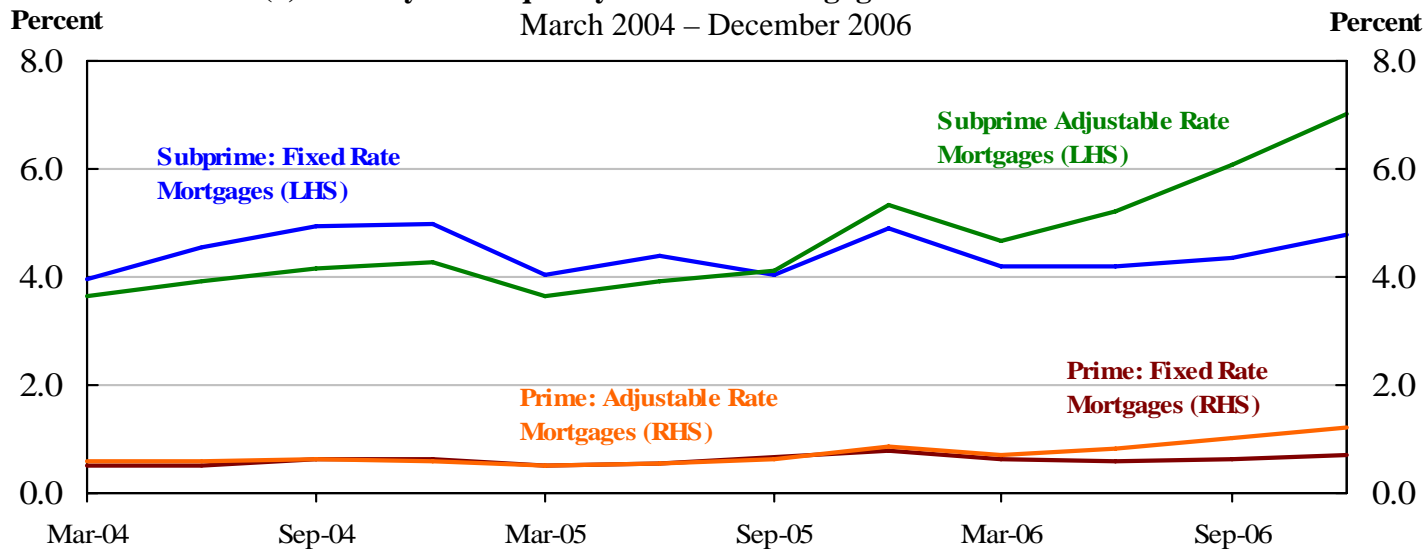


Appendix 1: Materials used by Mr. Dudley

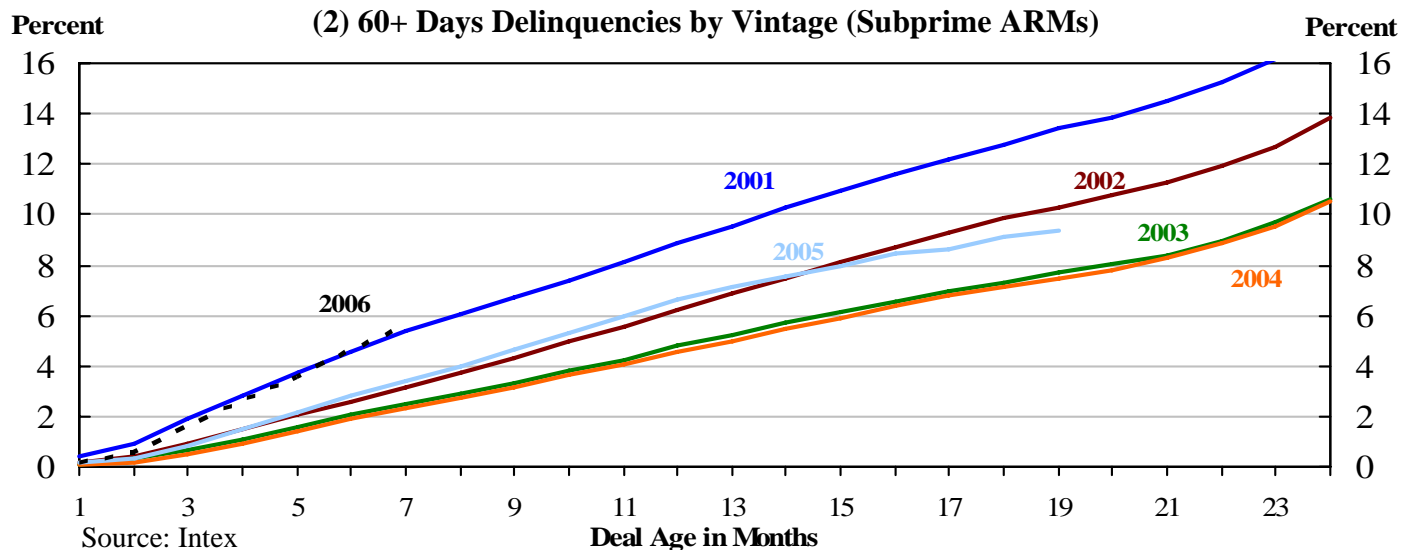
(1) 60+ Days Delinquency Rates for Mortgages: FRM versus ARM

March 2004 – December 2006



Source: Mortgage Bankers Association

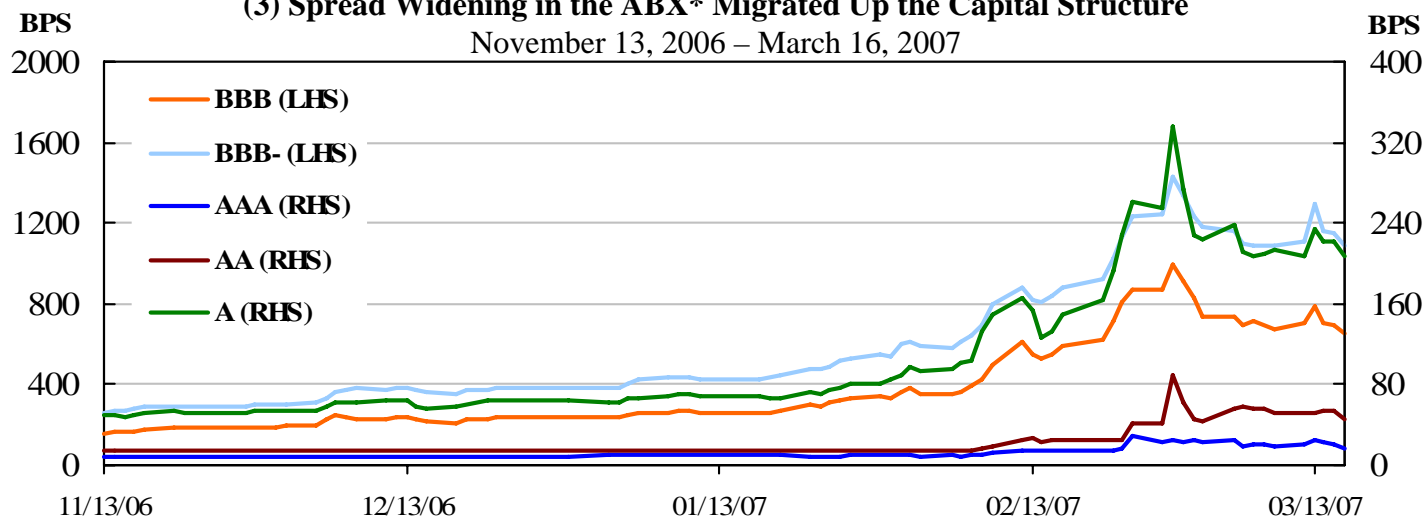
(2) 60+ Days Delinquencies by Vintage (Subprime ARMs)



Source: Intex

(3) Spread Widening in the ABX* Migrated Up the Capital Structure

November 13, 2006 – March 16, 2007

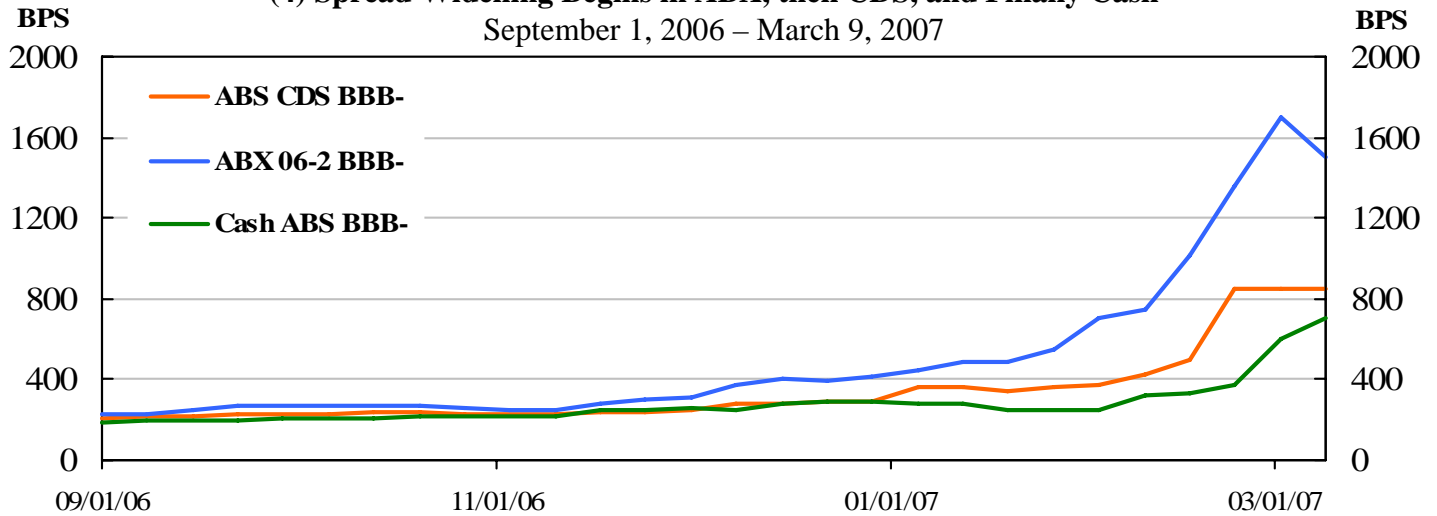


Source: UBS

*ABX Series 06-02

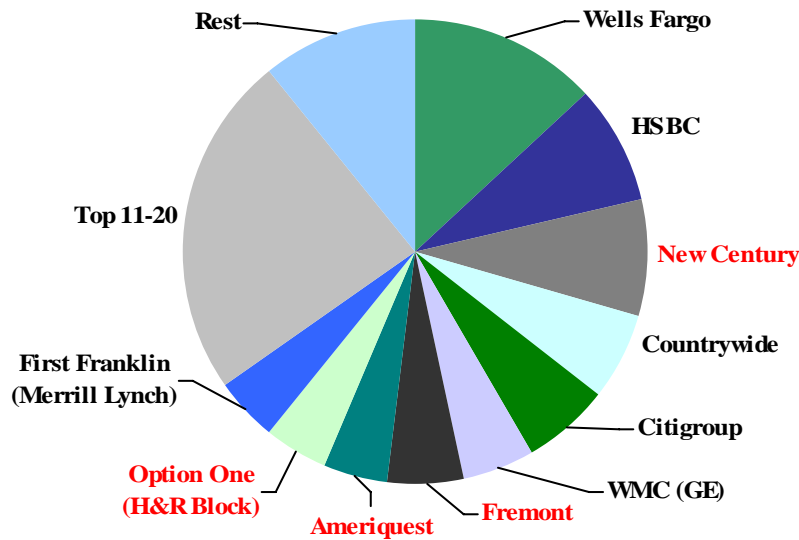
(4) Spread Widening Begins in ABX, then CDS, and Finally Cash

September 1, 2006 – March 9, 2007



Source: Merrill Lynch

(5) Subprime Originators in 2006 by Volume

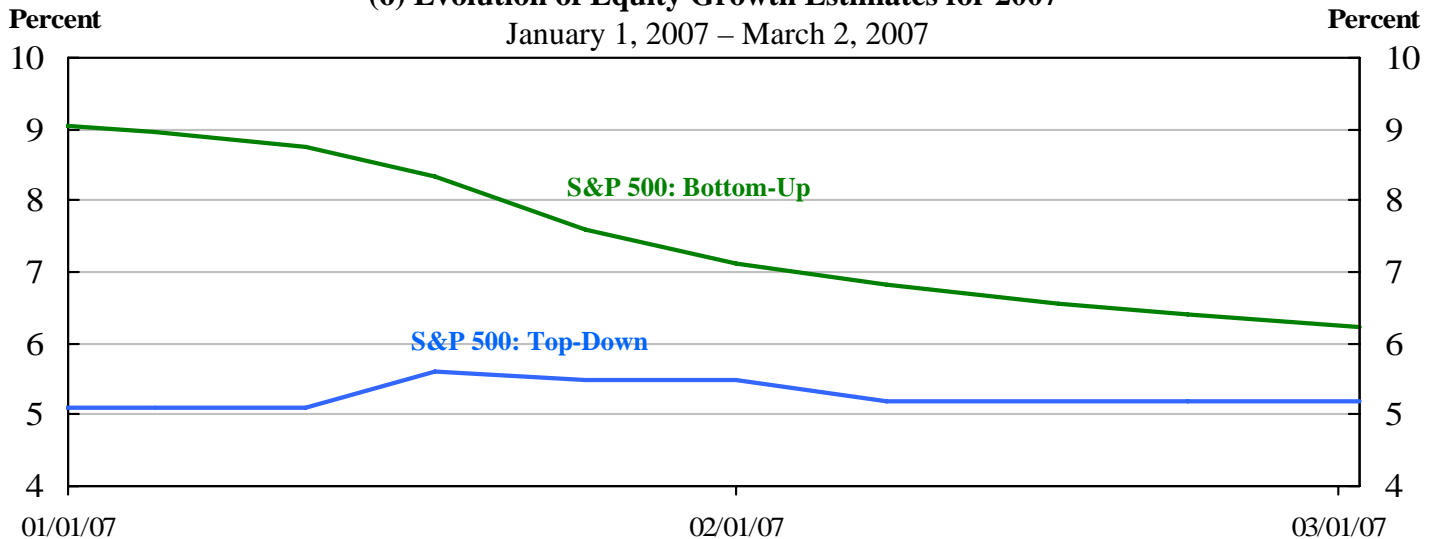


* Firms highlighted in red have discontinued subprime lending, are distressed, or up for sale.

Source: Inside Mortgage Finance

(6) Evolution of Equity Growth Estimates for 2007

January 1, 2007 – March 2, 2007



Source: Thompson Financial

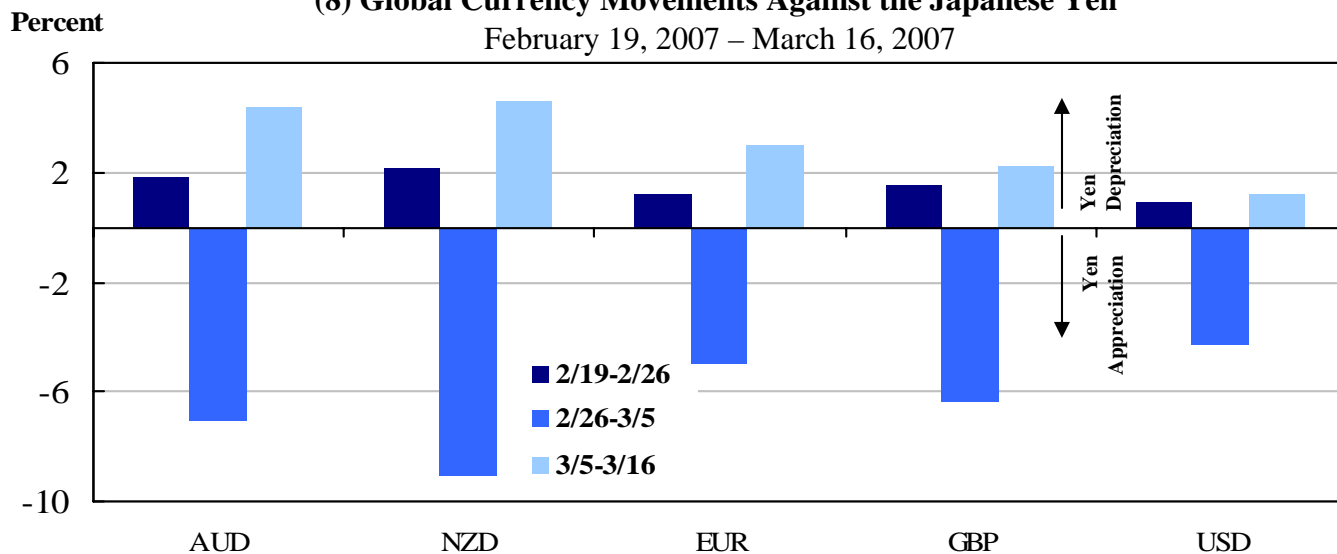
(7) Comparison of Weekly Increases in VIX Index

Event	VIX change	BB spread change	BB change per 100 bp VIX change
Week of 02/27/07	848 bp	27 bp	3.2 bp
Average of 10 Largest Weekly Increases	796 bp	21 bp	2.7 bp

Source: Bloomberg and Merrill Lynch

(8) Global Currency Movements Against the Japanese Yen

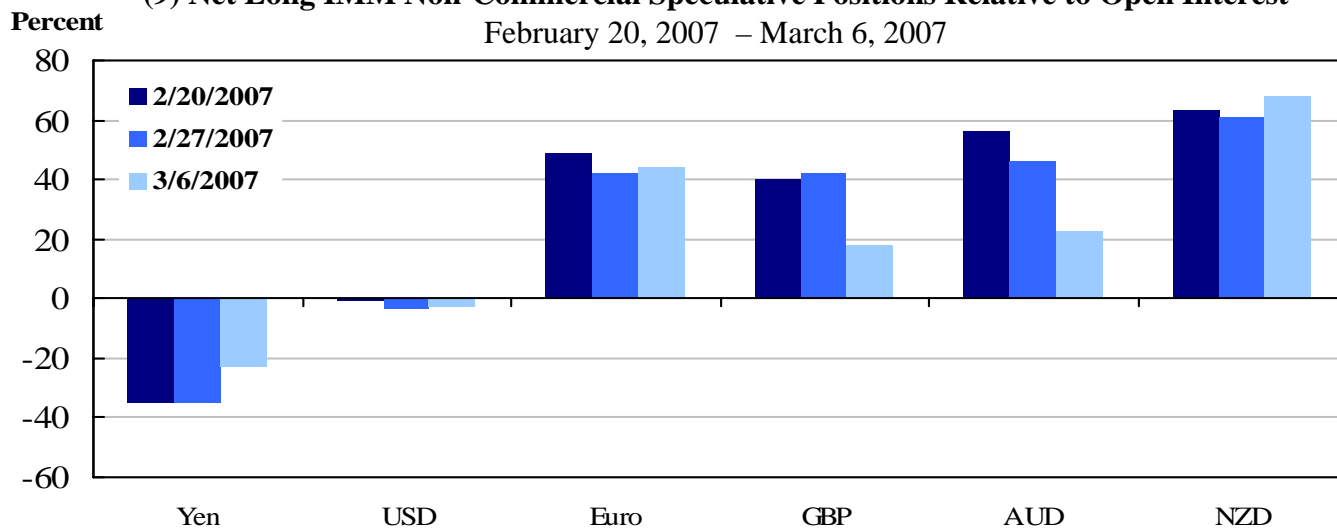
February 19, 2007 – March 16, 2007



Source: Bloomberg

(9) Net Long IMM Non-Commercial Speculative Positions Relative to Open Interest

February 20, 2007 – March 6, 2007



Source: Bloomberg

(10) Correlation of Daily Price/Yield Changes

January 01, 2007 – February 26, 2007

Variables	2YR Yield	10YR Yield	S&P	USD/JPY	Swap Spreads	VIX	Merrill-HY
2YR Yield							
10YR Yield	0.94						
S&P	-0.24	-0.21					
USD/JPY	0.39	0.41	-0.26				
Swap Spreads	0.41	0.41	-0.33	0.17			
VIX	0.00	0.00	-0.82	0.16	0.22		
Merrill-HY	-0.71	-0.71	0.10	-0.37	-0.40	0.13	

Source: Bloomberg

Blue boxes denote correlations greater than 0.50 or less than -0.50

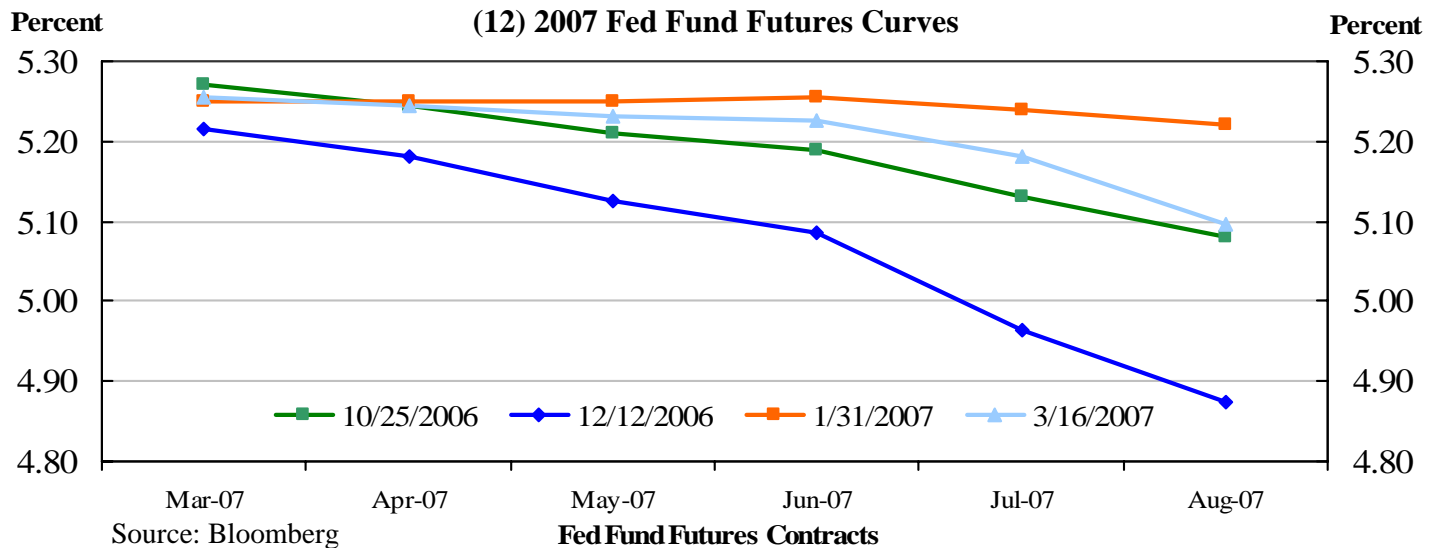
(11) Correlation of Daily Price/Yield Changes

February 27, 2007 – March 16, 2007

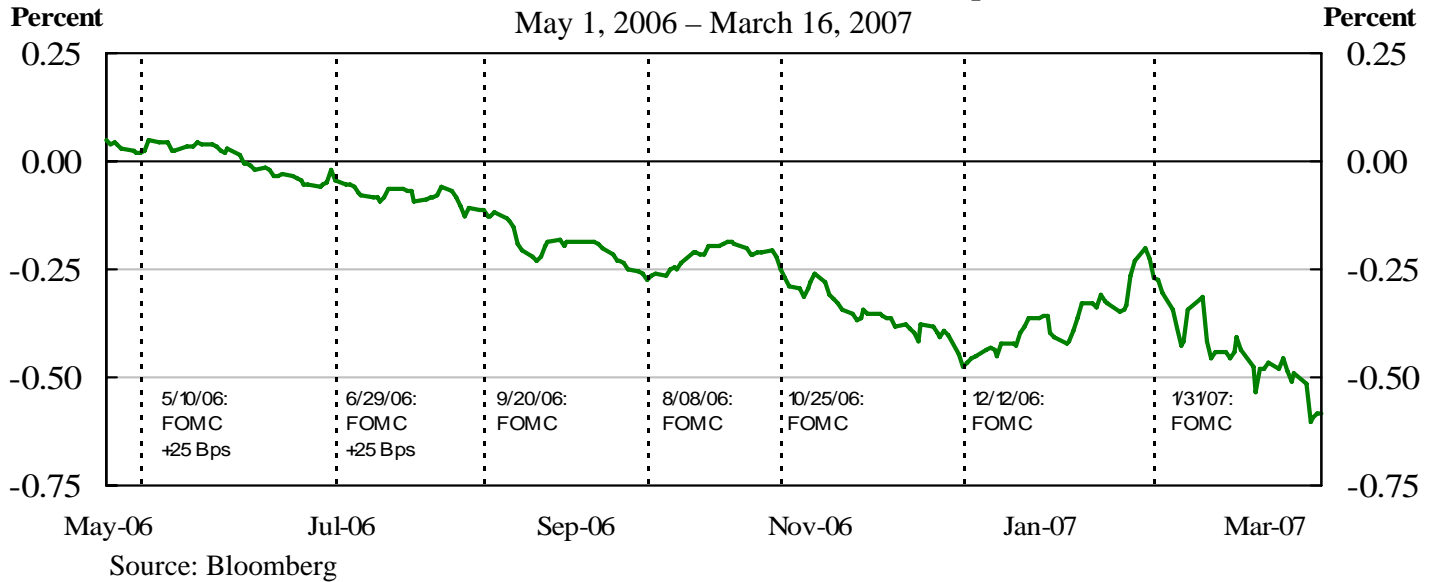
Variables	2YR Yield	10YR Yield	S&P	USD/JPY	Swap Spreads	VIX	Merrill-HY
2YR Yield							
10YR Yield	0.98						
S&P	0.87	0.82					
USD/JPY	0.91	0.87	0.89				
Swap Spreads	-0.67	-0.59	-0.78	-0.67			
VIX	-0.88	-0.84	-0.97	-0.84	0.80		
Merrill-HY	-0.88	-0.81	-0.83	-0.86	0.66	0.81	

Source: Bloomberg

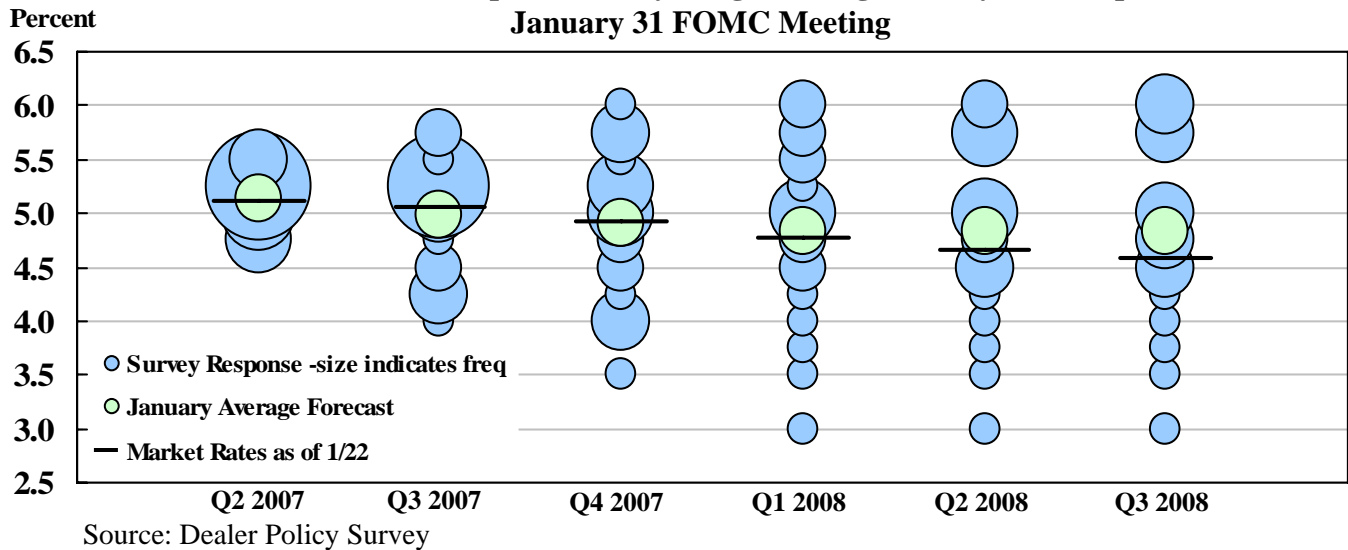
Blue boxes denote correlations greater than 0.50 or less than -0.50



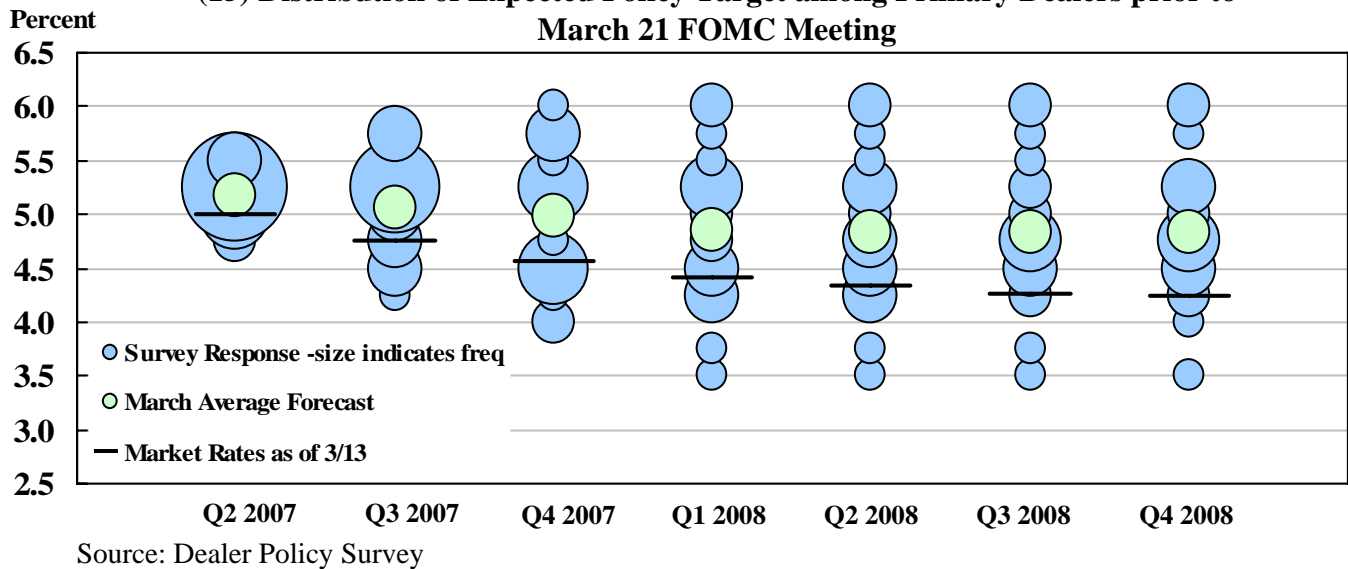
(13) Eurodollar June 2008-2007 Calendar Spread



(14) Distribution of Expected Policy Target among Primary Dealers prior to January 31 FOMC Meeting



(15) Distribution of Expected Policy Target among Primary Dealers prior to March 21 FOMC Meeting



Appendix 2: Materials used by Mr. Reinhart

Table 1: Alternative Language for the March 2007 FOMC Announcement

March 20, 2007

	January FOMC	Alternative A	Alternative B	Alternative C
Policy Decision	1. The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 5 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 5½ percent.
Rationale	2. Recent indicators have suggested somewhat firmer economic growth, and some tentative signs of stabilization have appeared in the housing market. Overall, the economy seems likely to expand at a moderate pace over coming quarters.	The economy seems likely to expand at a moderate pace over coming quarters, supported in part by gains in personal income and consumer spending. However, sluggish business investment and ongoing weakness in the housing sector likely will exert a drag on growth.	Recent indicators have been mixed and the adjustment in the housing sector is ongoing. Still, the economy seems likely to continue to expand at a moderate pace over coming quarters, supported by gains in income, still-favorable financial conditions, and the gradual waning of the correction in the housing market.	The economy appears to be expanding at a moderate pace and likely will continue to do so in coming quarters, supported in part by solid gains in personal income and consumer spending.
	3. Readings on core inflation have improved modestly in recent months, and inflation pressures seem likely to moderate over time. However, the high level of resource utilization has the potential to sustain inflation pressures.	Readings on core inflation have improved modestly in recent months, and inflation pressures seem likely to moderate over time. However, the high level of resource utilization has the potential to sustain inflation pressures.	Recent readings on core inflation have been somewhat elevated. Although inflation pressures seem likely to moderate over time, the high level of resource utilization has the potential to sustain those pressures.	Core inflation remains somewhat elevated. Inflation pressures seem likely to moderate over time, but considerable uncertainty surrounds that judgment. Moreover, the high level of resource utilization has the potential to sustain inflation pressures.
Assessment of Risk	4. The Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	The Committee judges that the risks to growth are tilted to the downside, even after this policy action. However, upside risks to inflation remain. Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	In these circumstances, the Committee’s principal policy concern remains the risk that inflation will fail to moderate as expected. Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	In these circumstances, the Committee’s predominant policy concern remains the risk that inflation will fail to moderate as expected. The extent and timing of any additional firming that may be needed to address this risk will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

Appendix 3: Materials used by Mr. Reinhart

Class I FOMC - Restricted Controlled (FR)

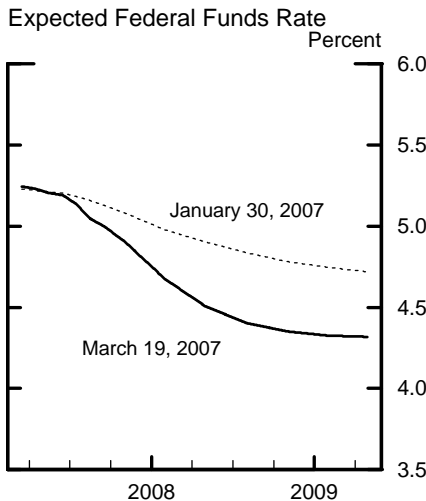
Material for

FOMC Briefing on Monetary Policy Alternatives

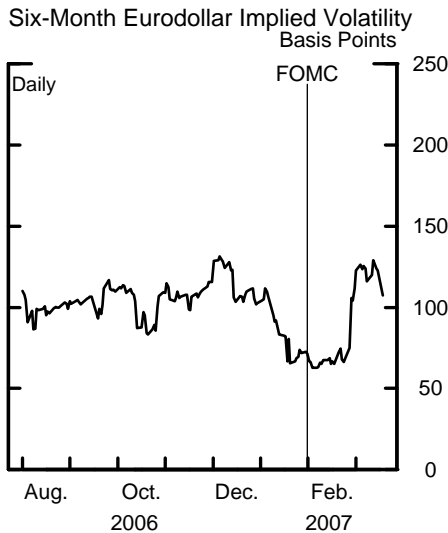
Vincent R. Reinhart

March 20, 2007

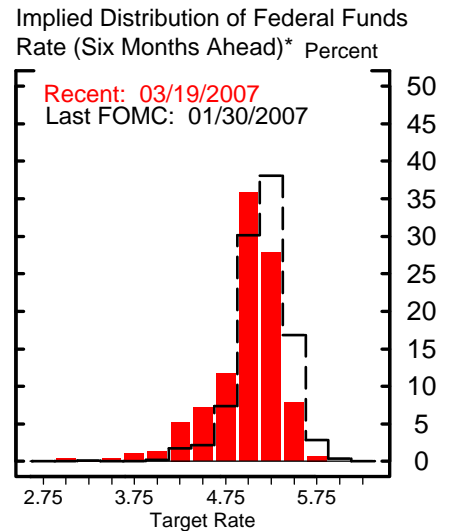
Exhibit 1 Financial Developments



Note. Estimates from federal funds and Eurodollar futures, with an allowance for term premia and other adjustments.

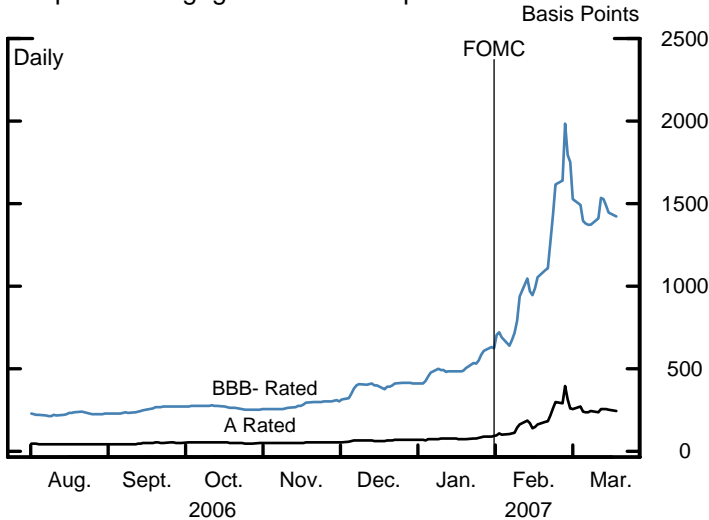


*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.



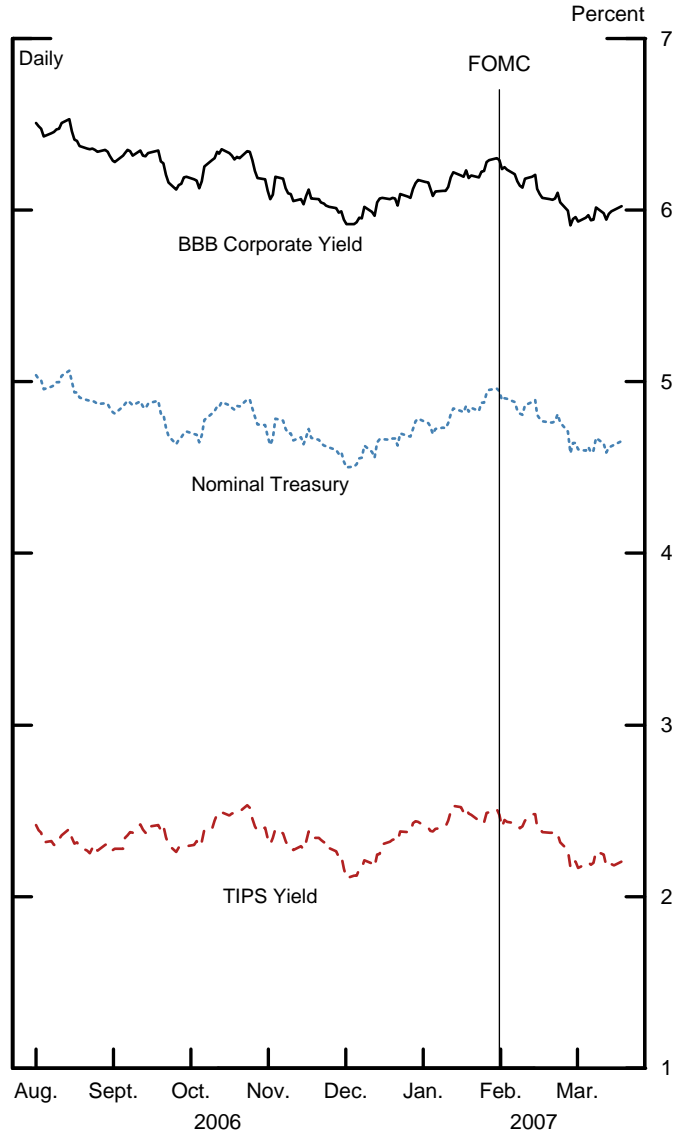
*Derived from options on Eurodollar futures contracts, with term premium and other adjustments.

Subprime Mortgage CDS Index Spreads*



*Translated from price quotes based on JP Morgan's prepayment model. Source: JP Morgan

Ten-Year Yields



S&P 500 Index

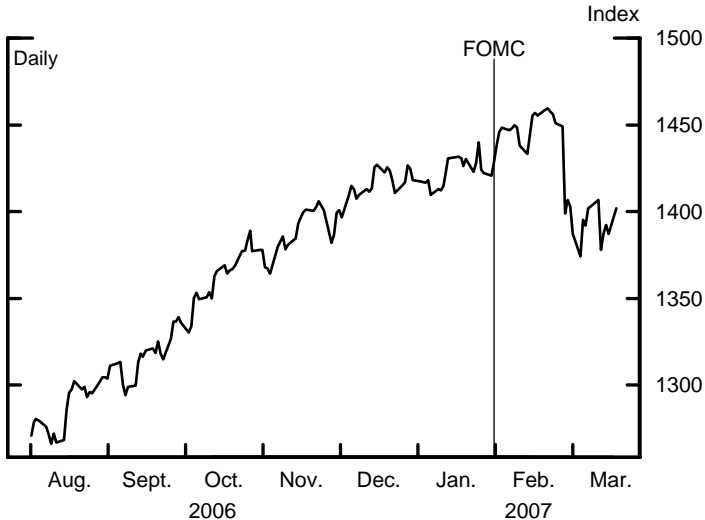
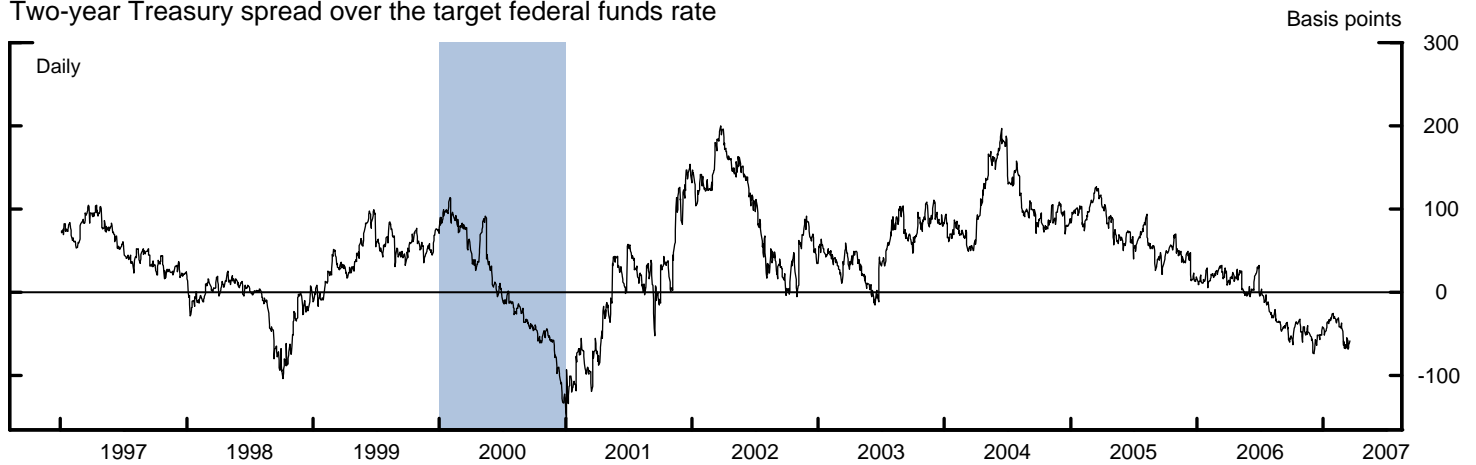
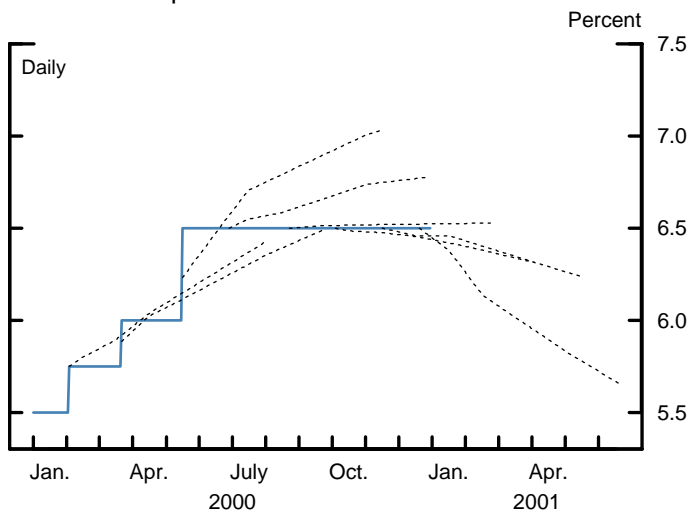


Exhibit 2 Out of the Past

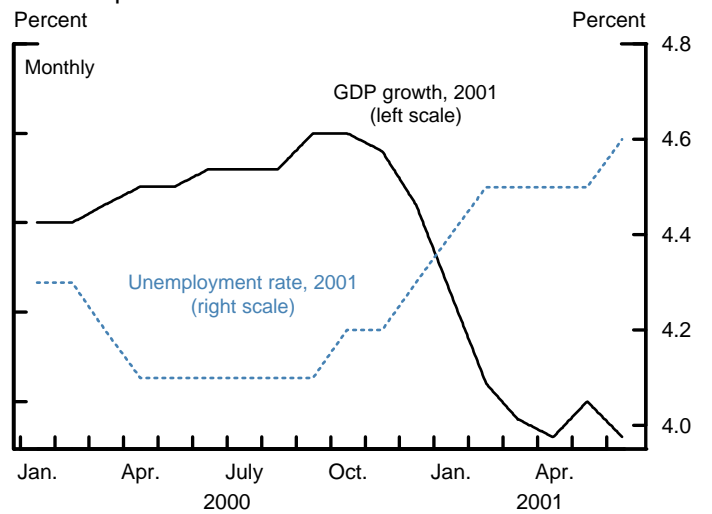
Two-year Treasury spread over the target federal funds rate



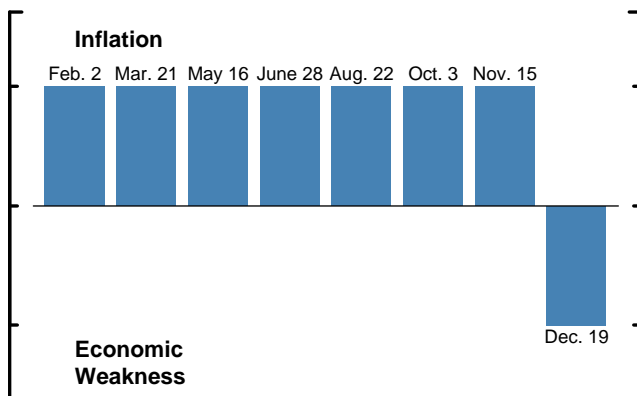
Actual and expected federal funds rates in 2000



Blue Chip Consensus Forecasts



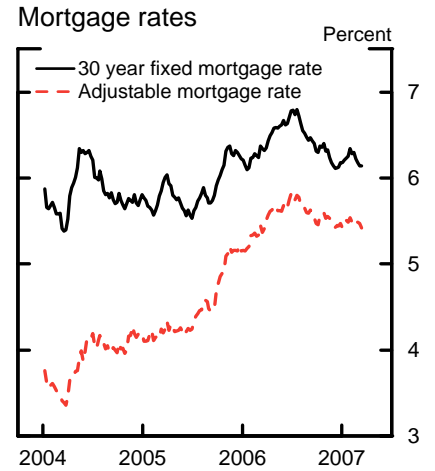
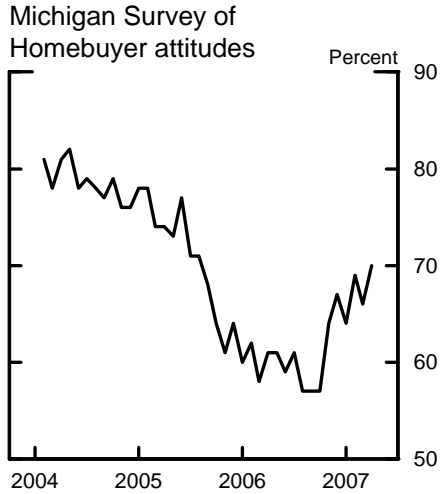
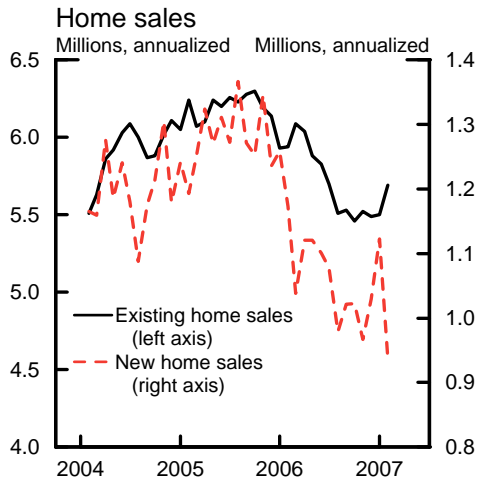
FOMC policy bias in 2000



Lessons learned

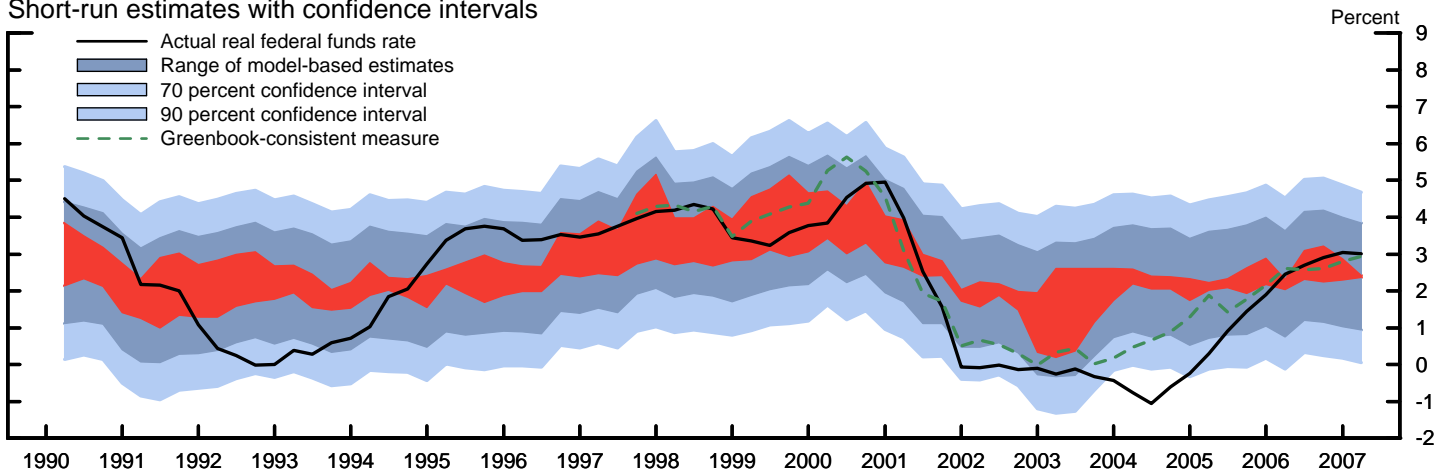
- Statement language can hamper your flexibility.
- Market prices can be informative.
- Forward-looking financial markets help to offset the effects of policy gradualism.

Exhibit 3 Case for Alternative B



Note: Data represent percent answering 'good time to buy' in the Michigan Survey question on buying conditions for houses.

Equilibrium real federal funds rate Short-run estimates with confidence intervals



Note: Explanatory notes are provided in appendix A of the Bluebook.

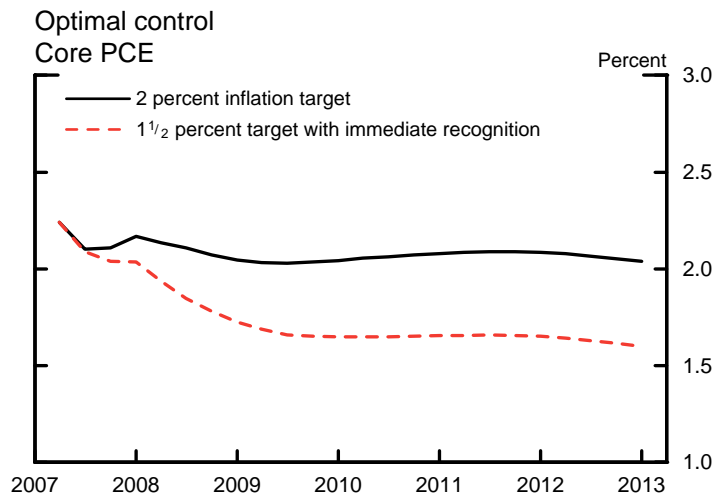
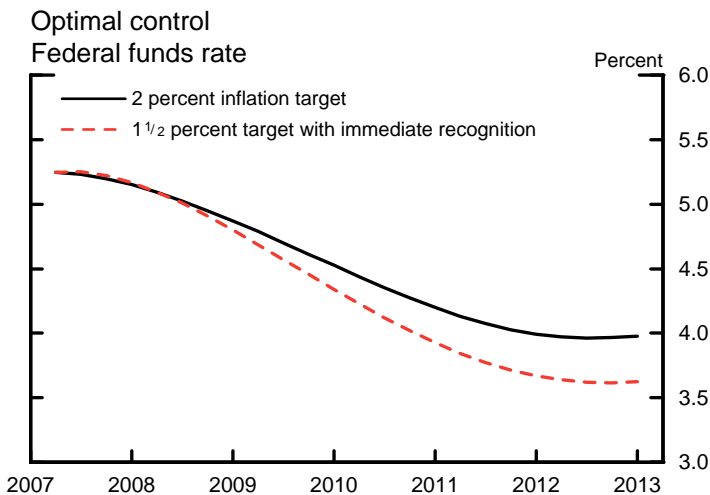
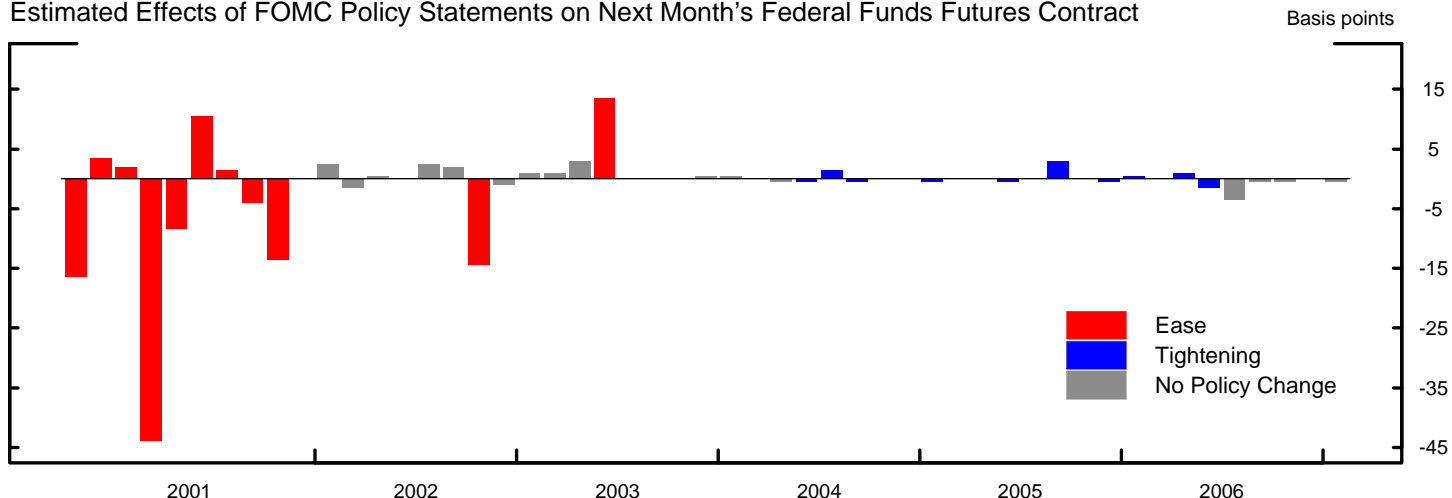


Exhibit 4

Estimated Effects of FOMC Policy Statements on Next Month's Federal Funds Futures Contract

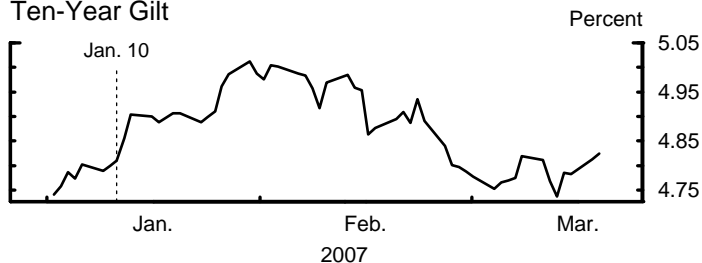


Note. Change in the yield of the next month's federal funds futures contract from 15 minutes before to 1 hour after the release of an FOMC statement (Change shown for the May 3, 2005 statement is from 15 minutes before to 1 hour after the release of the revised statement).

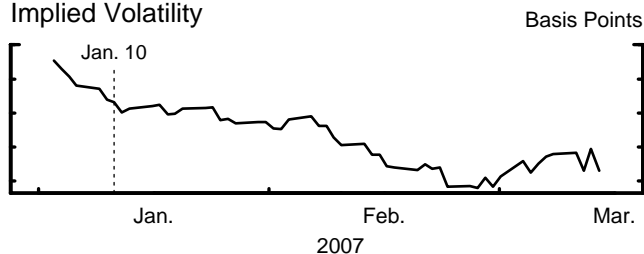
January 2007 Bank of England Policy Decision

	Change from Jan. 10 to Jan. 11
Bank Rate	25 bp
Eurocurrency Pound Front Month	19 bp
Two-Year Gilt	14 bp
Ten-Year Gilt	4.6 bp
FTSE-350	1.01%

Ten-Year Gilt



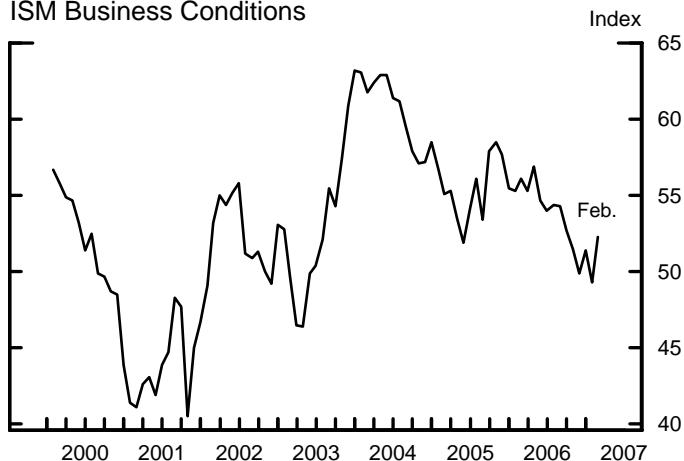
Implied Volatility



Note. Implied volatility of Eurocurrency Pound December 2007 contract multiplied by rate.

The Case for Alternative A

ISM Business Conditions



Note. A number above 50 indicates the manufacturing economy is "generally expanding."

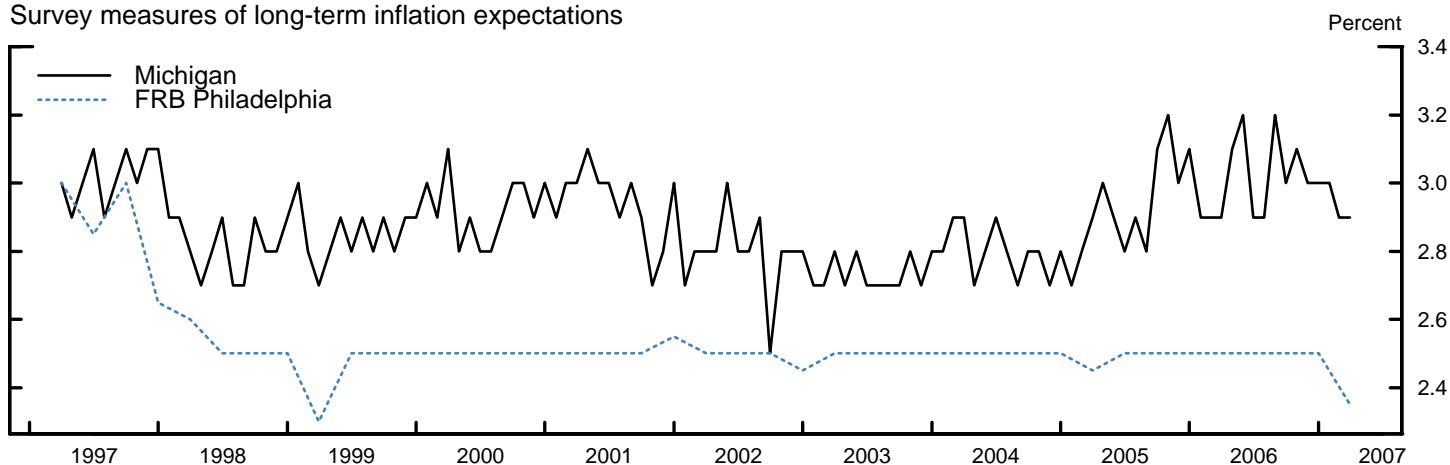
ISM Customer Inventories: Manufacturing



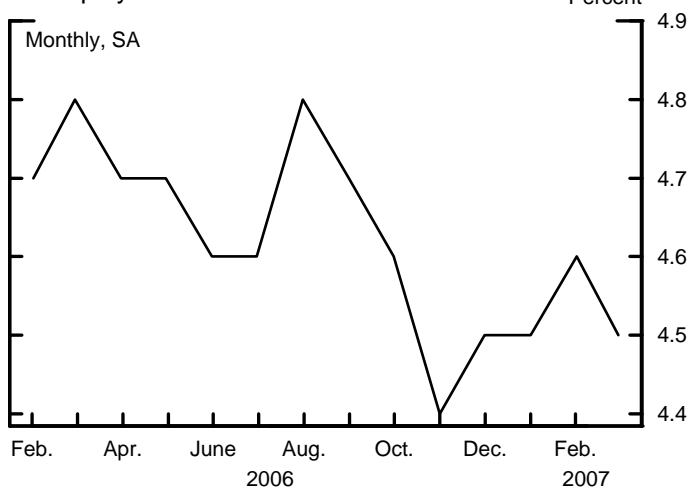
Note. A number above 50 indicates inventories are "too high."

Exhibit 5
The Case for Alternative C

Survey measures of long-term inflation expectations



Unemployment rate

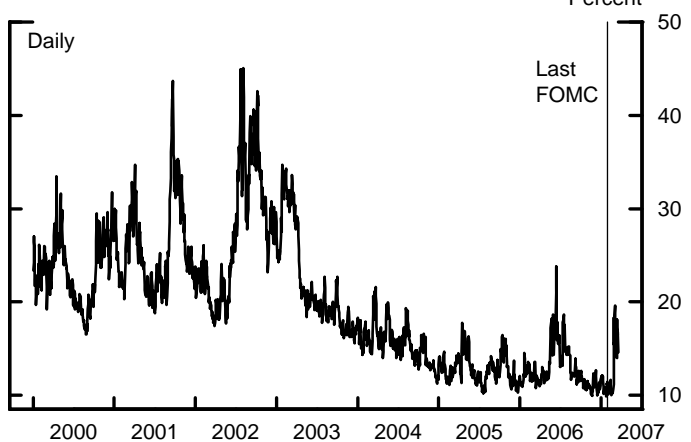


Foreign real GDP Q4/Q4 change

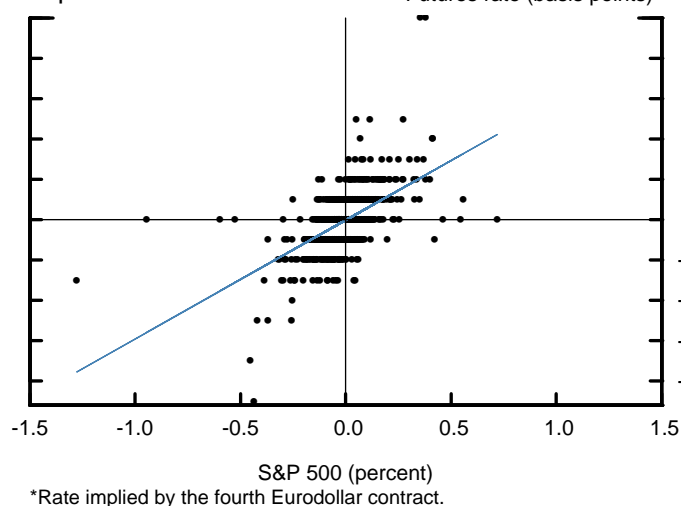
	2006	2007	2008
March Greenbook	3.9	3.5	3.5
January Greenbook	3.9	3.4	3.5

Percent

S&P 500 VIX



Five-minute changes in stock prices and policy expectations since Feb. 27



Appendix 4: Materials used by Mr. Kohn

The Specification of the Price-Stability Goal

As an individual,

1. Do you believe that the Committee's price objective should be defined numerically?
2. What is your preferred price index?
3. Do you have a point goal or a range? And what is it?
4. What is the time horizon by which the goal should typically be achieved? If the horizon is flexible, what factors does it depend upon?

As a group,

5. Should Committee participants jointly decide on its goal either through a formal vote or an informal consensus?
6. If not, should participants be surveyed regarding their preferred level of a numerical objective?
7. How should the public be informed?

A Proposed Trial Run for Producing a Forecast Narrative

1. Do you support a trial run in May?
2. Do you have any specific comments on this proposal?