once market conditions normalized. Over the course of the program, markets have improved and; subsequently, spreads on some TALF collateral asset classes have fallen below the TALF lending rate. As of August 2011, of the $71 billion in total TALF loans originally extended, only $11.6 billion remains outstanding. This steep reduction is almost entirely related to voluntary borrower prepayments.

The interest rate on TALF loans varies by the type of collateral securing the loan (and in some cases by the term of the loan):

- ABS backed by federally guaranteed student loans: 50 basis points over 1-month Libor.
- SBA Pool Certificates: federal funds target rate plus 75 basis points.
- SBA Development Company Participation Certificates:
    - Three-year TALF loans: 50 basis points over the 3-year Libor swap rate.
    - Five-year TALF loans: 50 basis points over the 5-year Libor swap rate.
- Commercial mortgage-backed securities:
    - Three-year TALF loans: 100 basis points over the 3-year Libor swap rate.
    - Five-year TALF loans: 100 basis points over the 5-year Libor swap rate.
- Other eligible fixed-rate ABS:
    - Three-year TALF loans: 100 basis points over the 1-year Libor swap rate for securities with a weighted average life less than one year, 100 basis points over the 2-year Libor swap rate for securities with a weighted average life greater than or equal to one year and less than two years, 100 basis points over the 3-year Libor swap rate for securities with a weighted average life of two years or greater.
- Private student loan ABS bearing a prime-based coupon: the higher of 1 percent and the rate equal to the Prime rate minus 175 basis points.
- Other eligible floating-rate ABS: 100 basis points over 1-month Libor.

Following is a breakdown of the interest rates on TALF loans at the time of issuance (most TALF loans have been repaid early as financial market conditions improved and borrowers switched to market-based funding):

- 62 percent of TALF loans were fixed-rate, with interest rates ranging from 1.78% to 3.87%

- 29 percent of TALF loans were floating-rate, at 100 basis points over 1-month Libor
- 4 percent of TALF loans were floating-rate, at the federal funds target rate plus 75 basis points
- 5 percent of TALF loans were floating-rate, at the higher of 1 percent and the rate equal to the Prime rate minus 175 basis points. Since the inception of the TALF, the Prime rate minus 175 basis points has been constant at 150 basis points.

At the time TALF loans were issued there was no active market for financing these types of ABS. In addition, TALF loans have unique features--they have restricted and fixed maturities (3- or 5-year), are non-recourse to the borrower, and have customized risk-based haircuts based on the nature of the underlying collateral. As a result, comparable loan products to the TALF do not exist in the market.

We provide credit spreads on the TALF collateral asset classes for which we have been able to find data. The spreads may be used as proxies for prevailing market rates. However, these spreads are very imperfect proxies since they reflect the market pricing of the collateral, as opposed to market rates for loans with TALF terms and conditions. For example, credit spreads are an indication of the market perception of the riskiness of a security and as such do not incorporate the additional credit protection provided by the haircuts applied to TALF loan collateral. This is particularly notable for legacy CMBS, for which the haircuts started at a minimum of 15% of par (see below for TALF haircut rates). Furthermore, the maturity dates of TALF collateral may have been shorter or longer than the related TALF loan.

TALF Haircuts

		ABS Average Life (years)						
Sector	**Subsector**	**0-<1**	**1-<2**	**2-<3**	**3-<4**	**4-<5**	**5-<6**	**6-<7**
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		
Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Motorcycle/ other recreational vehicles	7%	8%	9%	10%	11%		
Auto	Commercial and government fleets	9%	10%	11%	12%	13%		
Auto	Rental fleets	12%	13%	14%	15%	16%		
CMBS	Legacy	15%	15%	15%	15%	15%	16%	17%
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Equipment	Loans and Leases	5%	6%	7%	8%	9%		
Floorplan	Auto	12%	13%	14%	15%	16%		
Floorplan	Non-Auto	11%	12%	13%	14%	15%		
Premium Finance	Property and casualty	5%	6%	7%	8%	9%		
Servicing Advances	Residential mortgages	12%	13%	14%	15%	16%		
Small Business	SBA Loans	5%	5%	5%	5%	5%	6%	6%
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Student Loan	Government guaranteed	5%	5%	5%	5%	5%	6%	6%

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Commercial Mortgage-Backed Securities (CMBS)

TALF Loan Type (CMBS):	3-Yr Fixed	5-Yr Fixed
TALF Loan Rate (CMBS):	3-Yr LIBOR Swap rate + **100** basis points	5-Yr LIBOR Swap rate + **100** basis points
Date	Super Senior 3-Yr AAA CMBS rate - 3-Yr LIBOR Swap rate	Super Senior 5-Yr AAA CMBS rate - 5-Yr LIBOR Swap rate
02/27/09	600	1300
03/27/09	400	1100
04/24/09	375	1025
05/29/09	300	600
06/26/09	300	650
07/31/09	250	400
08/28/09	260	425
09/25/09	260	405
10/30/09	235	350
11/27/09	245	370
12/25/09	240	330
01/29/10	225	300
02/26/10	225	275
03/26/10	200	275
04/30/10	200	270
05/28/10	210	285
06/25/10	210	280
07/30/10	195	245
08/27/10	165	230
09/24/10	155	210
10/29/10	205	290
11/26/10	195	270
12/31/10	195	275
01/28/11	190	260
02/25/11	175	235
03/25/11	180	230
04/29/11	170	215
05/27/11	180	235
06/24/11	200	255

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Commercial Mortgage-Backed Securities (CMBS)

TALF Loan Type (CMBS):	3-Yr Fixed	5-Yr Fixed
TALF Loan Rate (CMBS):	3-Yr LIBOR Swap rate + **100** basis points	5-Yr LIBOR Swap rate + **100** basis points
Date	Super Senior 3-Yr AAA CMBS rate - 3-Yr LIBOR Swap rate	Super Senior 5-Yr AAA CMBS rate - 5-Yr LIBOR Swap rate
02/27/09	600	1300
03/27/09	400	1100
04/24/09	375	1025
05/29/09	300	600
06/26/09	300	650
07/31/09	250	400
08/28/09	260	425
09/25/09	260	405
10/30/09	235	350
11/27/09	245	370
12/25/09	240	330
01/29/10	225	300
02/26/10	225	275
03/26/10	200	275
04/30/10	200	270
05/28/10	210	285
06/25/10	210	280
07/30/10	195	245
08/27/10	165	230
09/24/10	155	210
10/29/10	205	290
11/26/10	195	270
12/31/10	195	275
01/28/11	190	260
02/25/11	175	235
03/25/11	180	230
04/29/11	170	215
05/27/11	180	235
06/24/11	200	255

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Prime Auto Asset-Backed Securities (ABS)

TALF Loan Type (Prime Auto):	3-Yr Fixed w/ avg life >=2 years		3-Yr Floating
TALF Loan Rate (Prime Auto):	3-Yr LIBOR Swap rate + **100** basis points		1-Mo LIBOR rate + **100** basis points
Date	3-Yr Auto (Prime) AAA fixed-rate ABS rate - 3-Yr LIBOR Swap rate (basis points)	Date	3-Yr Auto (Prime) AAA floating-rate ABS rate - 1-Mo LIBOR rate (basis points)
2/27/09	350	2/26/09	510
3/31/09	300	3/26/09	427
4/30/09	225	4/30/09	377
5/29/09	200	5/28/09	367
6/30/09	165	6/25/09	346
7/31/09	120	7/30/09	309
8/31/09	80	8/27/09	257
9/30/09	65	9/24/09	226
10/30/09	50	10/29/09	218
11/30/09	55	11/25/09	192
12/31/09	50	12/31/09	233
1/29/10	35	1/28/10	187
2/26/10	25	2/25/10	168
3/31/10	20	3/25/10	176
4/30/10	20	4/29/10	167
5/28/10	30	5/27/10	166
6/30/10	20	6/24/10	130
7/30/10	20	7/29/10	94
8/31/10	17	8/26/10	88
9/30/10	22	9/30/10	84
10/29/10	25	10/28/10	77
11/30/10	30	11/25/10	101
12/31/10	28	12/30/10	135
1/31/11	28	1/27/11	129
2/28/11	25	2/24/11	146
3/31/11	35	3/31/11	168
4/29/11	33	4/28/11	141
5/31/11	28	5/26/11	120
6/30/11	27	6/30/11	123

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Credit Card Asset-Backed Securities (ABS)

TALF Loan Type (Credit Cards): 3-Yr Fixed w/ avg life >=2 years | 3-Yr Floating
TALF Loan Rate (Credit Cards): 3-Yr LIBOR Swap rate + **100** basis points | 1-Mo LIBOR rate + **100** basis points

Spread Date	3-Yr AAA Credit Card fixed-rate ABS rate - 3-Yr LIBOR Swap Rate (asis points)		3-Yr AAA Credit Card floating-rate ABS rate - 1-Mo LIBOR rate (basis points)
2/26/09	250	02/27/09	290
3/26/09	290	03/31/09	320
4/30/09	220	04/30/09	260
5/28/09	130	05/29/09	150
6/25/09	120	06/30/09	145
7/30/09	105	07/31/09	130
8/27/09	60	08/31/09	85
9/24/09	45	09/30/09	65
10/29/09	35	10/30/09	55
11/25/09	45	11/30/09	75
12/31/09	35	12/31/09	60
1/28/10	25	01/29/10	40
2/25/10	25	02/26/10	40
3/25/10	25	03/31/10	30
4/29/10	20	04/30/10	25
5/27/10	30	05/28/10	35
6/24/10	20	06/30/10	30
7/29/10	17	07/30/10	25
8/26/10	14	08/31/10	22
9/30/10	25	09/30/10	24
10/28/10	25	10/29/10	27
11/25/10	27	11/30/10	27
12/30/10	27	12/31/10	27
1/27/11	25	01/31/11	24
2/24/11	24	02/28/11	24
3/31/11	25	03/31/11	22
4/28/11	21	04/29/11	21
5/26/11	20	05/31/11	18
6/30/11	19	06/30/11	16

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Equipment Loan Asset-Backed Securities (ABS)

TALF Loan Type (Equipment):*	3-Yr Fixed w/ avg life >=2 years
TALF Loan Rate (Equipment):	3-Yr LIBOR Swap rate + **100** basis points

Spread Date	3-Yr AAA Equipment (large) fixed-rate ABS rate - 3-Yr LIBOR swap rate (basis points)
2/27/09	450
3/31/09	425
4/30/09	400
5/29/09	325
6/30/09	300
7/31/09	175
8/31/09	140
9/30/09	120
10/30/09	90
11/30/09	95
12/31/09	95
1/29/10	65
2/26/10	55
3/31/10	40
4/30/10	40
5/28/10	45
6/30/10	45
7/30/10	45
8/31/10	45
9/30/10	40
10/29/10	45
11/30/10	60
12/31/10	60
1/31/11	60
2/28/11	55
3/31/11	60
4/29/11	60
5/31/11	47
6/30/11	45

* *All TALF loans against equipment ABS were fixed-rate, therefore only the fixed 3 Year rate is provided.*

TALF loan rate spreads and comparable market interest rate spreads
Loans backed by Private Student Loan Asset-Backed Securities (ABS)

TALF Loan Type (Private Student Loans):	3-Yr (w/Prime-based coupon) Floating	5-Yr (w/Prime-based coupon) Floating		3-Yr (other coupon) Floating:	5-Yr (other coupon) Floating:
TALF Loan Rates (Private Student Loans):	Higher of (Prime rate - 175 basis points) and 100 basis points	Higher of (Prime rate - 175 basis points) and 100 basis points		1-Mo LIBOR rate + 100 basis points	1-Mo LIBOR rate + 100 basis points
Date	3-Yr AAA Private Student Loan floating-rate ABS rate - (Prime rate less 175 basis points) (basis points)	7-Yr AAA Private Student Loan floating-rate ABS rate - (Prime rate less 175 basis points) (basis points)	Date	3-Yr Private Credit Student Loan AAA floating-rate ABS rate - 1-Mo LIBOR	7-yr Private Credit Student Loan AAA floating-rate ABS rate - 1-Mo LIBOR
2/26/09	976	976	02/27/09	1000	1000
3/26/09	973	973	03/27/09	1000	1000
4/30/09	852	952	04/24/09	900	1000
5/28/09	617	717	05/29/09	700	600
6/25/09	610	710	06/26/09	700	800
7/30/09	498	598	07/31/09	600	700
8/27/09	386	486	08/28/09	500	600
9/24/09	378	478	09/25/09	500	600
10/29/09	328	428	10/30/09	450	550
11/25/09	325	425	11/27/09	450	550
12/31/09	325	425	12/25/09	450	550
1/28/10	275	400	01/29/10	400	525
2/25/10	175	250	02/26/10	300	375
3/25/10	179	254	03/26/10	300	375
4/29/10	184	259	04/30/10	300	375
5/27/10	204	279	05/28/10	300	375
6/24/10	204	279	06/25/10	300	375
7/29/10	197	272	07/30/10	300	375
8/26/10	180	255	08/27/10	300	375
9/30/10	179	254	09/24/10	300	375
10/28/10	179	254	10/29/10	300	375
11/25/10	179	254	11/26/10	300	375
12/30/10	180	255	12/31/10	300	375
1/27/11	155	230	01/28/11	275	350
2/24/11	156	231	02/25/11	275	350
3/31/11	130	205	03/25/11	275	325
4/28/11	77	152	04/29/11	200	275
5/26/11	45	120	05/27/11	170	245
6/30/11	45	120	06/24/11	170	245

TAF loan rates and comparable market interest rate
TAF auction dates
Percent

Date	TAF loan term (days)	TAF loan rate	Market rate	
28- and 35-Day TAF Loans				
17-Dec-07	28	4.65	4.97	1-month Libor
20-Dec-07	35	4.67	4.90	1-month Libor
14-Jan-08	28	3.95	4.08	1-month Libor
28-Jan-08	28	3.12	3.28	1-month Libor
11-Feb-08	28	3.01	3.14	1-month Libor
25-Feb-08	28	3.08	3.12	1-month Libor
10-Mar-08	28	2.80	2.94	1-month Libor
24-Mar-08	28	2.62	2.61	1-month Libor
7-Apr-08	28	2.82	2.72	1-month Libor
21-Apr-08	28	2.87	2.90	1-month Libor
5-May-08	28	2.22	2.70	1-month Libor
19-May-08	28	2.10	2.45	1-month Libor
2-Jun-08	28	2.26	2.46	1-month Libor
16-Jun-08	28	2.36	2.48	1-month Libor
30-Jun-08	28	2.34	2.46	1-month Libor
14-Jul-08	28	2.30	2.46	1-month Libor
28-Jul-08	28	2.35	2.46	1-month Libor
12-Aug-08	28	2.45	2.46	1-month Libor
25-Aug-08	28	2.38	2.47	1-month Libor
9-Sep-08	28	2.53	2.49	1-month Libor
22-Sep-08	28	3.75	3.18	1-month Libor
20-Oct-08	28	1.11	3.75	1-month Libor
17-Nov-08	28	0.51	1.47	1-month Libor
15-Dec-08	28	0.28	0.88	1-month Libor
12-Jan-09	28	0.25	0.34	1-month Libor
9-Feb-09	28	0.25	0.45	1-month Libor
9-Mar-09	28	0.25	0.56	1-month Libor
6-Apr-09	28	0.25	0.48	1-month Libor
4-May-09	28	0.25	0.41	1-month Libor
1-Jun-09	28	0.25	0.32	1-month Libor
29-Jun-09	28	0.25	0.31	1-month Libor
27-Jul-09	28	0.25	0.29	1-month Libor
24-Aug-09	28	0.25	0.26	1-month Libor
21-Sep-09	28	0.25	0.25	1-month Libor
19-Oct-09	28	0.25	0.25	1-month Libor
16-Nov-09	28	0.25	0.24	1-month Libor
14-Dec-09	28	0.25	0.23	1-month Libor
11-Jan-10	28	0.25	0.23	1-month Libor
8-Feb-10	28	0.25	0.23	1-month Libor
8-Mar-10	28	0.50	0.23	1-month Libor

84-Day TAF Loans

11-Aug-08	84	2.75	2.80 3-month Libor
8-Sep-08	84	2.67	2.82 3-month Libor
6-Oct-08	85	1.39	4.29 3-month Libor
3-Nov-08	84	0.60	2.86 3-month Libor
1-Dec-08	84	0.42	2.22 3-month Libor
29-Dec-08	83	0.20	1.46 3-month Libor
26-Jan-09	84	0.25	1.18 3-month Libor
23-Feb-09	84	0.25	1.25 3-month Libor
23-Mar-09	84	0.25	1.22 3-month Libor
20-Apr-09	84	0.25	1.10 3-month Libor
18-May-09	84	0.25	0.79 3-month Libor
15-Jun-09	84	0.25	0.61 3-month Libor
13-Jul-09	84	0.25	0.51 3-month Libor
10-Aug-09	84	0.25	0.46 3-month Libor
8-Sep-09	84	0.25	0.30 3-month Libor

Other TAF Loans

10-Nov-08	Forward	0.53	2.10 2-month Libor
24-Nov-08	Forward	0.38	2.03 2-month Libor
5-Oct-09	70	0.25	0.25 2-month Libor
2-Nov-09	70	0.25	0.26 2-month Libor
30-Nov-09	42	0.25	0.24 2-month Libor

Interest [discount] rate on ABCP purchased under the CPFF and comparable market interest rate
Daily
Percent

Date	CPFF ABCP rate	90-day AA ABCP rate
27-Oct-08	3.88	3.85
28-Oct-08	3.89	3.75
29-Oct-08	3.84	3.53
30-Oct-08	3.74	3.65
31-Oct-08	3.60	3.38
3-Nov-08	3.61	3.06
4-Nov-08	3.60	2.30
5-Nov-08	3.55	3.09
6-Nov-08	3.54	2.03
7-Nov-08	3.54	2.69
10-Nov-08	3.53	2.67
12-Nov-08	3.47	2.02
13-Nov-08	3.52	1.97
14-Nov-08	3.54	2.15
17-Nov-08	3.51	2.10
18-Nov-08	3.47	1.93
19-Nov-08	3.47	2.28
20-Nov-08	3.42	3.13
21-Nov-08	3.49	2.30
24-Nov-08	3.49	3.22
25-Nov-08	3.48	2.42
26-Nov-08	3.42	3.04
28-Nov-08	3.41	2.10
1-Dec-08	3.42	1.89
2-Dec-08	3.39	1.77
3-Dec-08	3.37	1.92
4-Dec-08	3.33	2.05
5-Dec-08	3.32	1.95
8-Dec-08	3.29	2.77
9-Dec-08	3.30	1.53
10-Dec-08	3.25	1.70
11-Dec-08	3.25	1.29
12-Dec-08	3.25	0.77
15-Dec-08	3.31	1.14
16-Dec-08	3.33	0.76
17-Dec-08	3.18	0.59
18-Dec-08	3.20	0.94
19-Dec-08	3.19	0.47
22-Dec-08	3.21	0.52
23-Dec-08	3.21	1.09
24-Dec-08	3.22	1.63
26-Dec-08	3.22	1.50
29-Dec-08	3.21	1.22
30-Dec-08	3.18	0.88
31-Dec-08	3.18	0.55
2-Jan-09	3.18	0.61
5-Jan-09	3.18	0.50
6-Jan-09	3.18	0.65
7-Jan-09	3.19	0.60
8-Jan-09	3.18	0.48
9-Jan-09	3.18	0.61
12-Jan-09	3.18	0.50
13-Jan-09	3.16	0.45
14-Jan-09	3.16	0.51
15-Jan-09	3.17	0.62
16-Jan-09	3.19	0.77
20-Jan-09	3.18	1.76
21-Jan-09	3.19	0.65

22-Jan-09	3.21	0.62
23-Jan-09	3.23	0.68
26-Jan-09	3.24	2.38
27-Jan-09	3.24	0.77
28-Jan-09	3.22	0.89
29-Jan-09	3.22	0.95
30-Jan-09	3.23	0.79
2-Feb-09	3.26	0.88
3-Feb-09	3.25	0.76
4-Feb-09	3.25	0.70
5-Feb-09	3.25	0.90
6-Feb-09	3.27	0.74
9-Feb-09	3.26	0.80
10-Feb-09	3.27	0.67
11-Feb-09	3.27	0.73
12-Feb-09	3.27	0.88
13-Feb-09	3.26	0.81
17-Feb-09	3.27	0.94
18-Feb-09	3.27	0.87
19-Feb-09	3.27	1.00
20-Feb-09	3.24	0.77
23-Feb-09	3.23	0.85
24-Feb-09	3.23	0.83
25-Feb-09	3.24	0.82
26-Feb-09	3.25	0.90
27-Feb-09	3.25	1.05
2-Mar-09	3.25	0.71
3-Mar-09	3.25	0.95
4-Mar-09	3.25	0.88
5-Mar-09	3.25	0.83
6-Mar-09	3.25	0.85
9-Mar-09	3.27	0.88
10-Mar-09	3.26	0.90
11-Mar-09	3.26	0.83
12-Mar-09	3.25	0.75
13-Mar-09	3.25	0.76
16-Mar-09	3.24	0.74
17-Mar-09	3.23	0.85
18-Mar-09	3.23	0.79
19-Mar-09	3.22	0.90
20-Mar-09	3.23	0.78
23-Mar-09	3.23	0.96
24-Mar-09	3.24	0.93
25-Mar-09	3.25	0.80
26-Mar-09	3.24	0.65
27-Mar-09	3.23	0.60
30-Mar-09	3.23	1.08
31-Mar-09	3.23	3.23
1-Apr-09	3.22	0.80
2-Apr-09	3.22	0.78
3-Apr-09	3.22	0.67
6-Apr-09	3.22	0.75
7-Apr-09	3.21	0.75
8-Apr-09	3.20	0.74
9-Apr-09	3.20	0.90
13-Apr-09	3.20	0.66
14-Apr-09	3.20	0.74
15-Apr-09	3.19	0.97
16-Apr-09	3.19	0.79
17-Apr-09	3.19	0.83
20-Apr-09	3.19	0.74
21-Apr-09	3.19	0.63
22-Apr-09	3.20	1.05
23-Apr-09	3.20	0.64

24-Apr-09	3.20	0.64
27-Apr-09	3.20	3.00
28-Apr-09	3.19	0.57
29-Apr-09	3.20	2.90
30-Apr-09	3.20	3.01
1-May-09	3.19	0.65
4-May-09	3.21	0.59
5-May-09	3.20	0.56
6-May-09	3.21	0.59
7-May-09	3.21	0.50
8-May-09	3.21	0.59
11-May-09	3.20	0.59
12-May-09	3.20	0.55
13-May-09	3.20	0.43
14-May-09	3.20	0.54
15-May-09	3.20	0.70
18-May-09	3.20	0.48
19-May-09	3.20	0.42
20-May-09	3.20	0.46
21-May-09	3.20	0.38
22-May-09	3.21	0.51
26-May-09	3.20	0.46
27-May-09	3.21	0.39
28-May-09	3.21	0.35
29-May-09	3.20	0.35
1-Jun-09	3.20	0.45
2-Jun-09	3.21	0.40
3-Jun-09	3.20	0.36
4-Jun-09	3.21	0.38
5-Jun-09	3.22	0.45
8-Jun-09	3.23	0.49
9-Jun-09	3.23	0.40
10-Jun-09	3.22	0.46
11-Jun-09	3.22	0.39
12-Jun-09	3.21	0.37
15-Jun-09	3.21	0.48
16-Jun-09	3.22	0.40
17-Jun-09	3.22	0.52
18-Jun-09	3.23	0.43
19-Jun-09	3.24	0.44
22-Jun-09	3.23	0.40
23-Jun-09	3.24	0.45
24-Jun-09	3.24	0.45
25-Jun-09	3.23	0.53
26-Jun-09	3.22	0.38
29-Jun-09	3.22	0.38
30-Jun-09	3.22	0.53
1-Jul-09	3.22	0.50
2-Jul-09	3.22	0.43
6-Jul-09	3.21	0.36
7-Jul-09	3.20	0.37
8-Jul-09	3.20	0.36
9-Jul-09	3.20	0.37
10-Jul-09	3.20	0.37
13-Jul-09	3.20	0.42
14-Jul-09	3.20	0.35
15-Jul-09	3.20	0.42
16-Jul-09	3.20	0.41
17-Jul-09	3.19	0.38
20-Jul-09	3.19	0.39
21-Jul-09	3.20	0.34
22-Jul-09	3.19	0.33
23-Jul-09	3.20	0.39
24-Jul-09	3.20	0.34

27-Jul-09	3.20	0.36
28-Jul-09	3.20	0.38
29-Jul-09	3.20	0.35
30-Jul-09	3.20	0.37
31-Jul-09	3.20	0.31
3-Aug-09	3.20	0.38
4-Aug-09	3.20	0.31
5-Aug-09	3.20	0.38
6-Aug-09	3.20	0.34
7-Aug-09	3.20	0.30
10-Aug-09	3.20	0.31
11-Aug-09	3.19	0.34
12-Aug-09	3.19	0.37
13-Aug-09	3.19	0.33
14-Aug-09	3.19	0.30
17-Aug-09	3.18	0.30
18-Aug-09	3.19	0.31
19-Aug-09	3.19	0.34
20-Aug-09	3.19	0.32
21-Aug-09	3.19	0.29
24-Aug-09	3.19	0.30
25-Aug-09	3.19	0.30
26-Aug-09	3.19	0.35
27-Aug-09	3.19	0.29
28-Aug-09	3.18	0.42
31-Aug-09	3.18	0.29
1-Sep-09	3.18	0.28
2-Sep-09	3.17	0.29
3-Sep-09	3.17	0.26
4-Sep-09	3.18	0.24
8-Sep-09	3.17	0.32
9-Sep-09	3.17	0.31
10-Sep-09	3.17	0.26
11-Sep-09	3.17	0.26
14-Sep-09	3.17	0.27
15-Sep-09	3.17	0.32
16-Sep-09	3.17	0.27
17-Sep-09	3.18	0.24
18-Sep-09	3.18	0.26
21-Sep-09	3.18	0.27
22-Sep-09	3.18	0.29
23-Sep-09	3.18	0.28
24-Sep-09	3.17	0.27
25-Sep-09	3.17	0.31
28-Sep-09	3.17	0.28
29-Sep-09	3.17	0.31
30-Sep-09	3.16	0.35
1-Oct-09	3.16	0.27
2-Oct-09	3.14	0.29
5-Oct-09	3.16	0.27
6-Oct-09	3.15	0.25
7-Oct-09	3.15	0.27
8-Oct-09	3.16	0.31
9-Oct-09	3.16	0.31
13-Oct-09	3.16	0.31
14-Oct-09	3.15	0.28
15-Oct-09	3.15	0.29
16-Oct-09	3.15	0.26
19-Oct-09	3.17	0.27
20-Oct-09	3.17	0.26
21-Oct-09	3.17	0.28
22-Oct-09	3.16	0.25
23-Oct-09	3.16	0.32
26-Oct-09	3.16	0.27

27-Oct-09	3.16	0.28
28-Oct-09	3.16	0.28
29-Oct-09	3.16	0.25
30-Oct-09	3.16	0.25
2-Nov-09	3.16	0.27
3-Nov-09	3.15	0.25
4-Nov-09	3.16	0.25
5-Nov-09	3.15	0.25
6-Nov-09	3.15	0.23
9-Nov-09	3.15	0.24
10-Nov-09	3.15	0.26
12-Nov-09	3.15	0.23
13-Nov-09	3.14	0.23
16-Nov-09	3.14	0.26
17-Nov-09	3.14	0.24
18-Nov-09	3.14	0.23
19-Nov-09	3.14	0.26
20-Nov-09	3.13	0.30
23-Nov-09	3.13	0.24
24-Nov-09	3.13	0.23
25-Nov-09	3.13	0.20
27-Nov-09	3.13 ND	
30-Nov-09	3.14	0.26
1-Dec-09	3.14	0.27
2-Dec-09	3.14	0.22
3-Dec-09	3.15	0.40
4-Dec-09	3.15	0.23
7-Dec-09	3.15	0.24
8-Dec-09	3.15	0.22
9-Dec-09	3.15	0.23
10-Dec-09	3.15	0.23
11-Dec-09	3.15	0.25
14-Dec-09	3.16	0.27
15-Dec-09	3.18	0.22
16-Dec-09	3.17	0.25
17-Dec-09	3.16	0.23
18-Dec-09	3.16	0.24
21-Dec-09	3.16	0.23
22-Dec-09	3.16	0.26
23-Dec-09	3.16	0.22
24-Dec-09	3.16	0.26
28-Dec-09	3.17	0.30
29-Dec-09	3.18	0.25
30-Dec-09	3.17	0.25
31-Dec-09	3.17	0.30
4-Jan-10	3.16	0.24
5-Jan-10	3.16	0.22
6-Jan-10	3.16	0.22
7-Jan-10	3.15	0.20
8-Jan-10	3.15	0.25
11-Jan-10	3.15	0.24
12-Jan-10	3.14	0.25
13-Jan-10	3.14	0.26
14-Jan-10	3.14	0.22
15-Jan-10	3.14	0.20
19-Jan-10	3.14	0.22
20-Jan-10	3.14	0.20
21-Jan-10	3.14	0.20
22-Jan-10	3.15	0.22
25-Jan-10	3.15	0.23

Interest [discount] rate on unsecured CP purchased under the CPFF* and comparable market interest rates
Daily
Percent

Note: On many days there was not sufficient commercial paper issuance to calculate market rates
* Includes 1.00% surcharge on unsecured commercial paper

Date	CPFF CP rate*	90-day AA non-financial CP rate	90-day AA financial CP rate
27-Oct-08	2.88	1.95	2.55
28-Oct-08	2.89	2.18	2.89
29-Oct-08	2.84	1.95	2.84
30-Oct-08	2.74	...	2.74
31-Oct-08	2.60	1.95	2.60
3-Nov-08	2.61	2.03	...
4-Nov-08	2.60	1.75	...
5-Nov-08	2.55	1.81	...
6-Nov-08	2.54	1.61	...
7-Nov-08	2.54	1.40	...
10-Nov-08	2.53	1.44	...
12-Nov-08	2.47	1.40	...
13-Nov-08	2.52	1.40	1.66
14-Nov-08	2.54	1.40	1.19
17-Nov-08	2.51	1.32	...
18-Nov-08	2.47	1.31	1.34
19-Nov-08	2.47	1.27	...
20-Nov-08	2.42	1.22	...
21-Nov-08	2.49	1.28	1.59
24-Nov-08	2.49	...	2.03
25-Nov-08	2.48	1.29	1.70
26-Nov-08	2.42	1.22	...
28-Nov-08	2.41	...	1.30
1-Dec-08	2.42	1.22	1.48
2-Dec-08	2.39	1.42	...
3-Dec-08	2.37	1.34	...
4-Dec-08	2.33	...	1.35
5-Dec-08	2.32	1.10	...
8-Dec-08	2.29	0.50	...
9-Dec-08	2.30	...	...
10-Dec-08	2.25	...	...
11-Dec-08	2.25	...	...
12-Dec-08	2.25	...	...
15-Dec-08	2.31	...	...
16-Dec-08	2.33	...	...
17-Dec-08	2.18	...	...
18-Dec-08	2.20	...	...
19-Dec-08	2.19	0.25	...
22-Dec-08	2.21	...	...
23-Dec-08	2.21	...	0.44
24-Dec-08	2.22	...	...
26-Dec-08	2.22	...	...
29-Dec-08	2.21	...	...
30-Dec-08	2.18	...	...
31-Dec-08	2.18	...	...
2-Jan-09	2.18	...	0.40
5-Jan-09	2.18	0.20	...
6-Jan-09	2.18	0.22	...
7-Jan-09	2.19	0.29	0.54
8-Jan-09	2.18	0.30	0.28
9-Jan-09	2.18	0.25	...
12-Jan-09	2.18	0.29	0.49
13-Jan-09	2.16	0.26	0.49
14-Jan-09	2.16	0.27	0.46
15-Jan-09	2.17	0.29	0.91

16-Jan-09	2.19	0.33	0.50
20-Jan-09	2.18	0.34	0.62
21-Jan-09	2.19	0.35	...
22-Jan-09	2.21	0.29	...
23-Jan-09	2.23	0.27	1.04
26-Jan-09	2.24	...	2.15
27-Jan-09	2.24	0.42	2.04
28-Jan-09	2.22	0.42	2.14
29-Jan-09	2.22	0.35	2.21
30-Jan-09	2.23	0.36	2.24
2-Feb-09	2.26	...	0.61
3-Feb-09	2.25	...	0.55
4-Feb-09	2.25	0.43	0.65
5-Feb-09	2.25	0.43	0.43
6-Feb-09	2.27	0.49	0.70
9-Feb-09	2.26	0.42	0.62
10-Feb-09	2.27	0.65	0.70
11-Feb-09	2.27	...	0.70
12-Feb-09	2.27	0.50	0.80
13-Feb-09	2.26	...	0.68
17-Feb-09	2.27	0.41	0.69
18-Feb-09	2.27	...	0.73
19-Feb-09	2.27	...	0.61
20-Feb-09	2.24	...	0.60
23-Feb-09	2.23	0.51	0.74
24-Feb-09	2.23	...	0.63
25-Feb-09	2.24	...	0.92
26-Feb-09	2.25	...	0.60
27-Feb-09	2.25	0.51	0.77
2-Mar-09	2.25	0.37	0.64
3-Mar-09	2.25	0.34	0.67
4-Mar-09	2.25	...	0.72
5-Mar-09	2.25	0.35	0.68
6-Mar-09	2.25	...	0.60
9-Mar-09	2.27	0.44	0.61
10-Mar-09	2.26	...	0.65
11-Mar-09	2.26	...	0.66
12-Mar-09	2.25	...	0.75
13-Mar-09	2.25	...	0.64
16-Mar-09	2.24	0.37	0.71
17-Mar-09	2.23	0.37	0.66
18-Mar-09	2.23	0.35	0.64
19-Mar-09	2.22	0.23	0.45
20-Mar-09	2.23	...	0.59
23-Mar-09	2.23	0.34	0.60
24-Mar-09	2.24	0.35	...
25-Mar-09	2.25	0.50	0.55
26-Mar-09	2.24	0.35	...
27-Mar-09	2.23	0.30	...
30-Mar-09	2.23	0.50	0.58
31-Mar-09	2.23	0.45	0.40
1-Apr-09	2.22	0.34	0.56
2-Apr-09	2.22	0.35	...
3-Apr-09	2.22	0.50	0.55
6-Apr-09	2.22	0.30	0.31
7-Apr-09	2.21	0.31	0.54
8-Apr-09	2.20	...	0.53
9-Apr-09	2.20	...	0.50
13-Apr-09	2.20	0.30	0.30
14-Apr-09	2.20	0.30	0.54
15-Apr-09	2.19	0.22	0.45
16-Apr-09	2.19	0.20	0.49
17-Apr-09	2.19	0.21	0.53
20-Apr-09	2.19	0.29	0.52

21-Apr-09	2.19	0.28	0.35
22-Apr-09	2.20	...	0.48
23-Apr-09	2.20	0.20	0.40
24-Apr-09	2.20	0.20	0.51
27-Apr-09	2.20	...	0.53
28-Apr-09	2.19	0.22	0.55
29-Apr-09	2.20	...	0.49
30-Apr-09	2.20	...	0.53
1-May-09	2.19	...	0.52
4-May-09	2.21	0.27	0.50
5-May-09	2.20	0.27	0.49
6-May-09	2.21	0.19	0.50
7-May-09	2.21	0.20	0.42
8-May-09	2.21	...	0.36
11-May-09	2.20	...	0.28
12-May-09	2.20	0.20	0.43
13-May-09	2.20	...	0.35
14-May-09	2.20	0.20	0.39
15-May-09	2.20	0.23	0.35
18-May-09	2.20	0.23	0.36
19-May-09	2.20	0.21	0.40
20-May-09	2.20	0.23	0.28
21-May-09	2.20	0.25	0.26
22-May-09	2.21	...	0.23
26-May-09	2.20	...	0.28
27-May-09	2.21	...	0.35
28-May-09	2.21	0.20	0.31
29-May-09	2.20	0.35	0.40
1-Jun-09	2.20	0.26	0.30
2-Jun-09	2.21	0.25	0.36
3-Jun-09	2.20	0.21	0.33
4-Jun-09	2.21	0.21	0.34
5-Jun-09	2.22	...	0.33
8-Jun-09	2.23	0.25	0.33
9-Jun-09	2.23	...	0.32
10-Jun-09	2.22	0.25	0.32
11-Jun-09	2.22	0.30	0.35
12-Jun-09	2.21	0.36	0.24
15-Jun-09	2.21	...	0.33
16-Jun-09	2.22	...	0.31
17-Jun-09	2.22	...	0.50
18-Jun-09	2.23	0.34	0.40
19-Jun-09	2.24	0.25	0.32
22-Jun-09	2.23	0.26	0.63
23-Jun-09	2.24	0.26	0.37
24-Jun-09	2.24	0.26	0.34
25-Jun-09	2.23	0.22	0.38
26-Jun-09	2.22	0.23	0.34
29-Jun-09	2.22	0.34	0.33
30-Jun-09	2.22	0.24	0.35
1-Jul-09	2.22	0.32	0.42
2-Jul-09	2.22	0.35	0.30
6-Jul-09	2.21	...	0.35
7-Jul-09	2.20	...	0.35
8-Jul-09	2.20	0.26	0.34
9-Jul-09	2.20	...	0.33
10-Jul-09	2.20	...	0.44
13-Jul-09	2.20	0.25	0.31
14-Jul-09	2.20	0.22	0.31
15-Jul-09	2.20	...	0.32
16-Jul-09	2.20	...	0.28
17-Jul-09	2.19	...	0.35
20-Jul-09	2.19	0.26	0.31
21-Jul-09	2.20	...	0.29

22-Jul-09	2.19	...	0.33
23-Jul-09	2.20	...	0.31
24-Jul-09	2.20	...	0.31
27-Jul-09	2.20	...	0.31
28-Jul-09	2.20	...	0.30
29-Jul-09	2.20	...	0.30
30-Jul-09	2.20	...	0.30
31-Jul-09	2.20	...	0.30
3-Aug-09	2.20	0.26	0.30
4-Aug-09	2.20	0.22	0.34
5-Aug-09	2.20	0.25	0.30
6-Aug-09	2.20	...	0.30
7-Aug-09	2.20	...	0.30
10-Aug-09	2.20	0.21	0.30
11-Aug-09	2.19	0.24	0.29
12-Aug-09	2.19	0.33	0.28
13-Aug-09	2.19	...	0.26
14-Aug-09	2.19	...	0.28
17-Aug-09	2.18	0.26	0.28
18-Aug-09	2.19	0.25	0.26
19-Aug-09	2.19	0.22	0.28
20-Aug-09	2.19	0.21	0.29
21-Aug-09	2.19	...	0.35
24-Aug-09	2.19	...	0.27
25-Aug-09	2.19	...	0.29
26-Aug-09	2.19	...	0.23
27-Aug-09	2.19	...	0.26
28-Aug-09	2.18	0.19	0.29
31-Aug-09	2.18	...	0.26
1-Sep-09	2.18	0.15	0.24
2-Sep-09	2.17	0.18	0.26
3-Sep-09	2.17	0.17	0.23
4-Sep-09	2.18	...	0.25
8-Sep-09	2.17	0.19	0.25
9-Sep-09	2.17	0.19	0.24
10-Sep-09	2.17	0.16	0.25
11-Sep-09	2.17	...	0.25
14-Sep-09	2.17	0.20	0.24
15-Sep-09	2.17	0.20	0.25
16-Sep-09	2.17	...	0.24
17-Sep-09	2.18	...	0.22
18-Sep-09	2.18	0.18	0.21
21-Sep-09	2.18	0.17	0.22
22-Sep-09	2.18	0.21	0.21
23-Sep-09	2.18	0.22	0.23
24-Sep-09	2.17	...	0.23
25-Sep-09	2.17	...	0.20
28-Sep-09	2.17	0.20	0.21
29-Sep-09	2.17	0.22	0.21
30-Sep-09	2.16	0.23	0.17
1-Oct-09	2.16	0.20	0.23
2-Oct-09	2.14	0.23	0.22
5-Oct-09	2.16	0.19	0.22
6-Oct-09	2.15	0.21	0.23
7-Oct-09	2.15	0.22	0.21
8-Oct-09	2.16	0.18	0.20
9-Oct-09	2.16	...	0.21
13-Oct-09	2.16	...	0.21
14-Oct-09	2.15	...	0.18
15-Oct-09	2.15	...	0.20
16-Oct-09	2.15	0.18	0.22
19-Oct-09	2.17	0.18	0.19
20-Oct-09	2.17	0.18	0.22
21-Oct-09	2.17	...	0.23

22-Oct-09	2.16	0.16	0.21
23-Oct-09	2.16	0.15	0.22
26-Oct-09	2.16	...	0.22
27-Oct-09	2.16	...	0.25
28-Oct-09	2.16	0.24	0.23
29-Oct-09	2.16	0.15	0.22
30-Oct-09	2.16	0.14	0.21
2-Nov-09	2.16	0.14	0.20
3-Nov-09	2.15	0.15	0.18
4-Nov-09	2.16	0.15	0.22
5-Nov-09	2.15	0.15	0.19
6-Nov-09	2.15	...	0.22
9-Nov-09	2.15	0.14	0.19
10-Nov-09	2.15	0.18	0.21
12-Nov-09	2.15	...	0.19
13-Nov-09	2.14	...	0.20
16-Nov-09	2.14	0.15	0.20
17-Nov-09	2.14	...	0.21
18-Nov-09	2.14	...	0.17
19-Nov-09	2.14	...	0.22
20-Nov-09	2.13	...	0.17
23-Nov-09	2.13	0.14	0.17
24-Nov-09	2.13	...	0.19
25-Nov-09	2.13	...	0.19
27-Nov-09	2.13	...	0.19
30-Nov-09	2.14	0.14	0.19
1-Dec-09	2.14	...	0.20
2-Dec-09	2.14	0.14	0.20
3-Dec-09	2.15	0.12	0.20
4-Dec-09	2.15	0.18	0.20
7-Dec-09	2.15	0.16	0.20
8-Dec-09	2.15	0.18	0.20
9-Dec-09	2.15	...	0.21
10-Dec-09	2.15	0.17	0.18
11-Dec-09	2.15	0.17	0.21
14-Dec-09	2.16	0.18	0.21
15-Dec-09	2.18	0.18	0.20
16-Dec-09	2.17	...	0.21
17-Dec-09	2.16	...	0.19
18-Dec-09	2.16	...	0.20
21-Dec-09	2.16	...	0.18
22-Dec-09	2.16	...	0.18
23-Dec-09	2.16	...	0.20
24-Dec-09	2.16	...	0.19
28-Dec-09	2.17	...	0.25
29-Dec-09	2.18	...	0.20
30-Dec-09	2.17	...	0.14
31-Dec-09	2.17	...	...
4-Jan-10	2.16	...	0.15
5-Jan-10	2.16	...	0.16
6-Jan-10	2.16	...	0.18
7-Jan-10	2.15	...	0.20
8-Jan-10	2.15	...	0.20
11-Jan-10	2.15	...	0.16
12-Jan-10	2.14	...	0.15
13-Jan-10	2.14	0.16	0.17
14-Jan-10	2.14	0.14	0.16
15-Jan-10	2.14	0.14	0.16
19-Jan-10	2.14	0.13	0.17
20-Jan-10	2.14	...	0.17
21-Jan-10	2.14	0.07	0.16
22-Jan-10	2.15	...	0.18
25-Jan-10	2.15	...	0.19

Estimated TSLF loan rate* and comparable market interest rate
Dates on which TSLF loans were made
Percent

* Estimated TSLF loan rate = auction-based TSLF lending fee + 1-month term GC repo rate

Date	TSLF Collateral Schedule	TSLF loan term (days)	Auction-based TSLF lending fee	1-month term GC repo rate	Estimated TSLF Lending Rate*	1-month term MBS repo rate
28-Mar-08	2	28	0.33	2.00	2.33	2.35
4-Apr-08	1	28	0.16	2.00	2.16	2.30
11-Apr-08	2	28	0.25	1.90	2.15	2.40
18-Apr-08	1	28	0.10	1.90	2.00	2.15
25-Apr-08	2	28	0.25	1.90	2.15	2.15
2-May-08	1	28	0.10	1.85	1.95	1.90
9-May-08	2	28	0.25	1.85	2.10	1.95
16-May-08	1	28	0.10	1.95	2.05	2.00
23-May-08	2	28	0.25	1.85	2.10	2.00
30-May-08	1	28	0.10	1.90	2.00	2.20
6-Jun-08	2	31	0.25	1.90	2.15	2.00
13-Jun-08	1	28	0.10	1.95	2.05	2.05
20-Jun-08	2	28	0.25	1.95	2.20	2.20
27-Jun-08	1	28	0.11	2.00	2.11	2.35
7-Jul-08	2	25	0.25	2.00	2.25	2.10
11-Jul-08	1	28	0.10	2.00	2.10	2.20
18-Jul-08	2	28	0.25	1.95	2.20	2.25
25-Jul-08	1	28	0.12	2.00	2.12	2.20
1-Aug-08	2	28	0.25	1.90	2.15	2.30
8-Aug-08	1	28	0.13	1.95	2.08	2.20
15-Aug-08	2	28	0.25	2.00	2.25	2.25
22-Aug-08	1	28	0.14	1.95	2.09	2.20
29-Aug-08	2	28	0.25	1.95	2.20	2.20
5-Sep-08	1	28	0.15	1.95	2.10	2.10
12-Sep-08	2	28	0.25	2.00	2.25	2.15
18-Sep-08	2	28	3.00	1.75	4.75	2.15
18-Sep-08	2	14	2.50	1.75	4.25	2.15
19-Sep-08	1	28	1.51	1.75	3.26	2.15
25-Sep-08	2	7	0.25	1.75	2.00	2.30
26-Sep-08	2	27	1.02	2.00	3.02	2.30
2-Oct-08	2	28	1.51	1.50	3.01	2.00
3-Oct-08	1	28	0.42	1.35	1.77	2.00
10-Oct-08	2	27	3.05	0.75	3.80	1.65
16-Oct-08	2	28	3.22	0.75	3.97	2.25
17-Oct-08	1	28	0.46	1.00	1.46	2.00
23-Oct-08	2	28	0.50	1.10	1.60	1.90
30-Oct-08	2	29	0.38	0.50	0.88	0.85
31-Oct-08	1	28	0.12	0.50	0.62	1.25
6-Nov-08	2	28	0.25	0.55	0.80	1.40
13-Nov-08	2	28	0.25	0.25	0.50	1.05
14-Nov-08	1	28	0.10	0.25	0.35	0.75
20-Nov-08	2	28	0.25	0.45	0.70	0.95
25-Nov-08	2	7	0.50	0.25	0.75	0.75
28-Nov-08	2	28	0.25	0.45	0.70	0.65
28-Nov-08	1	28	0.10	0.45	0.55	0.65
4-Dec-08	2	29	0.31	0.25	0.56	0.30
11-Dec-08	2	28	0.25	0.20	0.45	0.75
12-Dec-08	1	28	0.10	0.20	0.30	0.80
18-Dec-08	2	28	0.25	0.20	0.45	0.80

23-Dec-08	2	13	0.50	0.10	0.60	0.35
26-Dec-08	1	28	0.10	0.25	0.35	0.35
26-Dec-08	2	27	0.25	0.25	0.50	0.35
2-Jan-09	2	27	0.25	0.05	0.30	0.25
8-Jan-09	2	28	0.25	0.10	0.35	0.15
9-Jan-09	1	28	0.10	0.15	0.25	0.15
15-Jan-09	2	28	0.25	0.20	0.45	0.30
22-Jan-09	2	28	0.25	0.20	0.45	0.30
23-Jan-09	1	28	0.10	0.20	0.30	0.30
29-Jan-09	2	28	0.25	0.15	0.40	0.30
5-Feb-09	2	28	0.25	0.25	0.50	0.35
6-Feb-09	1	28	0.10	0.25	0.35	0.35
12-Feb-09	2	28	0.25	0.25	0.50	0.35
19-Feb-09	2	28	0.25	0.25	0.50	0.35
20-Feb-09	1	28	0.10	0.30	0.40	0.40
26-Feb-09	2	28	0.25	0.30	0.55	0.40
5-Mar-09	2	28	0.25	0.25	0.50	0.35
6-Mar-09	1	28	0.10	0.25	0.35	0.35
12-Mar-09	2	28	0.25	0.25	0.50	0.35
19-Mar-09	2	28	0.25	0.20	0.45	0.25
20-Mar-09	1	28	0.11	0.25	0.36	0.25
26-Mar-09	2	28	0.25	0.20	0.45	0.20
2-Apr-09	2	21	0.25	0.20	0.45	0.25
9-Apr-09	2	28	0.25	0.15	0.40	0.20
16-Apr-09	2	21	0.25	0.15	0.40	0.15
23-Apr-09	2	29	0.25	0.15	0.40	0.15
7-May-09	2	29	0.25	0.15	0.40	0.15
22-May-09	2	28	0.25	0.15	0.40	0.15
5-Jun-09	2	27	0.25	0.15	0.40	0.15
19-Jun-09	2	28	0.25	0.15	0.40	0.20
2-Jul-09	2	15	0.25	0.15	0.40	0.15
17-Jul-09	2	28	0.25	0.15	0.40	0.15

PDCF loan rates and comparable market interest rate
Dates on which PDCF loans were made
Percent

Date	PDCF interest rate	Overnight GC repo rate	Overnight MBS repo rate
17-Mar-08	3.25	2.00	2.95
18-Mar-08	2.50	0.95	2.85
19-Mar-08	2.50	0.34	2.05
20-Mar-08	2.50	0.51	2.30
24-Mar-08	2.50	0.47	2.10
25-Mar-08	2.50	0.93	2.35
26-Mar-08	2.50	0.46	1.80
27-Mar-08	2.50	0.72	2.00
28-Mar-08	2.50	2.15	2.60
31-Mar-08	2.50	1.43	2.40
1-Apr-08	2.50	2.36	2.60
2-Apr-08	2.50	2.39	2.40
3-Apr-08	2.50	2.39	2.40
4-Apr-08	2.50	2.21	2.20
7-Apr-08	2.50	2.28	2.20
8-Apr-08	2.50	2.15	2.20
9-Apr-08	2.50	2.04	2.05
10-Apr-08	2.50	2.28	2.20
11-Apr-08	2.50	2.25	2.10
14-Apr-08	2.50	2.22	2.30
15-Apr-08	2.50	2.15	2.15
16-Apr-08	2.50	2.15	2.20
17-Apr-08	2.50	2.15	2.20
18-Apr-08	2.50	2.19	2.20
21-Apr-08	2.50	2.13	2.20
22-Apr-08	2.50	2.01	2.10
23-Apr-08	2.50	1.88	1.95
24-Apr-08	2.50	2.03	2.00
25-Apr-08	2.50	1.90	1.95
28-Apr-08	2.50	1.88	1.90
29-Apr-08	2.50	2.02	2.10
30-Apr-08	2.25	1.96	2.00
1-May-08	2.25	1.86	1.90
2-May-08	2.25	1.85	1.90
5-May-08	2.25	1.89	1.90
6-May-08	2.25	1.90	1.90
7-May-08	2.25	1.87	1.90
8-May-08	2.25	1.99	1.95
9-May-08	2.25	2.01	1.95
12-May-08	2.25	2.03	1.95
13-May-08	2.25	2.01	1.95
14-May-08	2.25	1.93	1.95
15-May-08	2.25	2.05	2.00
16-May-08	2.25	1.98	2.10

19-May-08	2.25	1.98	1.90
20-May-08	2.25	2.01	1.90
21-May-08	2.25	1.97	1.90
22-May-08	2.25	2.08	2.00
23-May-08	2.25	2.09	2.10
27-May-08	2.25	2.16	2.20
28-May-08	2.25	2.24	2.25
29-May-08	2.25	2.34	2.35
30-May-08	2.25	2.19	2.20
2-Jun-08	2.25	2.22	2.20
3-Jun-08	2.25	2.12	2.10
4-Jun-08	2.25	2.05	2.00
5-Jun-08	2.25	2.04	1.95
6-Jun-08	2.25	2.02	1.95
9-Jun-08	2.25	2.07	1.95
10-Jun-08	2.25	2.11	2.05
11-Jun-08	2.25	2.12	2.05
12-Jun-08	2.25	2.10	2.00
13-Jun-08	2.25	2.12	2.00
16-Jun-08	2.25	2.19	2.10
17-Jun-08	2.25	2.02	1.95
18-Jun-08	2.25	1.96	2.00
19-Jun-08	2.25	1.94	1.90
20-Jun-08	2.25	1.99	1.95
23-Jun-08	2.25	1.97	1.95
24-Jun-08	2.25	1.94	2.00
25-Jun-08	2.25	1.91	2.00
26-Jun-08	2.25	1.97	2.10
27-Jun-08	2.25	2.11	2.40
30-Jun-08	2.25	1.72	3.15
1-Jul-08	2.25	2.10	2.15
11-Jul-08	2.25	1.93	2.00
24-Jul-08	2.25	1.96	2.05
11-Sep-08	2.25	2.06	2.10
15-Sep-08	2.25	1.66	3.50
16-Sep-08	2.25	1.03	2.25
17-Sep-08	2.25	0.25	2.25
18-Sep-08	2.25	0.76	2.25
19-Sep-08	2.25	1.82	2.50
22-Sep-08	2.25	1.75	2.50
23-Sep-08	2.25	0.68	1.90
24-Sep-08	2.25	0.26	1.90
25-Sep-08	2.25	0.31	1.25
26-Sep-08	2.25	1.08	1.25
29-Sep-08	2.25	0.88	1.55
30-Sep-08	2.25	0.33	1.55
1-Oct-08	2.25	0.76	1.55
2-Oct-08	2.25	0.23	0.45
3-Oct-08	2.25	0.11	0.45
6-Oct-08	2.25	0.15	0.55

7-Oct-08	2.25	0.36	1.65
8-Oct-08	1.75	0.10	1.25
9-Oct-08	1.75	0.21	1.25
10-Oct-08	1.75	0.10	1.25
14-Oct-08	1.75	0.10	1.25
15-Oct-08	1.75	0.12	1.25
16-Oct-08	1.75	0.11	0.75
17-Oct-08	1.75	0.11	0.75
20-Oct-08	1.75	0.31	0.75
21-Oct-08	1.75	0.96	1.05
22-Oct-08	1.75	1.01	1.10
23-Oct-08	1.75	1.03	1.15
24-Oct-08	1.75	0.82	1.05
27-Oct-08	1.75	0.96	1.20
28-Oct-08	1.75	0.86	0.85
29-Oct-08	1.25	0.21	0.30
30-Oct-08	1.25	0.20	0.15
31-Oct-08	1.25	0.15	0.25
3-Nov-08	1.25	0.26	0.20
4-Nov-08	1.25	0.16	0.05
5-Nov-08	1.25	0.14	0.10
6-Nov-08	1.25	0.14	0.10
7-Nov-08	1.25	0.18	0.10
10-Nov-08	1.25	0.15	0.15
12-Nov-08	1.25	0.17	0.15
13-Nov-08	1.25	0.26	0.15
14-Nov-08	1.25	0.17	0.10
17-Nov-08	1.25	0.19	0.15
18-Nov-08	1.25	0.27	0.25
19-Nov-08	1.25	0.30	0.25
20-Nov-08	1.25	0.28	0.40
21-Nov-08	1.25	0.49	0.60
24-Nov-08	1.25	0.58	0.50
25-Nov-08	1.25	0.40	0.25
26-Nov-08	1.25	0.34	0.30
28-Nov-08	1.25	0.25	0.30
1-Dec-08	1.25	0.30	0.30
2-Dec-08	1.25	0.29	0.20
3-Dec-08	1.25	0.20	0.10
4-Dec-08	1.25	0.17	0.10
5-Dec-08	1.25	0.03	0.03
8-Dec-08	1.25	0.02	0.05
9-Dec-08	1.25	0.02	0.05
10-Dec-08	1.25	0.01	0.05
11-Dec-08	1.25	0.03	0.10
12-Dec-08	1.25	0.08	0.10
15-Dec-08	1.25	0.08	0.10
16-Dec-08	0.50	0.10	0.05
17-Dec-08	0.50	0.05	0.05
18-Dec-08	0.50	0.03	0.05

19-Dec-08	0.50	0.04	0.10
22-Dec-08	0.50	0.05	0.10
23-Dec-08	0.50	0.06	0.10
24-Dec-08	0.50	0.07	0.10
26-Dec-08	0.50	0.08	0.10
29-Dec-08	0.50	0.06	0.05
30-Dec-08	0.50	0.05	0.05
31-Dec-08	0.50	0.03	0.05
2-Jan-09	0.50	0.07	0.05
5-Jan-09	0.50	0.07	0.10
6-Jan-09	0.50	0.05	0.05
7-Jan-09	0.50	0.04	0.10
8-Jan-09	0.50	0.06	0.10
9-Jan-09	0.50	0.07	0.05
12-Jan-09	0.50	0.06	0.05
13-Jan-09	0.50	0.07	0.10
14-Jan-09	0.50	0.17	0.25
15-Jan-09	0.50	0.21	0.25
16-Jan-09	0.50	0.28	0.30
20-Jan-09	0.50	0.21	0.30
21-Jan-09	0.50	0.19	0.25
22-Jan-09	0.50	0.26	0.30
23-Jan-09	0.50	0.24	0.30
26-Jan-09	0.50	0.17	0.25
27-Jan-09	0.50	0.12	0.15
28-Jan-09	0.50	0.19	0.20
29-Jan-09	0.50	0.23	0.30
30-Jan-09	0.50	0.26	0.25
2-Feb-09	0.50	0.30	0.30
3-Feb-09	0.50	0.23	0.30
4-Feb-09	0.50	0.24	0.25
5-Feb-09	0.50	0.29	0.30
6-Feb-09	0.50	0.26	0.30
9-Feb-09	0.50	0.26	0.25
10-Feb-09	0.50	0.26	0.20
11-Feb-09	0.50	0.26	0.20
12-Feb-09	0.50	0.28	0.25
13-Feb-09	0.50	0.30	0.30
17-Feb-09	0.50	0.33	0.30
18-Feb-09	0.50	0.25	0.30
19-Feb-09	0.50	0.26	0.20
20-Feb-09	0.50	0.28	0.25
23-Feb-09	0.50	0.25	0.25
24-Feb-09	0.50	0.24	0.25
25-Feb-09	0.50	0.24	0.20
26-Feb-09	0.50	0.29	0.25
27-Feb-09	0.50	0.26	0.25
2-Mar-09	0.50	0.31	0.25
3-Mar-09	0.50	0.27	0.20
4-Mar-09	0.50	0.26	0.25

5-Mar-09	0.50	0.29	0.25
6-Mar-09	0.50	0.26	0.25
9-Mar-09	0.50	0.28	0.25
10-Mar-09	0.50	0.28	0.25
11-Mar-09	0.50	0.26	0.20
12-Mar-09	0.50	0.26	0.20
13-Mar-09	0.50	0.11	0.10
16-Mar-09	0.50	0.25	0.20
17-Mar-09	0.50	0.23	0.20
18-Mar-09	0.50	0.19	0.15
19-Mar-09	0.50	0.22	0.20
20-Mar-09	0.50	0.22	0.15
23-Mar-09	0.50	0.25	0.20
24-Mar-09	0.50	0.22	0.20
25-Mar-09	0.50	0.17	0.10
26-Mar-09	0.50	0.13	0.10
27-Mar-09	0.50	0.15	0.10
30-Mar-09	0.50	0.15	0.15
31-Mar-09	0.50	0.17	0.20
1-Apr-09	0.50	0.24	0.20
2-Apr-09	0.50	0.22	0.15
3-Apr-09	0.50	0.17	0.10
6-Apr-09	0.50	0.16	0.10
7-Apr-09	0.50	0.15	0.10
8-Apr-09	0.50	0.19	0.15
9-Apr-09	0.50	0.17	0.15
13-Apr-09	0.50	0.17	0.15
14-Apr-09	0.50	0.17	0.10
15-Apr-09	0.50	0.12	0.10
16-Apr-09	0.50	0.13	0.05
17-Apr-09	0.50	0.15	0.10
20-Apr-09	0.50	0.15	0.15
21-Apr-09	0.50	0.14	0.10
22-Apr-09	0.50	0.14	0.10
23-Apr-09	0.50	0.15	0.10
24-Apr-09	0.50	0.14	0.05
27-Apr-09	0.50	0.14	0.10
28-Apr-09	0.50	0.14	0.10
29-Apr-09	0.50	0.14	0.10
30-Apr-09	0.50	0.16	0.15
1-May-09	0.50	0.23	0.20
4-May-09	0.50	0.24	0.20
5-May-09	0.50	0.23	0.20
6-May-09	0.50	0.21	0.15
7-May-09	0.50	0.21	0.15
8-May-09	0.50	0.19	0.15
11-May-09	0.50	0.20	0.10
12-May-09	0.50	0.16	0.15

AMLF loan rate and comparable market interest rates
Dates on which AMLF loans were made
Percent

Date	AMLF Interest Rate	30-day term federal funds rate	90-day term federal funds rate	30-day AA ABCP rate	90-day AA ABCP rate
22-Sep-08	2.25	1.98	1.92	4.57	3.52
23-Sep-08	2.25	1.93	1.86	3.70	3.27
24-Sep-08	2.25	1.90	1.80	3.68	4.20
25-Sep-08	2.25	1.89	1.79	3.72	3.80
26-Sep-08	2.25	1.81	1.67	5.55	5.25
29-Sep-08	2.25	1.81	1.58	4.23	4.06
30-Sep-08	2.25	1.81	1.70	6.05	4.41
1-Oct-08	2.25	1.74	1.63	4.19	4.22
2-Oct-08	2.25	1.56	1.47	4.08	4.49
3-Oct-08	2.25	1.41	1.42	4.06	4.38
6-Oct-08	2.25	1.38	1.32	4.03	4.20
7-Oct-08	2.25	1.61	1.36	5.45	4.66
8-Oct-08	1.75	1.50	1.24	4.43	4.85
9-Oct-08	1.75	1.46	1.24	4.33	4.66
10-Oct-08	1.75	1.32	1.14	4.77	4.55
14-Oct-08	1.75	1.29	1.18	4.43	4.49
15-Oct-08	1.75	1.23	1.10	4.70	4.48
16-Oct-08	1.75	1.21	1.10	3.95	4.23
21-Oct-08	1.75	1.07	1.07	3.51	3.75
22-Oct-08	1.75	1.10	1.00	3.19	3.31
24-Oct-08	1.75	1.05	0.89	2.97	3.10
4-Nov-08	1.25	0.51	0.63	1.95	2.30
13-Nov-08	1.25	0.42	0.54	1.31	1.97
21-Nov-08	1.25	0.42	0.46	1.25	2.30
26-Nov-08	1.25	0.42	0.41	1.39	3.04
1-Dec-08	1.25	0.40	0.40	1.72	1.89
8-Dec-08	1.25	0.24	0.34	1.68	2.77
6-Jan-09	0.50	0.15	0.21	0.60	0.65
16-Jan-09	0.50	0.14	0.19	0.53	0.77
22-Jan-09	0.50	0.17	0.23	0.60	0.62
26-Jan-09	0.50	0.16	0.25	0.51	2.38
27-Jan-09	0.50	0.16	0.24	0.56	0.77
28-Jan-09	0.50	0.16	0.22	0.52	0.89
29-Jan-09	0.50	0.16	0.22	0.55	0.95
30-Jan-09	0.50	0.16	0.27	0.58	0.79
3-Feb-09	0.50	0.23	0.26	0.54	0.76
4-Feb-09	0.50	0.24	0.28	0.49	0.70
12-Feb-09	0.50	0.23	0.26	0.82	0.88
23-Feb-09	0.50	0.22	0.24	0.72	0.85
26-Feb-09	0.50	0.22	0.25	0.95	0.90
5-Mar-09	0.50	0.23	0.26	0.80	0.83
12-Mar-09	0.50	0.22	0.26	0.71	0.75
24-Apr-09	0.50	0.15	0.19	0.47	0.64

30-Apr-09	0.50	0.15	0.20	0.85	3.01
5-May-09	0.50	0.20	0.21	0.62	0.56
6-May-09	0.50	0.20	0.21	0.55	0.59
7-May-09	0.50	0.20	0.21	0.51	0.50
8-May-09	0.50	0.19	0.21	0.48	0.59

Single-tranche open market operation auction statistics and comparable market interest rates
Dates on which ST OMOs were conducted
Percent

Date	Term (days)	Auction stop-out rate	Weighted avg. auction rate	4-week Treasury bill yield	1-month MBS repo rate
7-Mar-08	28	2.75	2.84	1.64	2.80
11-Mar-08	28	2.60	2.67	1.79	2.80
18-Mar-08	28	2.25	2.32	0.46	2.10
25-Mar-08	28	2.38	2.40	0.82	2.35
4-Apr-08	23	2.35	2.36	1.47	2.30
8-Apr-08	28	2.26	2.27	1.29	2.30
15-Apr-08	28	2.15	2.17	0.84	2.15
22-Apr-08	28	2.10	2.13	0.59	2.20
29-Apr-08	28	2.06	2.10	1.11	2.20
6-May-08	28	2.01	2.04	1.33	1.90
13-May-08	28	2.03	2.05	1.74	2.00
20-May-08	28	2.02	2.03	1.90	2.00
27-May-08	28	2.05	2.06	1.90	2.00
3-Jun-08	28	2.15	2.15	1.90	2.05
10-Jun-08	28	2.20	2.23	1.90	2.00
17-Jun-08	28	2.20	2.23	1.78	2.10
24-Jun-08	28	2.12	2.20	1.46	2.20
1-Jul-08	28	2.12	2.15	1.73	2.20
8-Jul-08	28	2.16	2.18	1.78	2.10
15-Jul-08	28	2.16	2.17	1.26	2.15
22-Jul-08	28	2.18	2.20	1.39	2.25
29-Jul-08	28	2.18	2.19	1.66	2.20
5-Aug-08	28	2.19	2.21	1.56	2.15
12-Aug-08	28	2.24	2.25	1.70	2.20
19-Aug-08	28	2.21	2.23	1.74	2.25
26-Aug-08	28	2.18	2.22	1.66	2.15
2-Sep-08	28	2.18	2.21	1.61	2.20
9-Sep-08	28	2.17	2.25	1.49	2.15
16-Sep-08	28	2.37	2.49	0.26	2.15
23-Sep-08	28	2.67	3.02	0.36	2.30
30-Sep-08	28	2.31	2.45	0.76	2.30
7-Oct-08	28	3.26	3.51	0.31	1.45
14-Oct-08	28	2.00	2.47	0.11	1.40
21-Oct-08	28	1.75	1.88	0.46	1.85
28-Oct-08	28	1.10	1.52	0.18	1.45
4-Nov-08	28	0.75	0.99	0.15	1.65
10-Nov-08	28	0.55	0.85	0.10	1.30
18-Nov-08	28	0.40	0.66	0.09	0.95
25-Nov-08	28	0.55	0.65	0.04	0.75
2-Dec-08	28	0.30	0.45	0.03	0.85
9-Dec-08	28	1.16	1.18	0.03	0.25
16-Dec-08	28	0.26	0.58	0.01	1.00
23-Dec-08	28	0.10	0.25	0.01	0.35
30-Dec-08	28	0.01	0.10	0.02	0.90

Data Files

The data tables in response to question 11, which provide the lending rates of Federal Reserve emergency lending facilities and comparable market rates, can be found in Excel file format at the following links.

- Tables on TALF loan rate spreads and comparable market interest rate spreads:

  TALF only Excel file

  Tab 1 – CMBS: "Loans Backed by Commercial Mortgage-Backed Securities"
  Tab 2 – Auto: "Loans backed by Prime Auto Asset-Backed Securities"
  Tab 3 – Credit Cards: "Loans backed by Credit Card Asset-Backed Securities"
  Tab 4 – Equipment: "Loans backed by Equipment Loan Asset-Backed Securities"
  Tab 5 – Student Loan: "Loans backed by Private Student Loan Asset-Backed Securities"

- Tables on all other emergency lending programs:

  Lending rates Excel file

  Tab 1 – TAF: "TAF loan rates and comparable market interest rate"
  Tab 2 – CPFF-ABCP: "Interest [discount] rate on ABCP purchased under the CPFF and comparable market interest rate"
  Tab 3 – CPFF-CP: "Interest [discount] rate on unsecured CP purchased under the CPFF and comparable market interest rates"
  Tab 4 – TSLF: "Estimated TSLF loan rate and comparable market interest rate"
  Tab 5 – PDCF: "PDCF loan rates and comparable market interest rate
  Tab 6 – AMLF: "AMLF loan rate and comparable market interest rates"
  Tab 7 – ST OMO: "Single-tranche open market operation auction statistics and comparable market interest rates"

Bloomberg

Fed Gave Banks Crisis Gains on $80 Billion Secretive Loans as Low as 0.01%

By Bob Ivry - May 26, 2011

Credit Suisse Group AG (CS), Goldman Sachs Group Inc. (GS) and Royal Bank of Scotland Group Plc (RBS) each borrowed at least $30 billion in 2008 from a Federal Reserve emergency lending program whose details weren't revealed to shareholders, members of Congress or the public.

The $80 billion initiative, called single-tranche open- market operations, or ST OMO, made 28-day loans from March through December 2008, a period in which confidence in global credit markets collapsed after the Sept. 15 bankruptcy of Lehman Brothers Holdings Inc.

Units of 20 banks were required to bid at auctions for the cash. They paid interest rates as low as 0.01 percent that December, when the Fed's main lending facility charged 0.5 percent.

"This was a pure subsidy," said Robert A. Eisenbeis, former head of research at the Federal Reserve Bank of Atlanta and now chief monetary economist at Sarasota, Florida-based Cumberland Advisors Inc. "The Fed hasn't been forthcoming with disclosures overall. Why should this be any different?"

The Federal Reserve Bank of New York, which oversaw ST OMO, posted aggregate data about the program on its website after each auction, said Jeffrey V. Smith, a New York Fed spokesman. By increasing the availability of short-term financing when private lenders were under pressure, "this program helped alleviate strains in financial markets and support the flow of credit to U.S. households and businesses," he said.

Not in Dodd-Frank

Congress overlooked ST OMO when lawmakers required the central bank to publish its emergency lending data last year under the Dodd-Frank law.

"I wasn't aware of this program until now," said U.S. Representative Barney Frank, the Massachusetts Democrat who chaired the House Financial Services Committee in 2008 and co- authored the legislation overhauling financial regulation. The law does require the Fed to release details of any open-market operations undertaken after July 2010, after a two-year lag.

Records of the 2008 lending, released in March under court orders, show how the central bank adapted an existing tool for adjusting the U.S. money supply into an emergency source of cash. Zurich-based Credit

Suisse borrowed as much as $45 billion, according to bar graphs that appear on 27 of 29,000 pages the central bank provided to media organizations that sued the Fed Board of Governors for public disclosure.

New York-based Goldman Sachs's borrowing peaked at about $30 billion, the records show, as did the program's loans to RBS, based in Edinburgh. Deutsche Bank AG (DBK), Barclays Plc (BARC) and UBS AG (UBSN) each borrowed at least $15 billion, according to the graphs, which reflect deals made by 12 of the 20 eligible banks during the last four months of 2008.

No Exact Amounts

The records don't provide exact loan amounts for each bank. Smith, the New York Fed spokesman, would not disclose those details. Amounts cited in this article are estimates based on the graphs.

One effect of the program was to spur trading in mortgage- backed securities, said Lou Crandall, chief U.S. economist at Jersey City, New Jersey-based Wrightson ICAP LLC, a research company specializing in Fed operations. The 20 banks -- previously designated as primary dealers to trade government securities directly with the New York Fed -- posted mortgage securities guaranteed by government-sponsored enterprises such as Fannie Mae or Freddie Mac in exchange for the Fed's cash.

ST OMO aimed to thaw a frozen short-term funding market and not necessarily to aid individual banks, Crandall said. Still, primary dealers earned spreads by using the program to help customers, such as hedge funds, finance their mortgage securities, he said.

'Spreads Vary'

"Spreads vary from one transaction to another," making any calculation of dealers' profits on the Fed loans impossible, Crandall said.

The Fed opposed disclosing details of its open market operations because doing so would probably cause borrowers "substantial competitive harm," according to a March 2009 declaration by Christopher R. Burke, vice president of the New York Fed's markets group. The declaration is filed in federal court.

Revealing the borrowing "could lead market participants to inaccurately speculate that the primary dealer was having difficulty finding term funding against its collateral in the open market and that the dealer itself must therefore be in financial trouble," Burke said in opposing a media request for records about the borrowing.

Bidding Interest Rates

The New York Fed conducted 44 ST OMO auctions, from March through December 2008, according to its website. Banks bid the interest rate they were willing to pay for the loans, which had terms of 28 days. That was an expansion of longstanding open- market operations, which offered cash for up to two weeks.

Outstanding ST OMO loans from April 2008 to January 2009 stayed at $80 billion. The average loan amount during that time was $19.4 billion, more than three times the average for the 7 1/2 years prior, according to New York Fed data. By comparison, borrowing from the Fed's discount window, its main lending program for banks since 1914, peaked at $113.7 billion in October 2008, Fed data show.

In March 2008, ST OMO was "desperately needed," because of the shaken state of short-term credit markets, said Michael Greenberger, a professor at the University of Maryland School of Law in Baltimore and former director of the division of markets and trading at the Commodities Futures Trading Commission. After the Fed created other lending mechanisms and the Treasury Department began distributing money from the Troubled Asset Relief Program in October, ST OMO became "just a way for banks to have at it," he said.

'Profit-Making Enterprise'

"At such low interest rates, it's no longer a rescue, it's a profit-making enterprise," Greenberger said. "By December, a lot of money was made off this program."

Goldman Sachs, led by Chief Executive Officer Lloyd C. Blankfein, tapped the program most in December 2008, when data on the New York Fed website show the loans were least expensive. The lowest winning bid at an ST OMO auction declined to 0.01 percent on Dec. 30, 2008, New York Fed data show. At the time, the rate charged at the discount window was 0.5 percent.

Stephen Cohen, a spokesman for Goldman Sachs, declined to comment.

December Peak

As its ST OMO loans peaked in December 2008, Goldman Sachs's borrowing from other Fed facilities topped out at $43.5 billion, the 15th highest peak of all banks assisted by the Fed, according to data compiled by Bloomberg. That month, the bank's Fixed Income, Currencies and Commodities trading unit lost $320 million, according to a May 6, 2009, regulatory filing.

Under ST OMO, cash changed hands through repos, or repurchase agreements, which the central bank has used to move money in and out of the banking system for at least 60 years. In a repo, the dealer sells securities to the Fed and agrees to buy them back for a higher price after a set period of time.

Open-market operations traditionally use repos to influence the federal funds rate, which is banks' cost of short-term borrowing, said Sherrill Shaffer, the officer in charge of the discount window at the Federal Reserve Bank of Philadelphia from 1994 to 1997. He's now a banking professor at the University of Wyoming in Laramie.

When the central bank increases the money supply -- by paying cash for securities in repos -- interest rates tend to fall. When it drains cash from the system by selling securities in reverse repos, rates can climb.

Pedal to Metal

Using repos to provide emergency cash, a step the Fed announced on March 7, 2008, was a departure from that process, said John H. Cochrane, a finance professor at the University of Chicago Booth School of Business.

"The Fed was slamming the pedal to the metal in the lender-of-last-resort category," Cochrane said. "What they did was so far from what we conventionally think of as monetary policy."

Credit Suisse's borrowing peaked at about $45 billion in September 2008, the Fed charts show. Steven Vames, a Credit Suisse spokesman in New York, declined to comment.

RBS's use of ST OMO hit about $30 billion in October 2008. The U.K. government has had a stake in the bank since Oct. 13, 2008. "RBS no longer makes any use of these emergency Federal Reserve lending programs and all money borrowed from the Fed has been repaid in full with interest," said Michael Geller, a spokesman for RBS Global Banking & Markets in Stamford, Connecticut.

Annual Report

Frankfurt-based Deutsche Bank's use peaked at about $20 billion in October 2008, its chart shows. The bank had 87 billion euros ($122 billion) in repurchase agreements with all central banks as of the end of 2008, according to its annual report. John Gallagher, a bank spokesman, declined to comment.

London-based Barclays's peak reached about $20 billion in December 2008, the chart said. Mark Lane, a Barclays spokesman, declined to comment.

UBS, based in Zurich, borrowed as much as about $15 billion in late 2008, the chart shows.

"UBS's usage of those facilities should be seen in the context of our overall desire to maintain flexibility and diversification in our funding sources, even during the crisis," said Kelly Smith, a spokeswoman for UBS in New York. "Given UBS's substantial presence and commitment to U.S. dollar-denominated markets, utilization of such facilities was relatively modest."

Other Banks

Other banks listed in the Fed charts borrowed less than their peers. New York-based Morgan Stanley (MS) and Paris-based BNP Paribas (BNP), France's biggest bank by assets, took no more than about $10 billion. Citigroup Inc. (C), JPMorgan Chase & Co. and Merrill Lynch & Co., which is now part of Bank of America Corp. (BAC), borrowed less than $5 billion each.

Mary Claire Delaney, a spokeswoman for Morgan Stanley, Jon Diat, a Citigroup spokesman in New York, Howard Opinsky, a spokesman for New York-based JPMorgan Chase, and Megan Stinson, a spokeswoman in New York for BNP Paribas, declined to comment on their banks' borrowings.

“Look at it in hindsight and these programs did exactly what they were intended to do -- stabilize the financial system, provide liquidity and instill confidence,” said Jerry Dubrowski, a spokesman for Charlotte, North Carolina-based Bank of America.

The bar charts were included in the Fed’s court-ordered March 31 disclosure under the Freedom of Information Act. The release was mandated after the U.S. Supreme Court rejected an industry group’s attempt to block it. Bloomberg LP, the parent company of Bloomberg News, and News Corp. (NWS)’s Fox News Network LLC had sued the central bank after it refused to release lending records under the FOIA.

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