Appendix 1: Materials used by Mr. Dudley
(1) Subprime Mortgage Performance Continues to Worsen

Source: Mortgage Bankers Association and Economy.com

(2) Subprime 60 Day+ Delinquency Rate by Vintage

Source: Merrill Lynch, Intex

(3) Prime Mortgage Performance Also Worsens

Source: Mortgage Bankers Association and Economy.com
(4) Average Loss Estimates for 2006/07 ABS CDOs Based on Underlying Mortgage Loan Losses

(5) Estimated Losses for the Super Senior Tranches of 2006/07 Mezzanine ABS CDOs

(6) Financial Guarantors’ CDS Spreads and Equity Prices

(7) Outstanding ABCP Volume Contraction Accelerates Again
January 1, 2007 – December 5, 2007

$ Billions

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<tr>
<th>Jan-07</th>
<th>Feb-07</th>
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<th>Apr-07</th>
<th>May-07</th>
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Source: Federal Reserve Board

(8) Fannie Mae and Freddie Mac’s CDS Spreads and Equity Prices

Dollars

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Source: Markit

(9) Mortgage Insurers’ CDS Spreads and Equity Prices

Dollars

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</table>

Source: Markit
(10) Corporate Credit Spreads Widen

Source: Bloomberg

(11) Probabilities for Policy Rate Outcomes for December FOMC Meeting
November 1, 2007 – December 7, 2007

Source: Cleveland Fed

(12) Fed Funds Futures Rate Expectations Fall

Source: Bloomberg
(13) Eurodollar Futures Curve Shifts Lower

Source: Bloomberg

(14) Distribution of Expected Policy Target Among Primary Dealers Prior to December 11 FOMC Meeting

Source: Dealer Policy Survey

(15) Distribution of Expected Policy Target Among Primary Dealers Prior to October 31 FOMC Meeting

Source: Dealer Policy Survey
(16) TIPS Implied Inflation: 5-10 Year Horizon
June 1, 2006 – December 7, 2007

Source: Federal Reserve Board and Barclays Capital

(17) While Day-to-Day Effective Rate Remain Volatile, But Cumulatively Close to Target Rate
November 1, 2007 – December 7, 2007

Source: Federal Reserve Bank of New York
(18) Demand for Downside Protection on S&P 500

(19) U.S. Equity Indices Partially Reverse Sharp Decline

(20) Equity Earnings Expectations
January 1, 2007 – November 30, 2007
(21) Global Credit Default Swap Spreads  
March 1, 2007 – December 7, 2007

Source: Bloomberg

(22) Implied Volatility Stays High  

Source: Bloomberg

(23) Treasury Yield Curve Shifts Lower and Continues to Steepen

Source: Bloomberg
Appendix 2: Materials used by Mr. Madigan
Class I FOMC – Restricted Controlled (FR)

Material for
FOMC Briefing on Monetary Policy Alternatives

Brian Madigan
December 11, 2007
<table>
<thead>
<tr>
<th>Policy Decision</th>
<th>October FOMC</th>
<th>Alternative A</th>
<th>Alternative B</th>
<th>Alternative C</th>
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<tr>
<td>1.</td>
<td>The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/2 percent.</td>
<td>The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4 percent.</td>
<td>The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/4 percent.</td>
<td>The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-1/2 percent.</td>
</tr>
<tr>
<td>Rationale</td>
<td>Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today’s action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.</td>
<td>Incoming information suggests that the housing correction has intensified and that growth in business and consumer spending is softening. Moreover, strains in financial markets have increased in recent weeks. Overall, the outlook for the economy has weakened somewhat, and downside risks to growth have increased. Today’s action, combined with the policy actions taken earlier, should help promote moderate growth over time.</td>
<td>Incoming information suggests that economic growth is slowing, reflecting the intensification of the housing correction and some softening in business and consumer spending. Moreover, strains in financial markets have increased in recent weeks. Today’s action, combined with the policy actions taken earlier, should help promote moderate growth over time.</td>
<td>As the Committee had anticipated, economic growth appears to be slowing, partly reflecting the intensification of the housing correction. Although strains in financial markets have increased in recent weeks and now pose greater downside risks to growth, the monetary policy actions taken earlier are expected to help promote moderate growth over time.</td>
</tr>
<tr>
<td>2.</td>
<td>Readings on core inflation have improved modestly this year, but recent increases in energy and commodity prices, among other factors, may put renewed upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.</td>
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<td>3.</td>
<td>The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.</td>
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<td>Recent developments, including the deterioration in financial market conditions, have increased the uncertainty surrounding the outlook for economic growth and inflation. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.</td>
<td>The Committee views the downside risks to growth as the predominant policy concern. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information.</td>
</tr>
</tbody>
</table>

**Rationale**

The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-1/2 percent.

Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today’s action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.

Incoming information suggests that the housing correction has intensified and that growth in business and consumer spending is softening. Moreover, strains in financial markets have increased in recent weeks. Overall, the outlook for the economy has weakened somewhat, and downside risks to growth have increased. Today’s action, combined with the policy actions taken earlier, should help promote moderate growth over time.

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As the Committee had anticipated, economic growth appears to be slowing, partly reflecting the intensification of the housing correction. Although strains in financial markets have increased in recent weeks and now pose greater downside risks to growth, the monetary policy actions taken earlier are expected to help promote moderate growth over time.

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Recent developments, including the deterioration in financial market conditions, have increased the uncertainty surrounding the outlook for economic growth and inflation. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.

The Committee views the downside risks to growth as the predominant policy concern. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information.