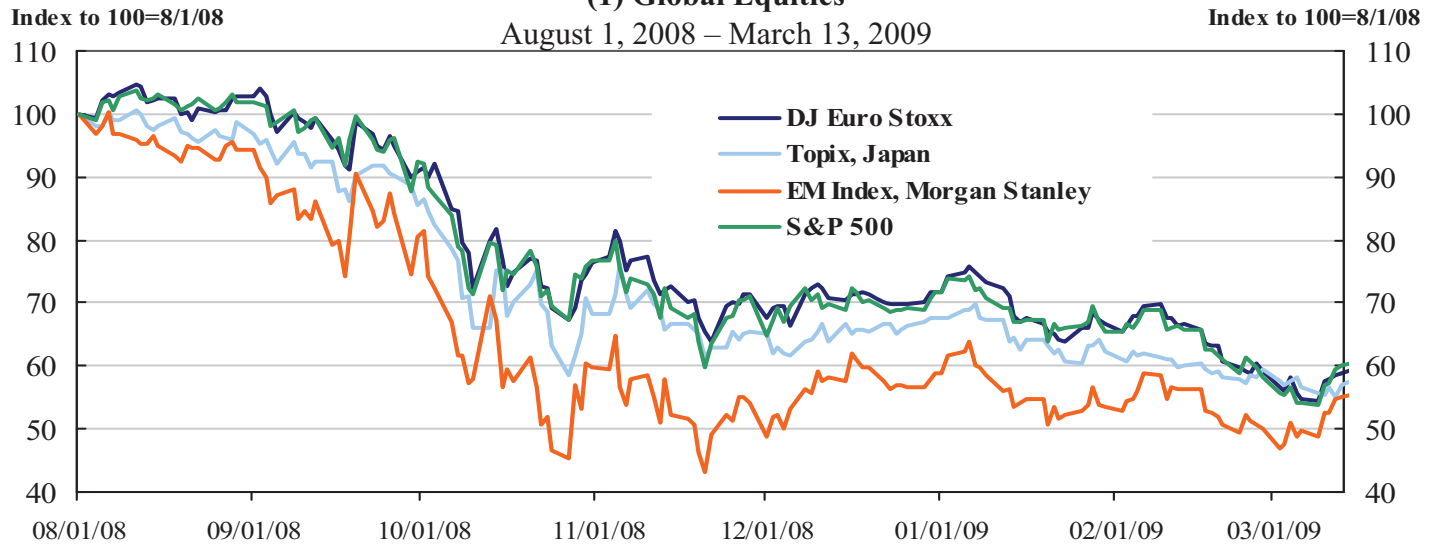
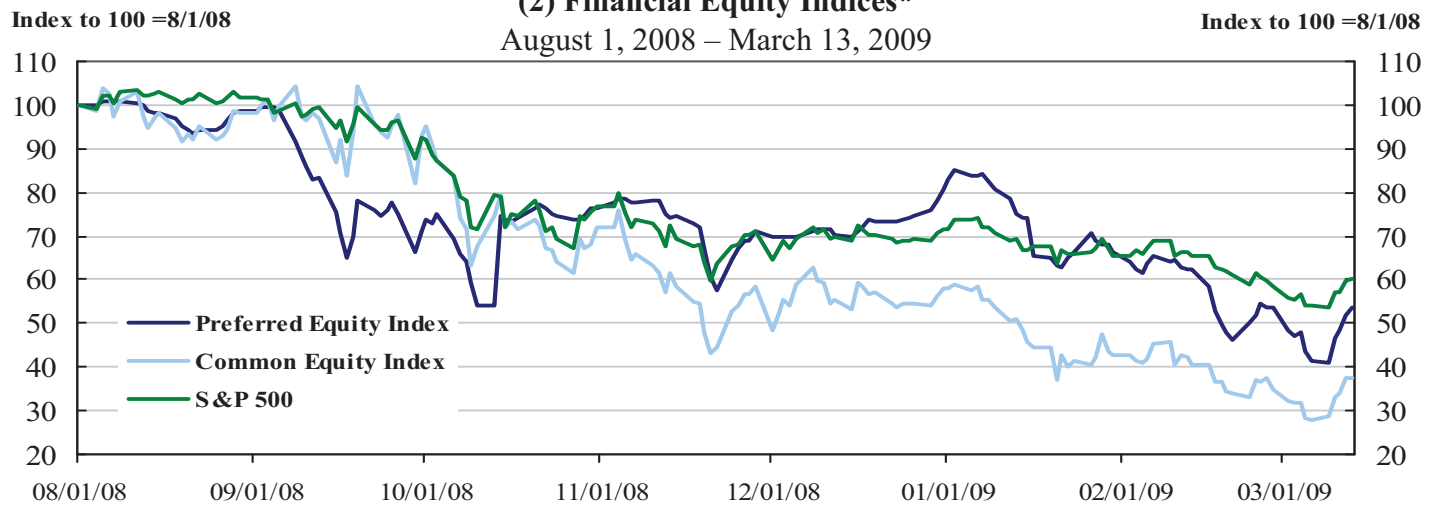


**Appendix 1: Materials used by Ms. Mosser**

**(1) Global Equities**

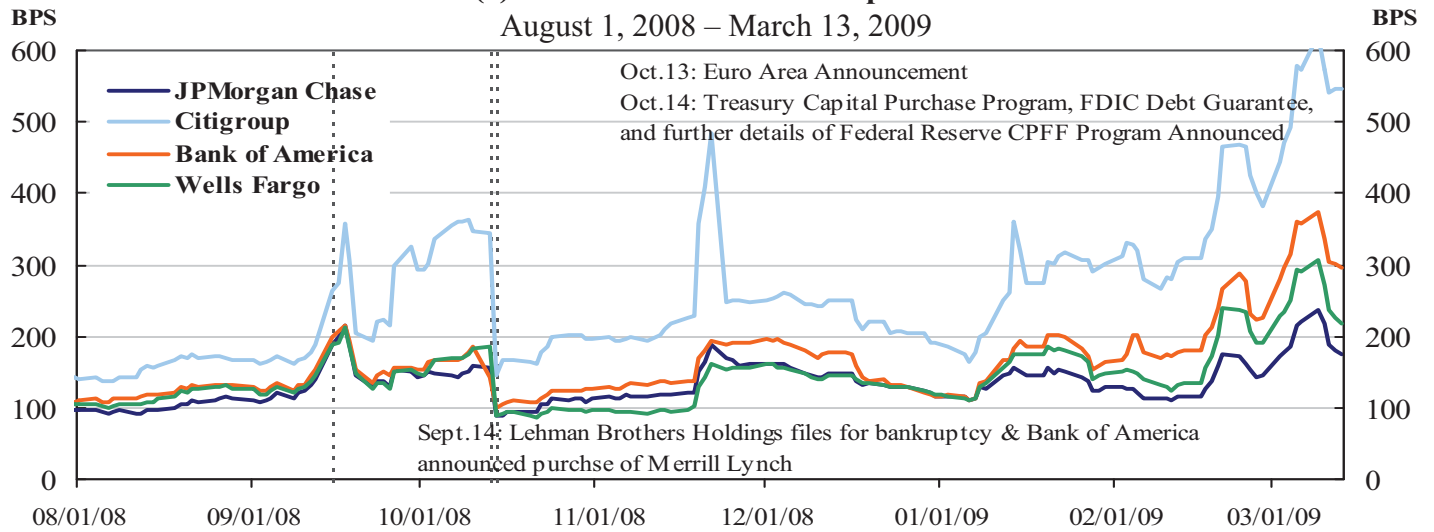


**(2) Financial Equity Indices\***



**(3) Commercial Bank CDS Spreads**

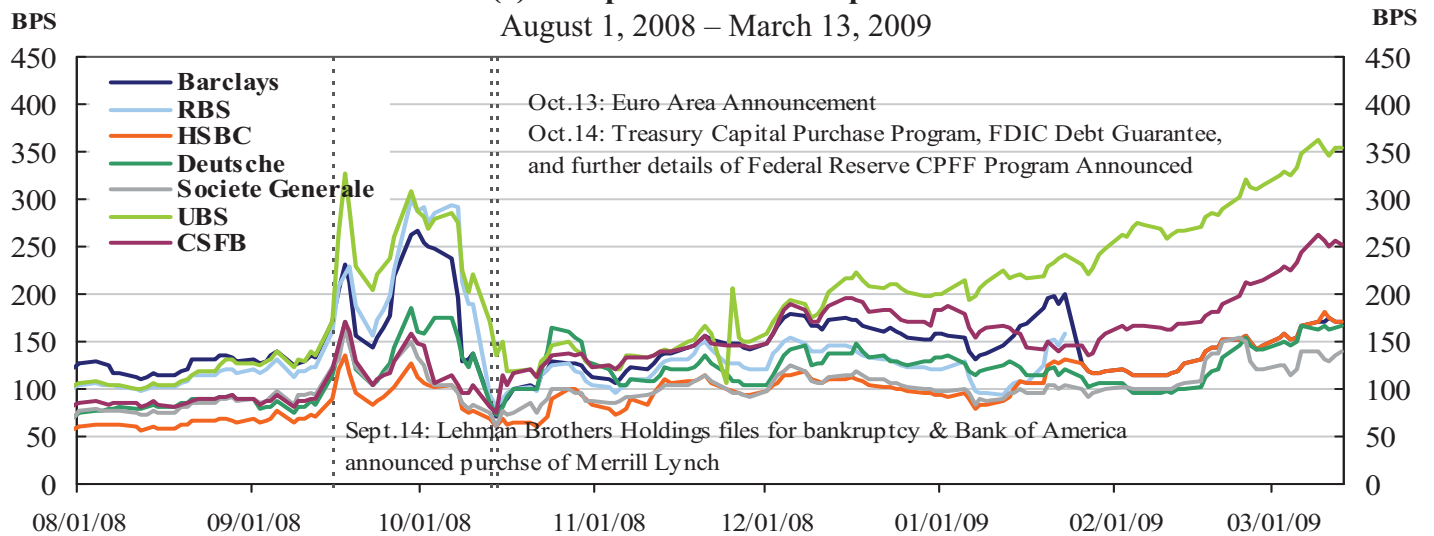
August 1, 2008 – March 13, 2009



Source: Markit

**(4) European Bank CDS Spreads**

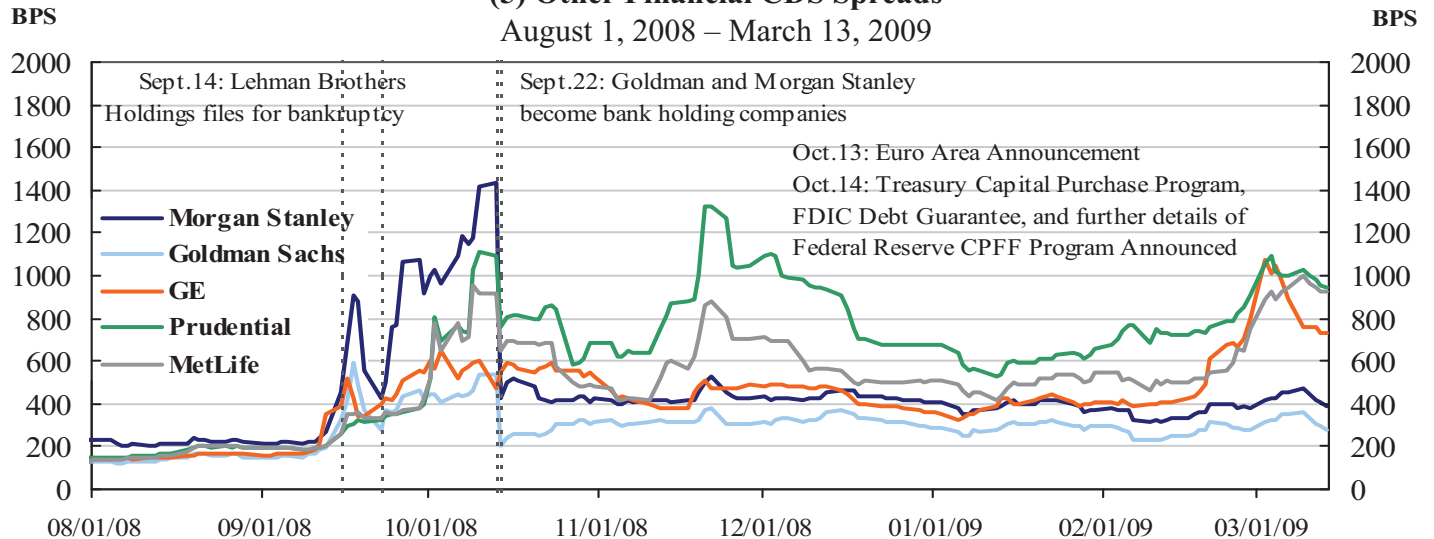
August 1, 2008 – March 13, 2009



Source: Bloomberg

**(5) Other Financial CDS Spreads**

August 1, 2008 – March 13, 2009



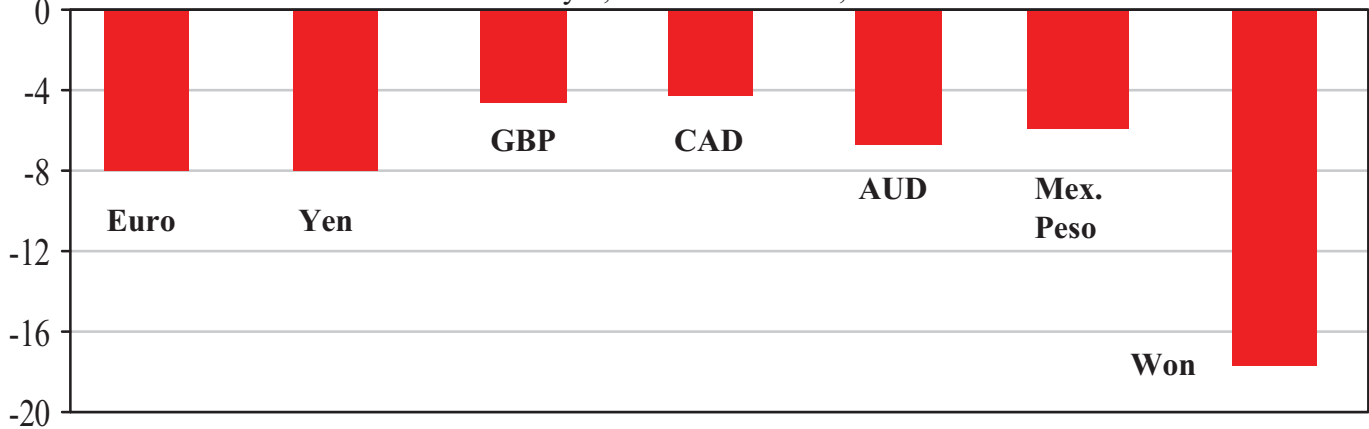
Source: Markit

**(6) Central Bank Policy Action**

	European Central Bank	Bank of England	Bank of Japan	Swiss National Bank	Bank of Canada
<b>Target Policy Rate</b> <i>A Year Ago</i>	4.00%	5.75%	0.50 %	2.25%-3.25%	3.50%
<b>Current</b>	1.50%	0.50%	0.10 %	0.0 – 0.75% Target 0.25%	0.50%
<b>Liquidity Programs</b>	<ul style="list-style-type: none"> <li>• Expansion of Counterparties</li> <li>• Broadening of Eligible Collateral</li> <li>• Providing Term Liquidity</li> </ul>				
<b>Broader Intermediation</b> (Credit Easing)	–	<ul style="list-style-type: none"> <li>• CP Purchases</li> <li>• Corp. Bond Purchases</li> </ul>	<ul style="list-style-type: none"> <li>• CP Purchases</li> <li>• Corp. Bond Purchases</li> <li>• Equity Purchases from Banks</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Bond Purchases</li> </ul>	Potential in April
<b>Monetary Base Expansion</b> (Quantitative Easing)	–	<ul style="list-style-type: none"> <li>• Purchase of U.K. Gilts</li> </ul>	–	<ul style="list-style-type: none"> <li>• Purchases FX EUR-CHF</li> </ul>	Potential in April

**(7) Currency Depreciation vs US Dollar**

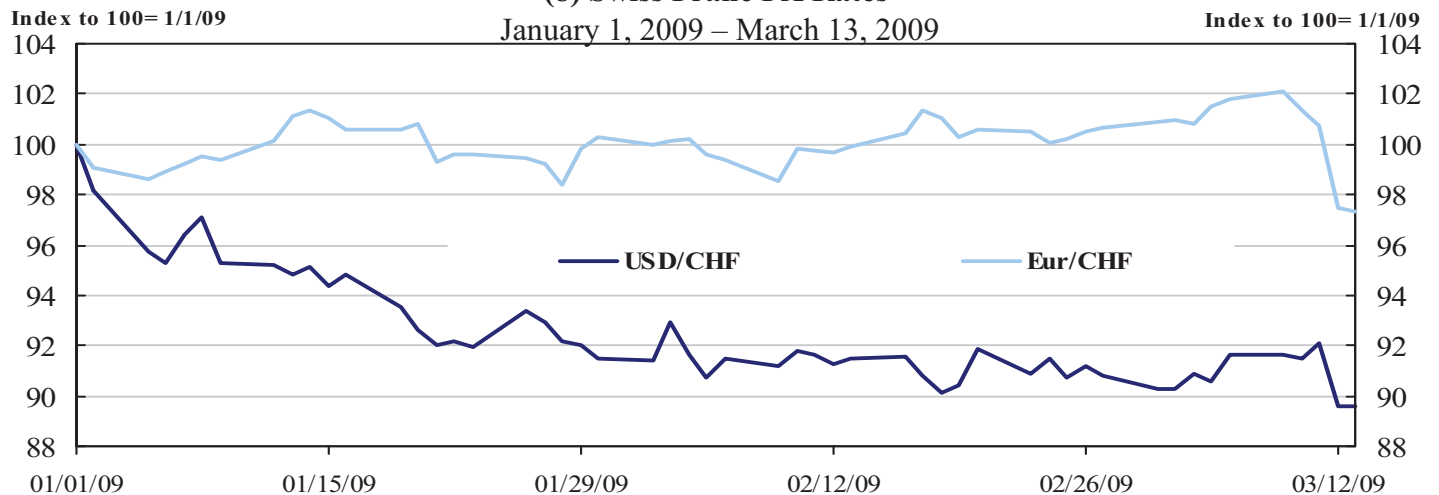
January 1, 2009 – March 13, 2009



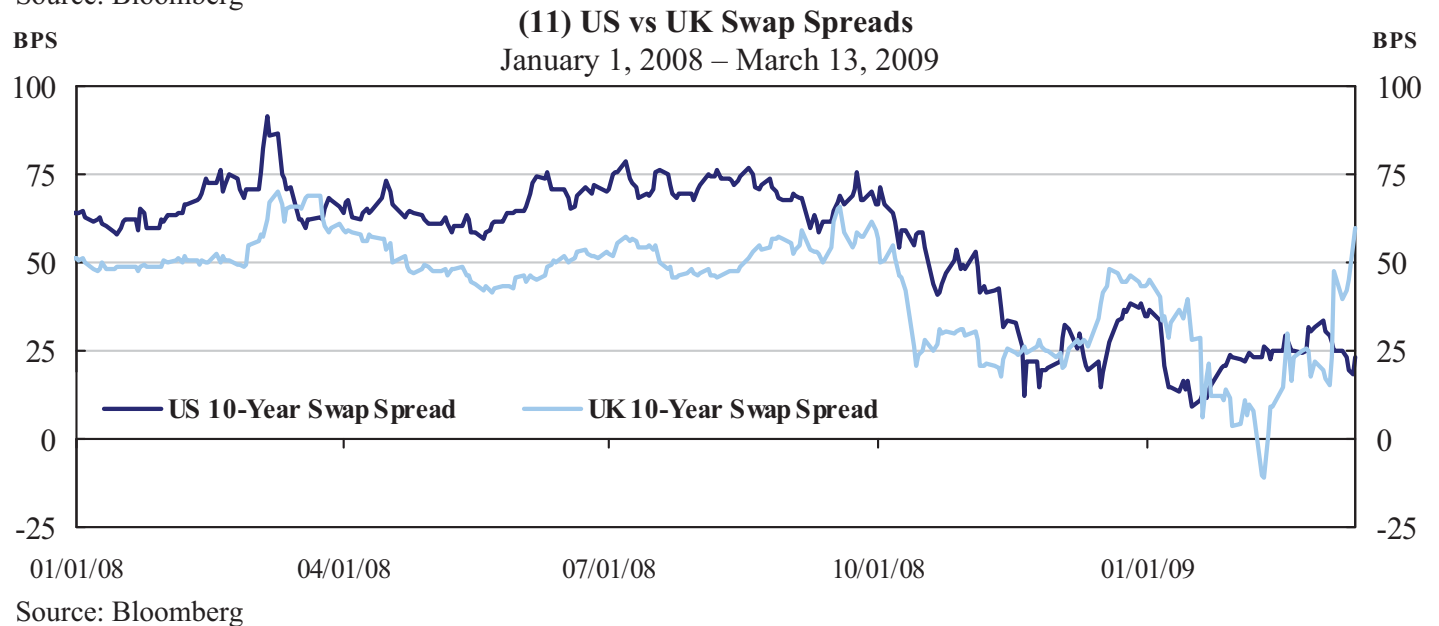
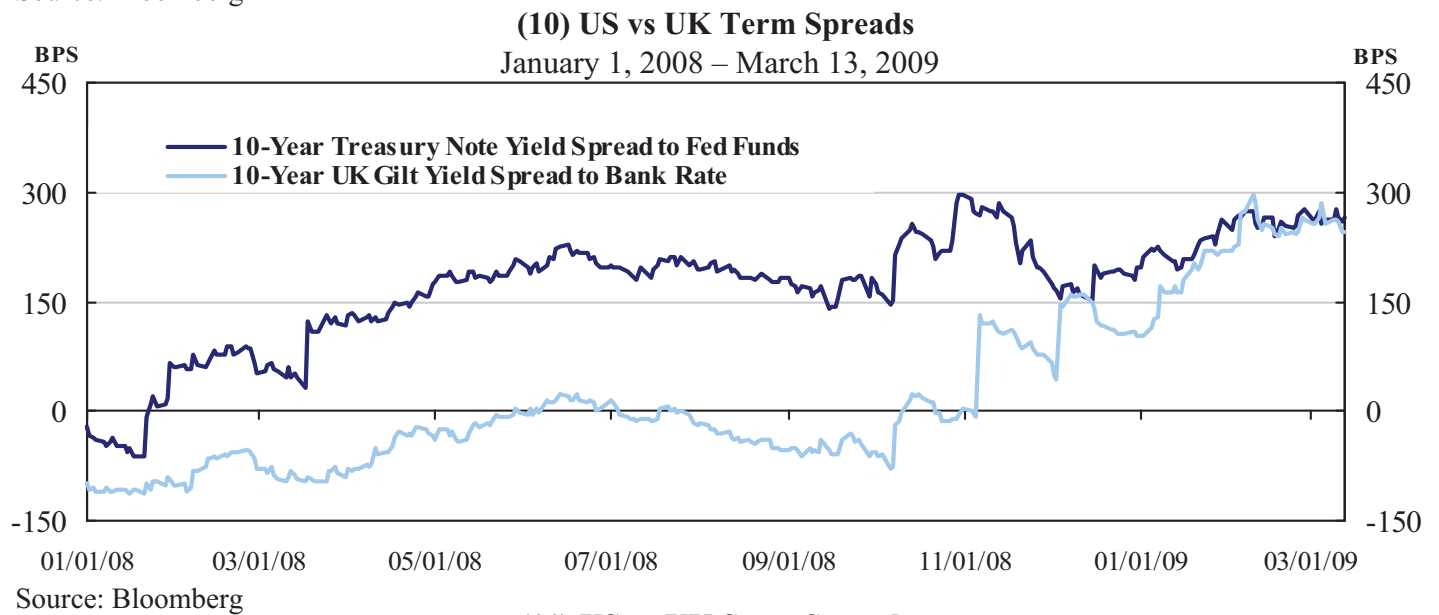
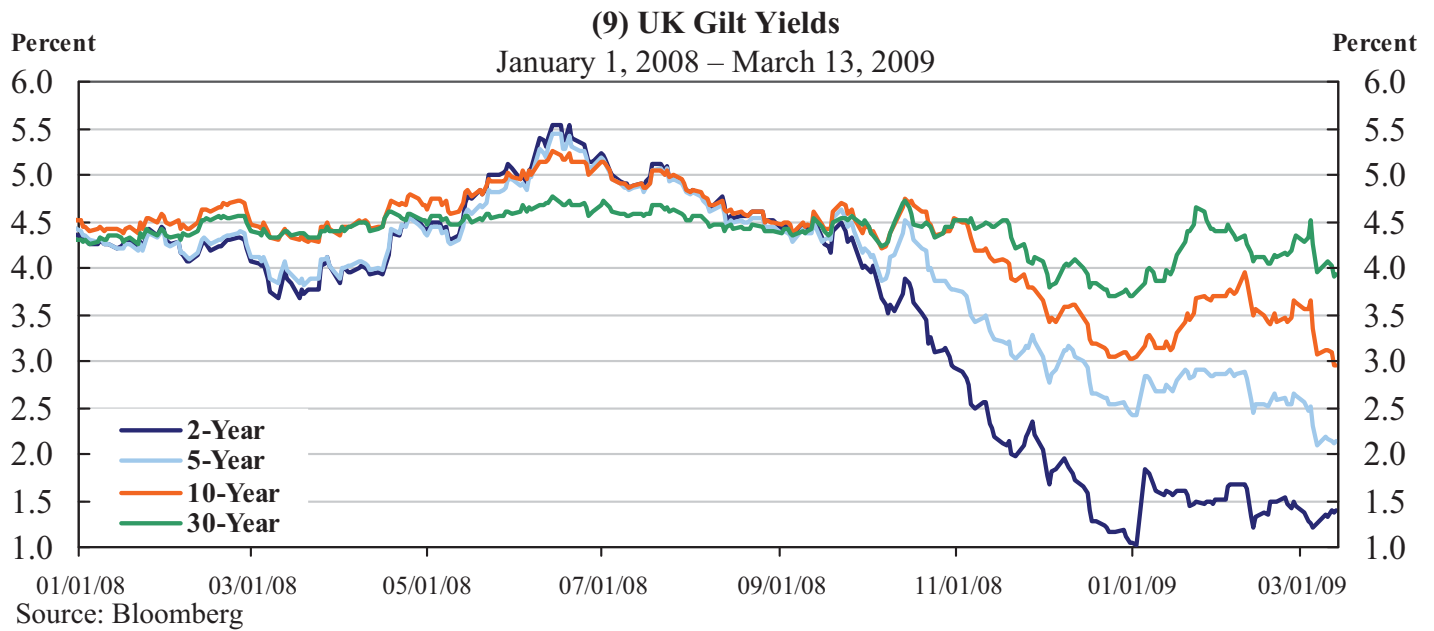
Source: Bloomberg

**(8) Swiss Franc FX Rates**

January 1, 2009 – March 13, 2009

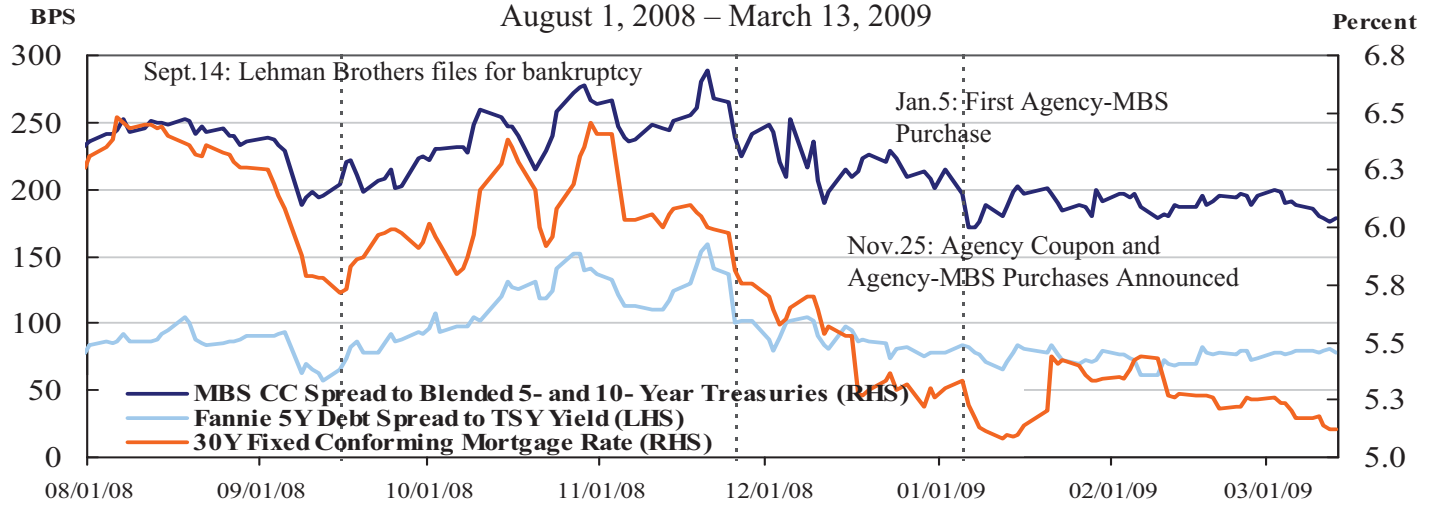


Source: Bloomberg



(12) Mortgage and Agency Yields and Spreads

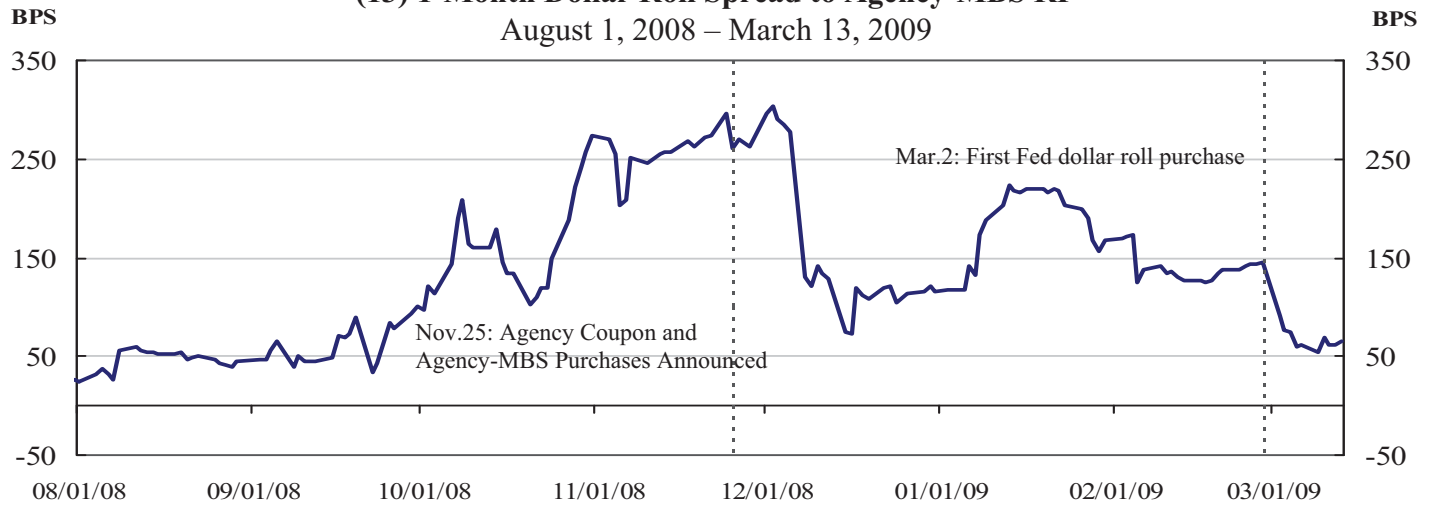
August 1, 2008 – March 13, 2009



Source: Bloomberg, Lehman Brothers/Barclays

(13) 1-Month Dollar Roll Spread to Agency-MBS RP

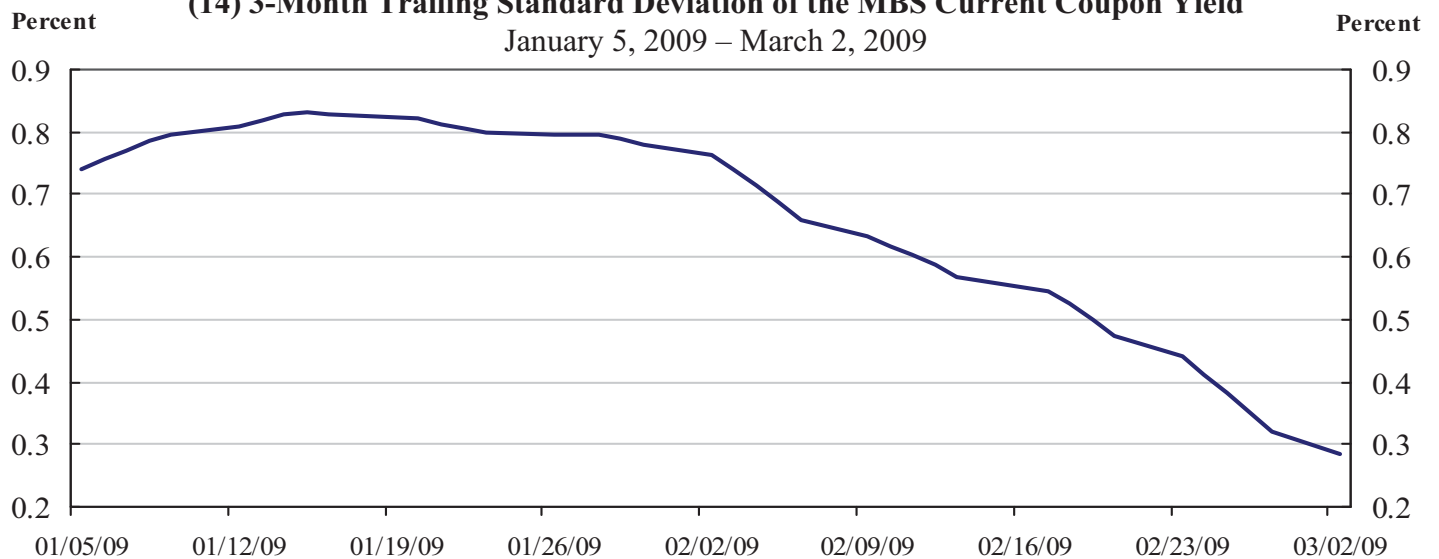
August 1, 2008 – March 13, 2009



Source: Bloomberg

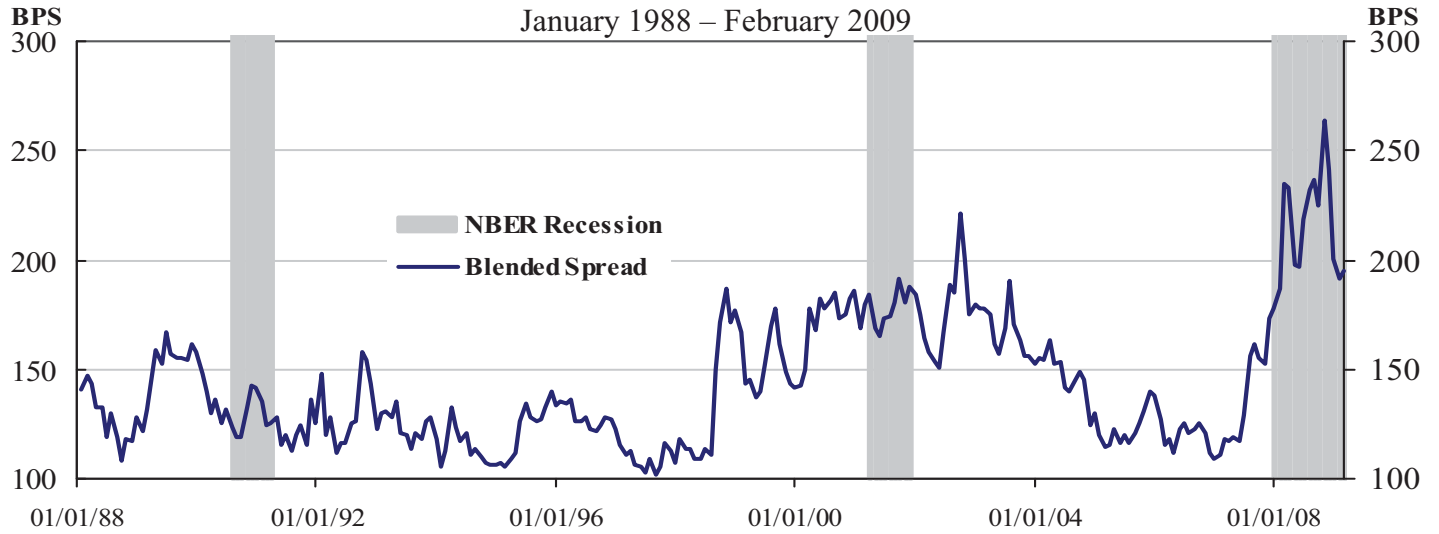
(14) 3-Month Trailing Standard Deviation of the MBS Current Coupon Yield

January 5, 2009 – March 2, 2009

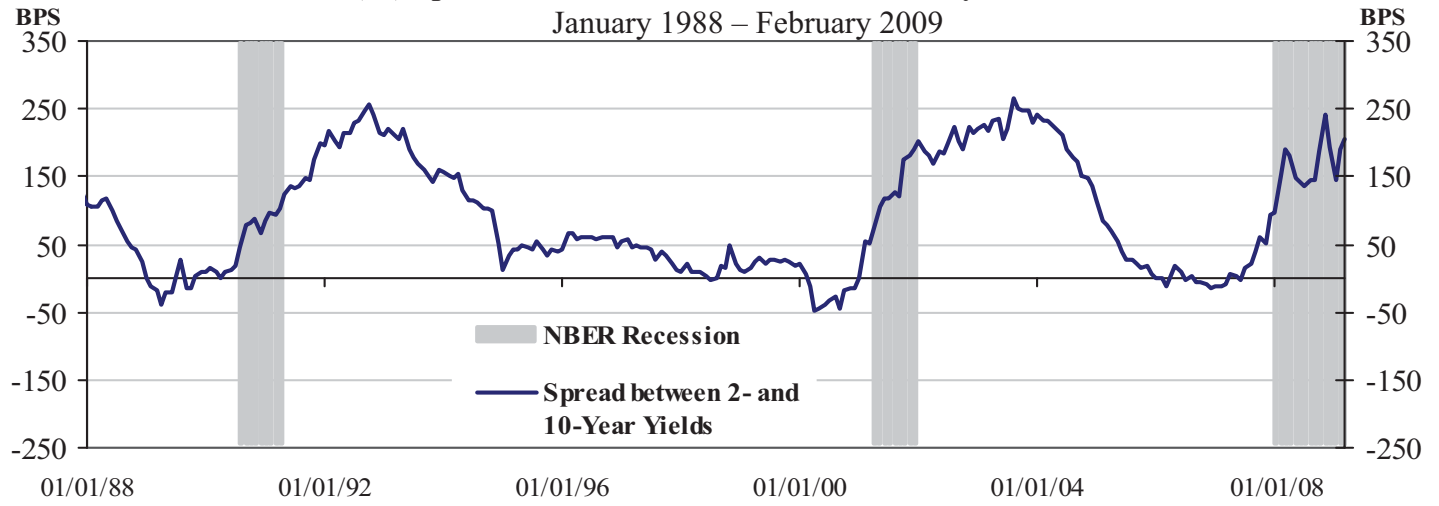


Source: Bloomberg

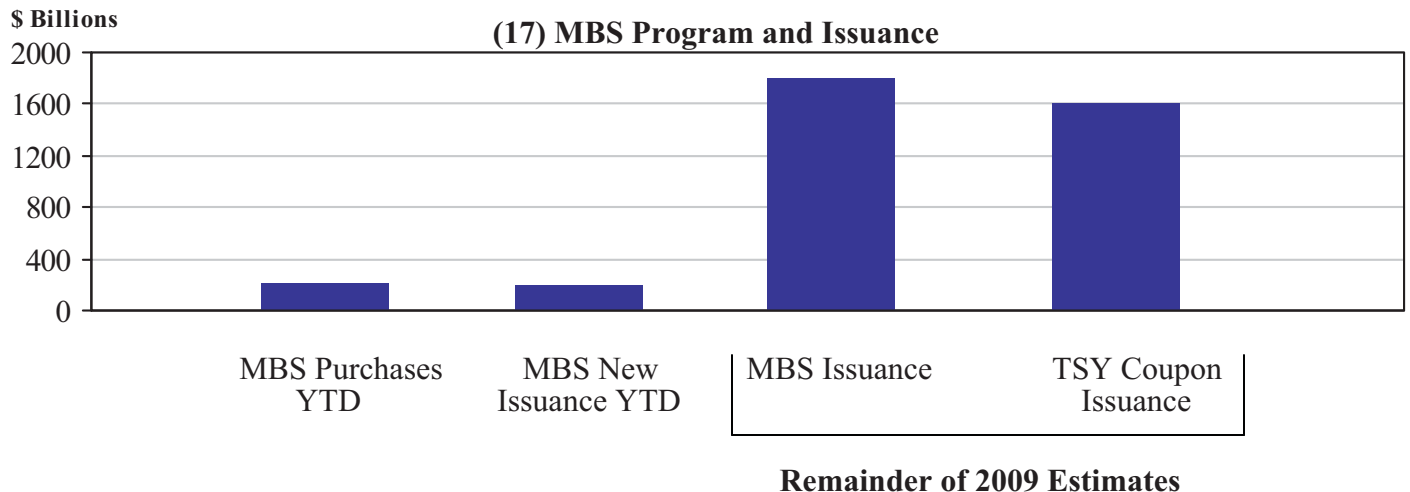
**(15) Spread between Fannie Current Coupon and Blended 10- and 5-Year Treasury Yields**



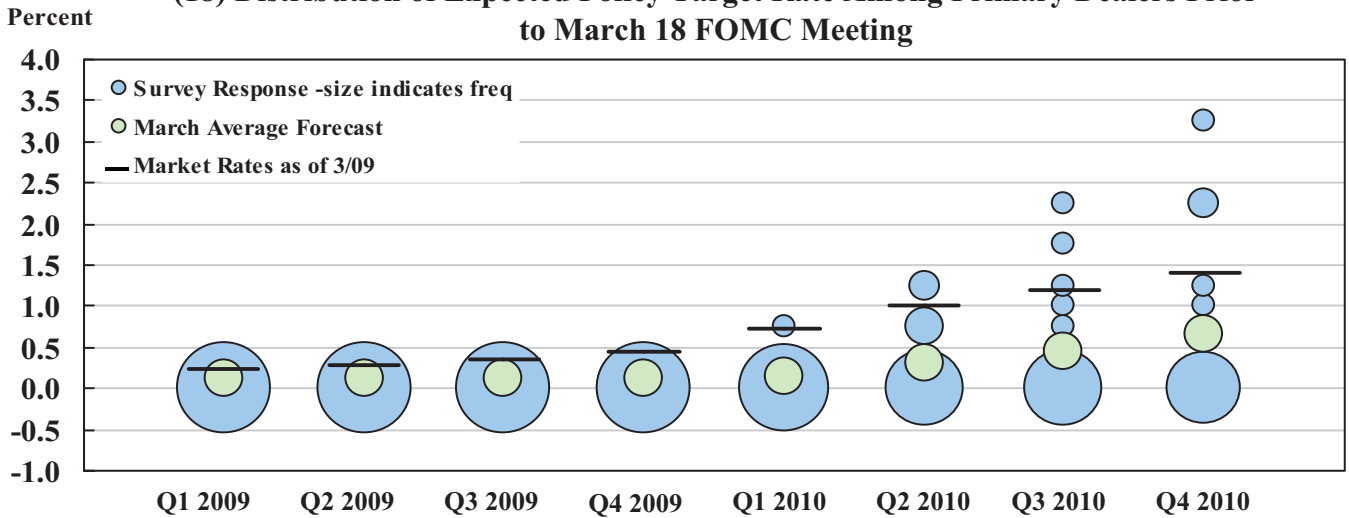
**(16) Spread between 2- and 10-Year Treasury Note Yields**



**(17) MBS Program and Issuance**

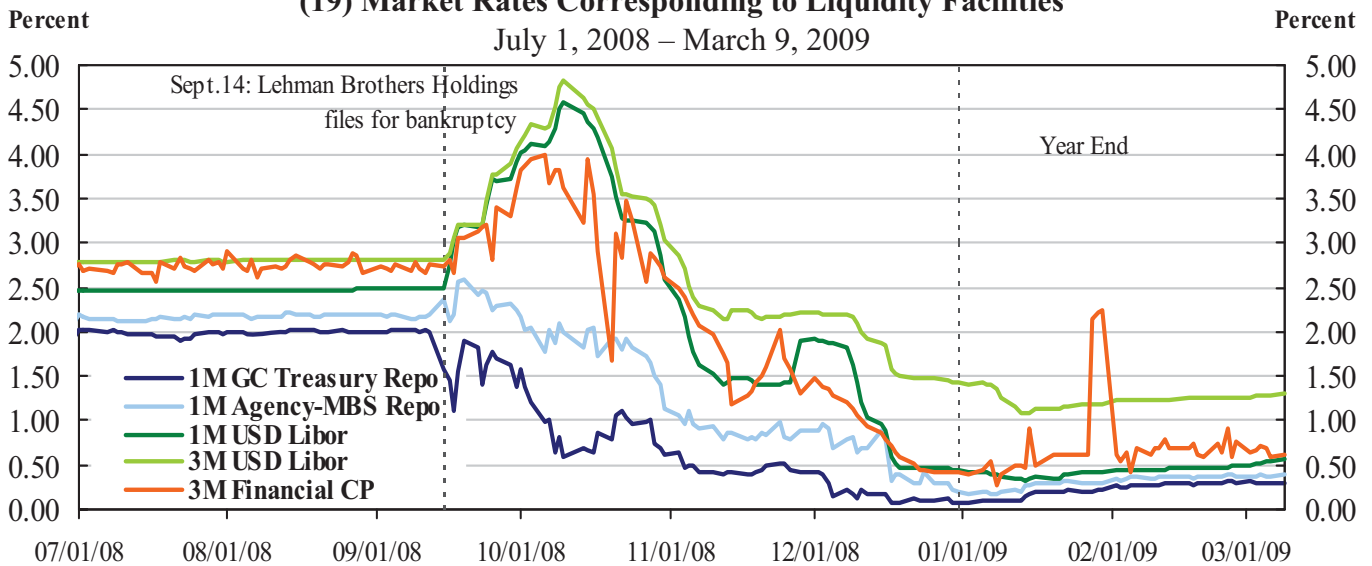


**(18) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to March 18 FOMC Meeting**



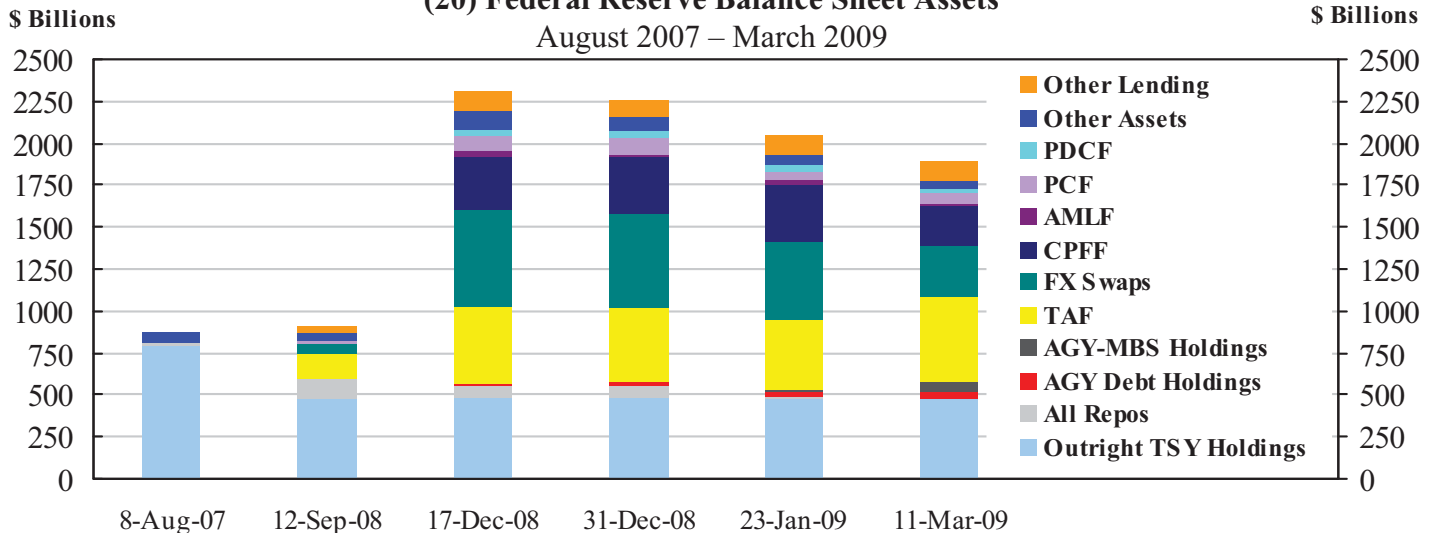
Source: Dealer Policy Survey

**(19) Market Rates Corresponding to Liquidity Facilities**  
 July 1, 2008 – March 9, 2009



Source: Federal Reserve Bank of New York

**(20) Federal Reserve Balance Sheet Assets**  
 August 2007 – March 2009



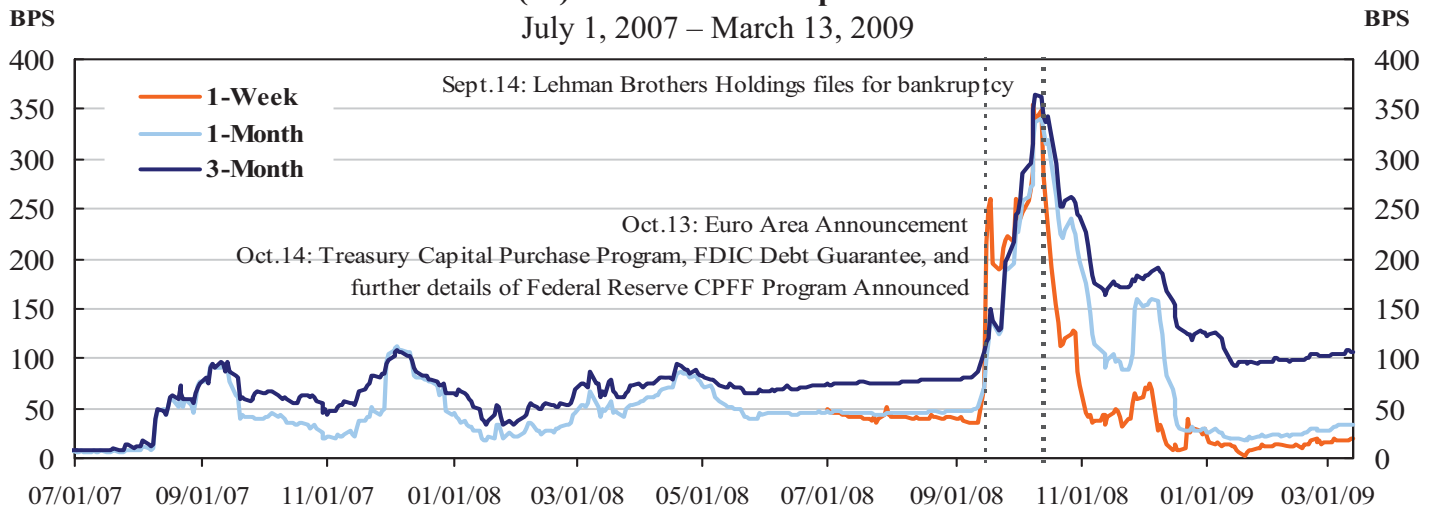
Source: Federal Reserve Bank of New York



**APPENDIX: Reference Exhibits**

**(21) U.S. Libor-OIS Spreads**

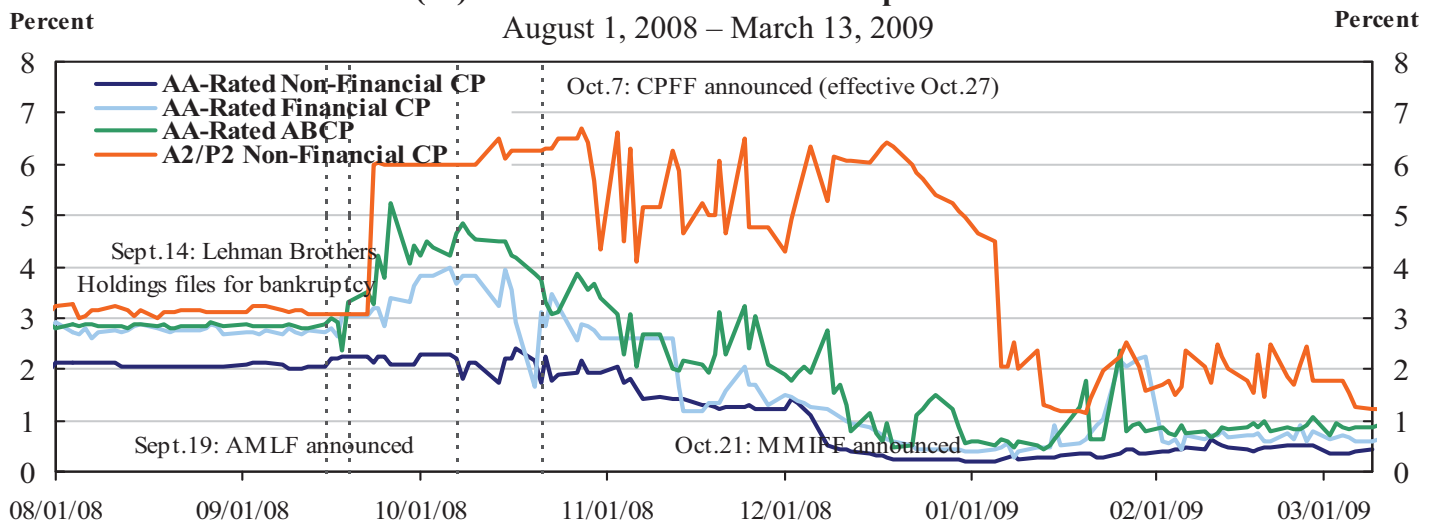
July 1, 2007 - March 13, 2009



Source: Bloomberg

**(22) Three-Month Commercial Paper Rates**

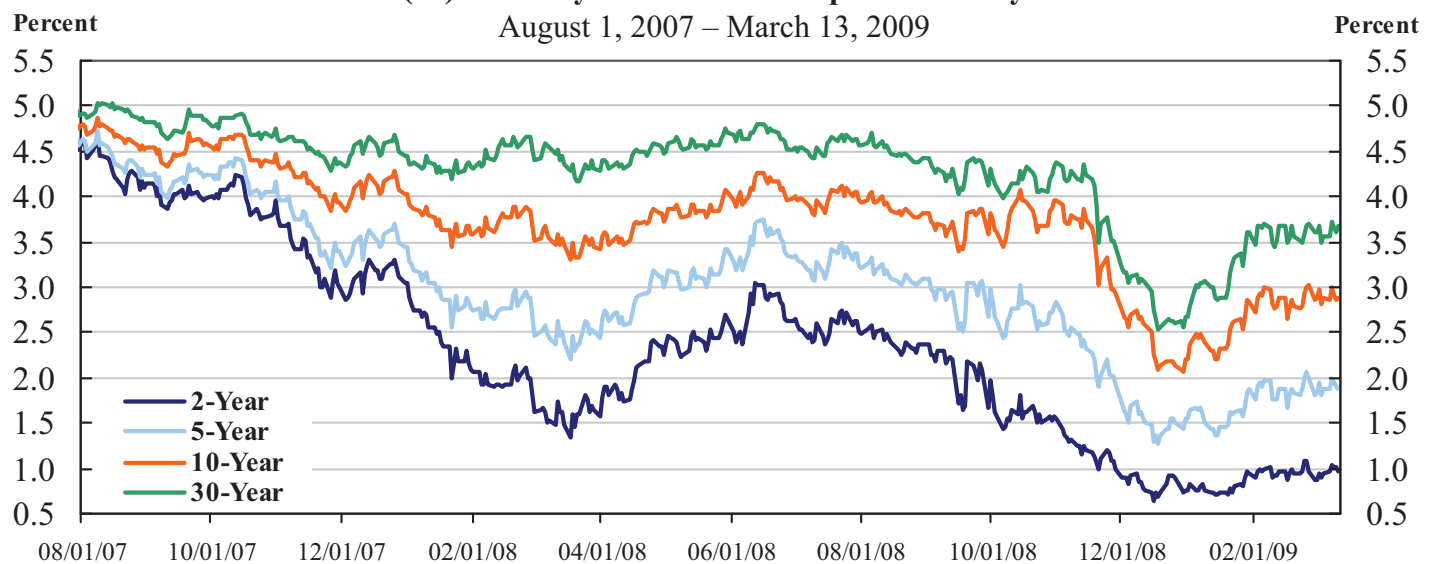
August 1, 2008 - March 13, 2009



Source: Federal Reserve Board

**(23) Treasury Yield Curve Steepens Modestly**

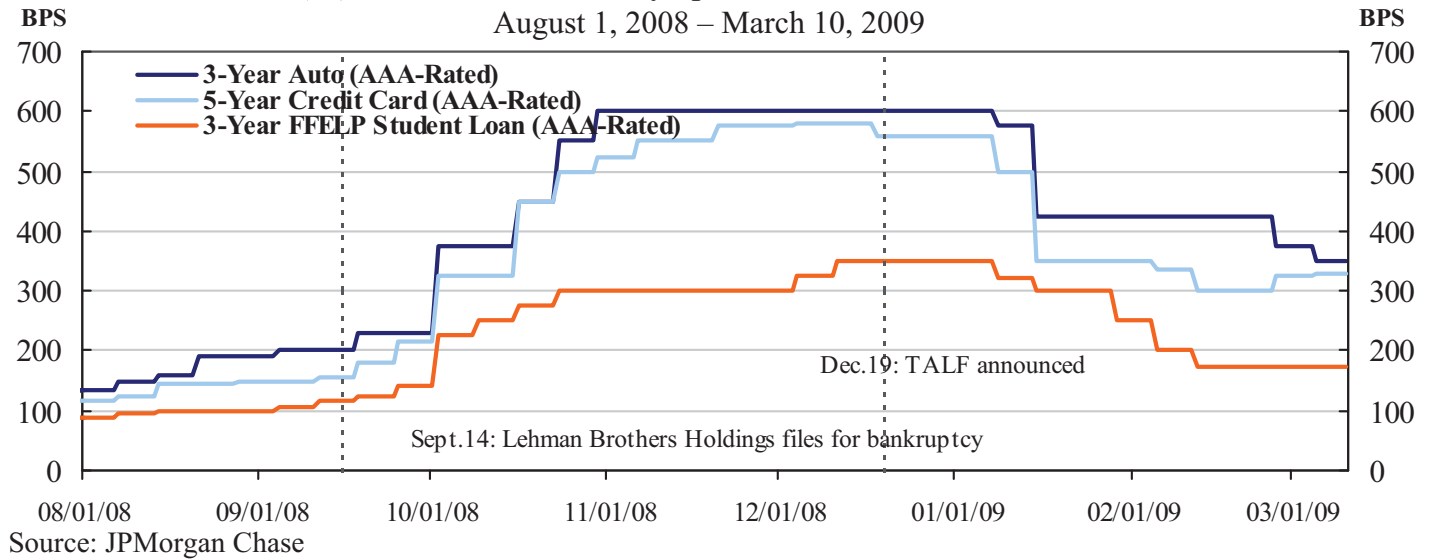
August 1, 2007 - March 13, 2009



Source: Bloomberg

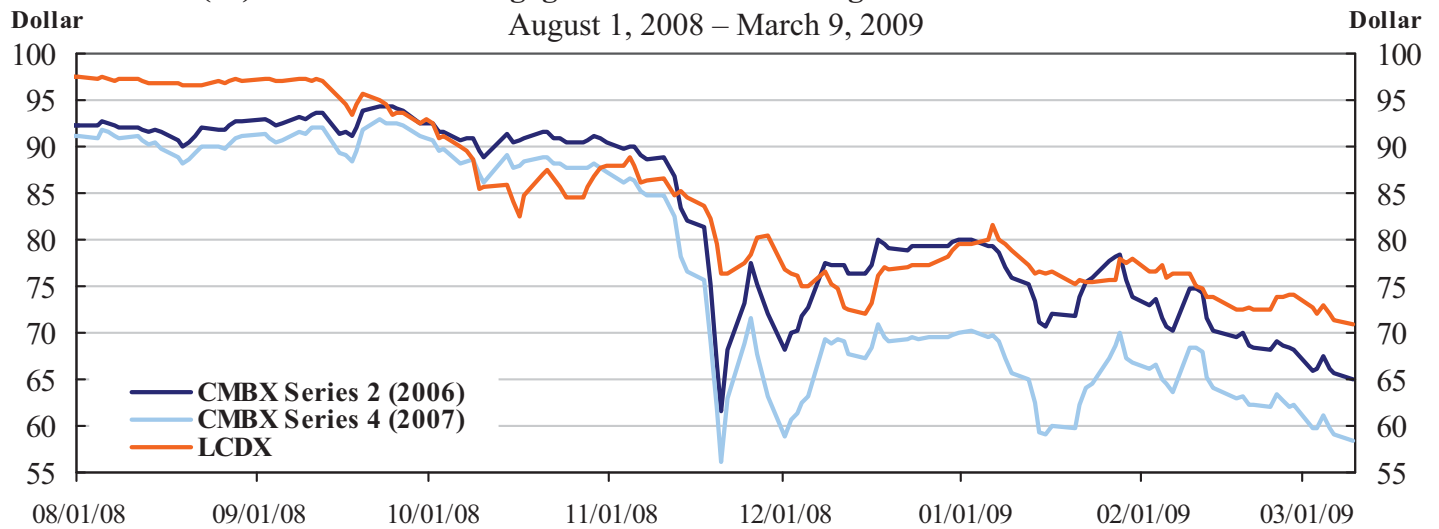
### (24) Asset-Backed Security Spreads Narrow After Year End

August 1, 2008 – March 10, 2009



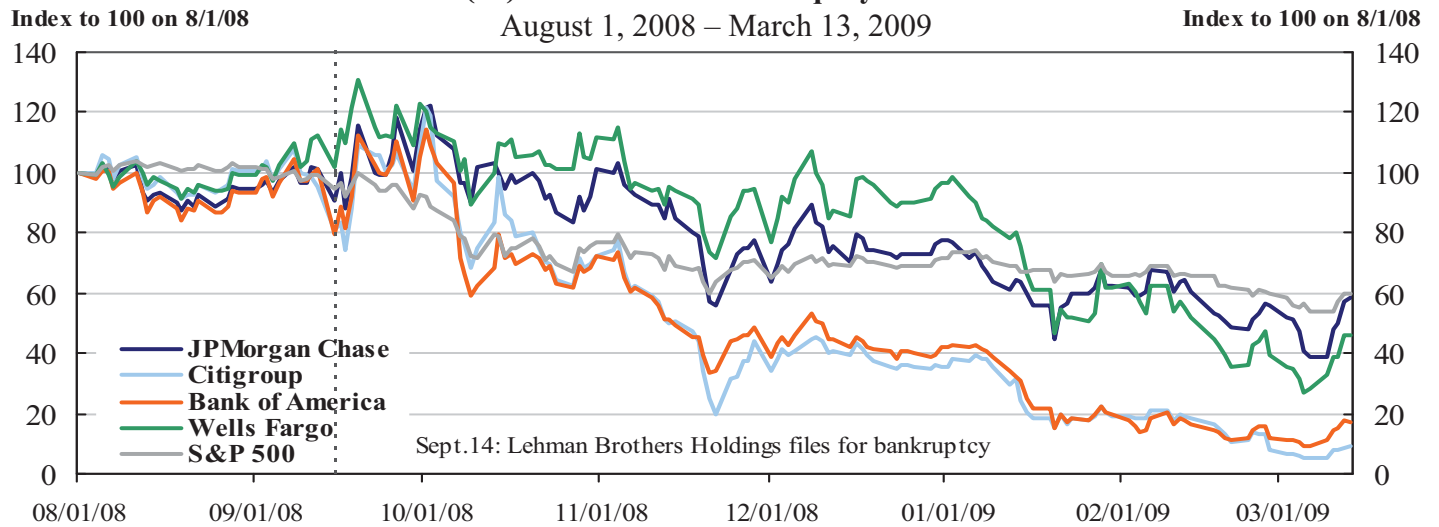
### (25) Commercial Mortgage-Backed and Leveraged Loan Prices Deteriorate

August 1, 2008 – March 9, 2009



### (26) Commercial Bank Equity Prices

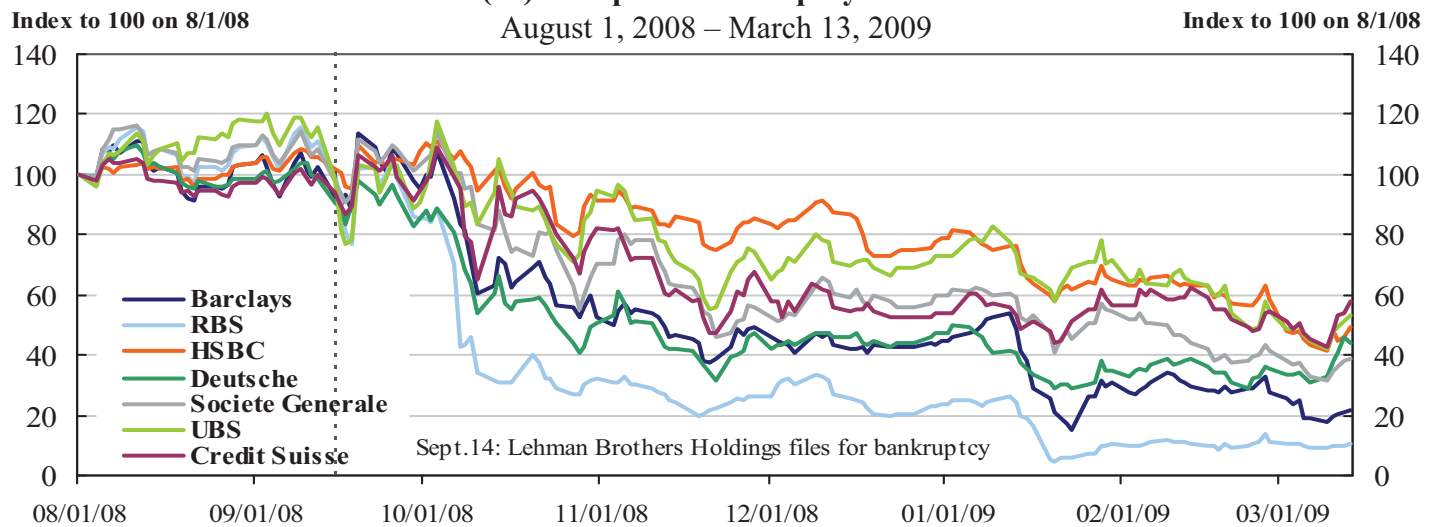
August 1, 2008 - March 13, 2009



Source: Bloomberg

### (27) European Bank Equity Prices

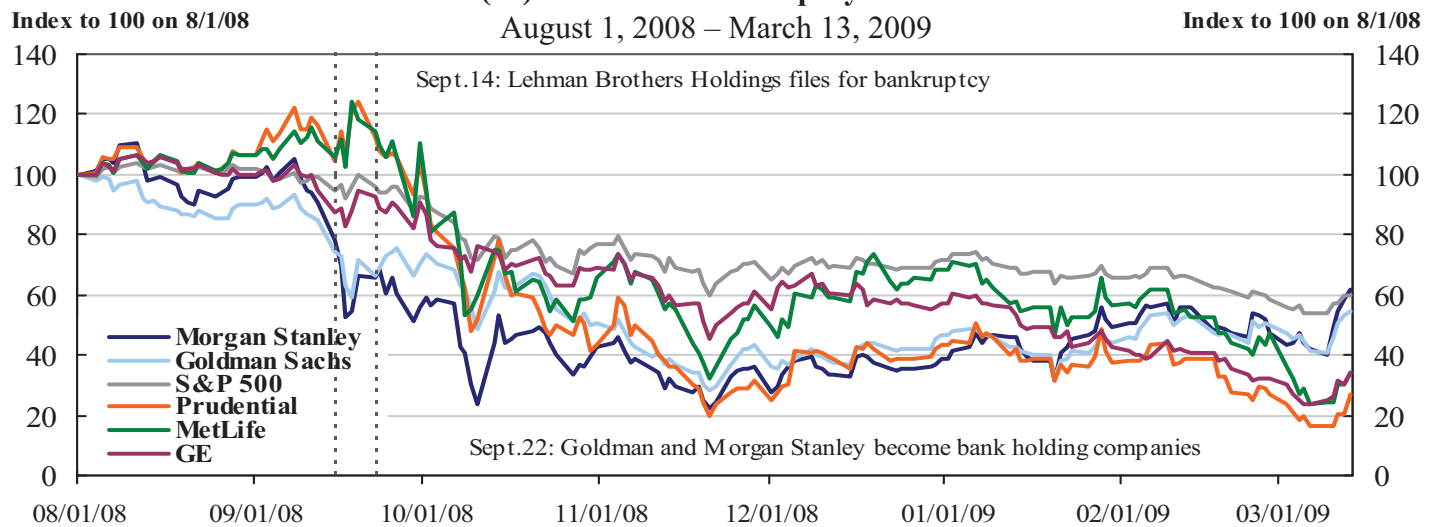
August 1, 2008 - March 13, 2009



Source: Bloomberg

### (28) Other Financial Equity Prices

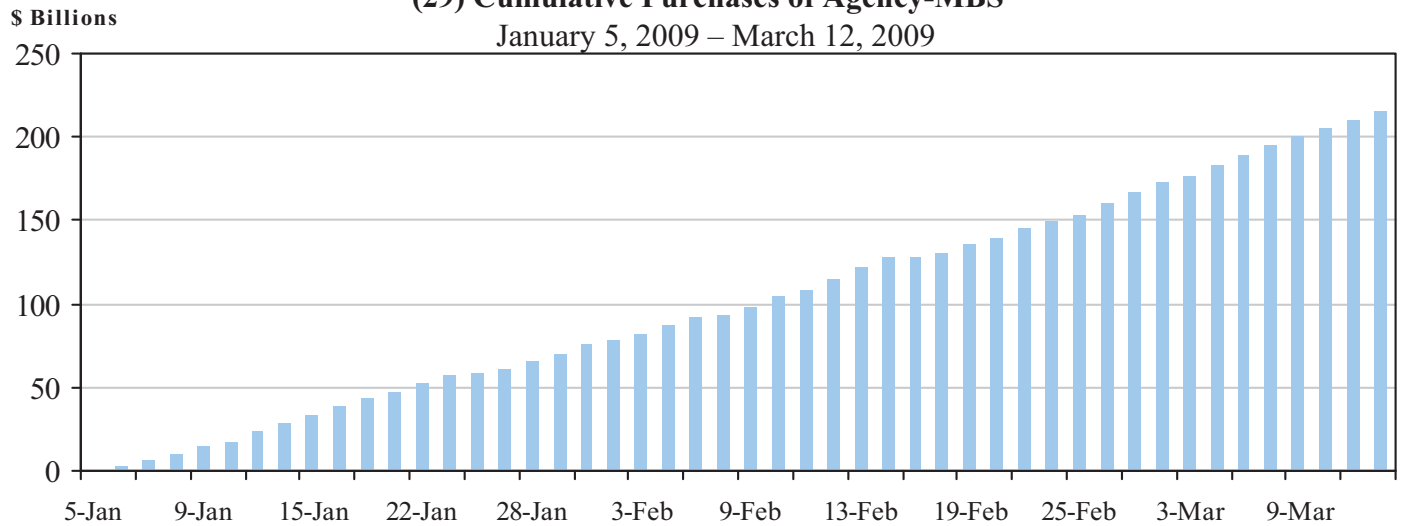
August 1, 2008 - March 13, 2009



Source: Bloomberg

**(29) Cumulative Purchases of Agency-MBS\***

January 5, 2009 – March 12, 2009

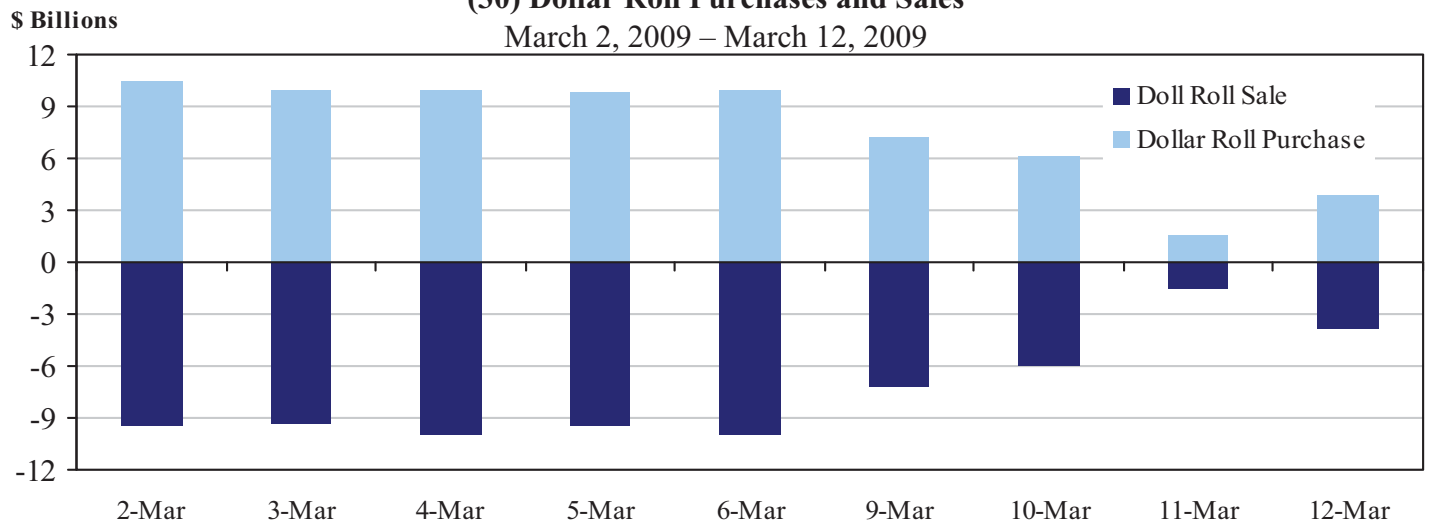


\* Excluding dollar roll purchases and sales

Source: Federal Reserve Bank of New York

**(30) Dollar Roll Purchases and Sales**

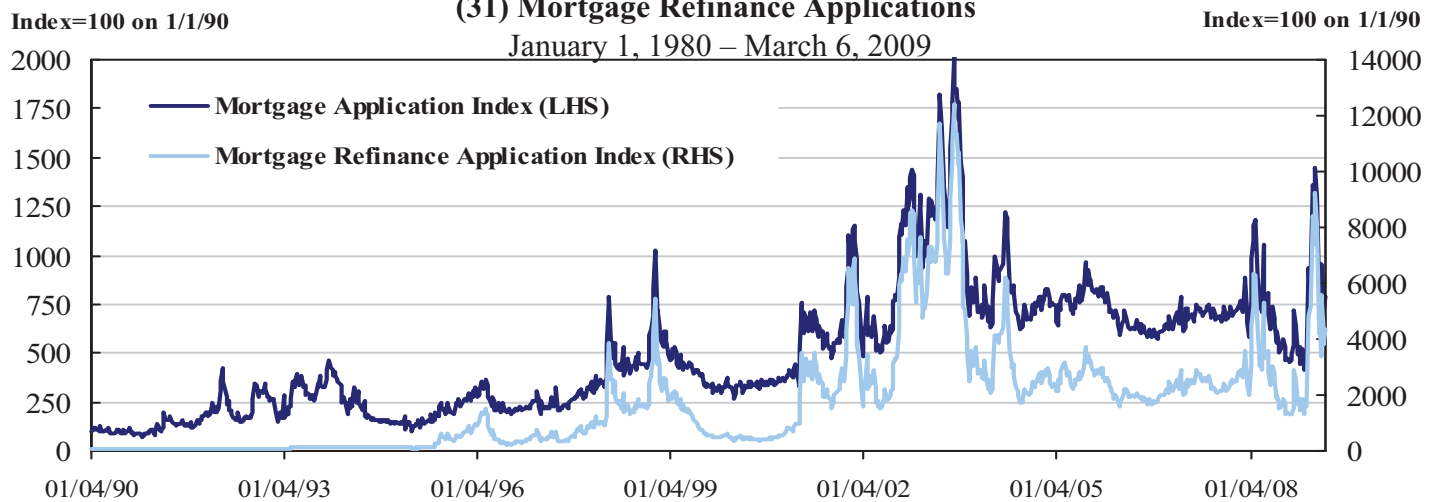
March 2, 2009 – March 12, 2009



Source: Federal Reserve Bank of New York

**(31) Mortgage Refinance Applications**

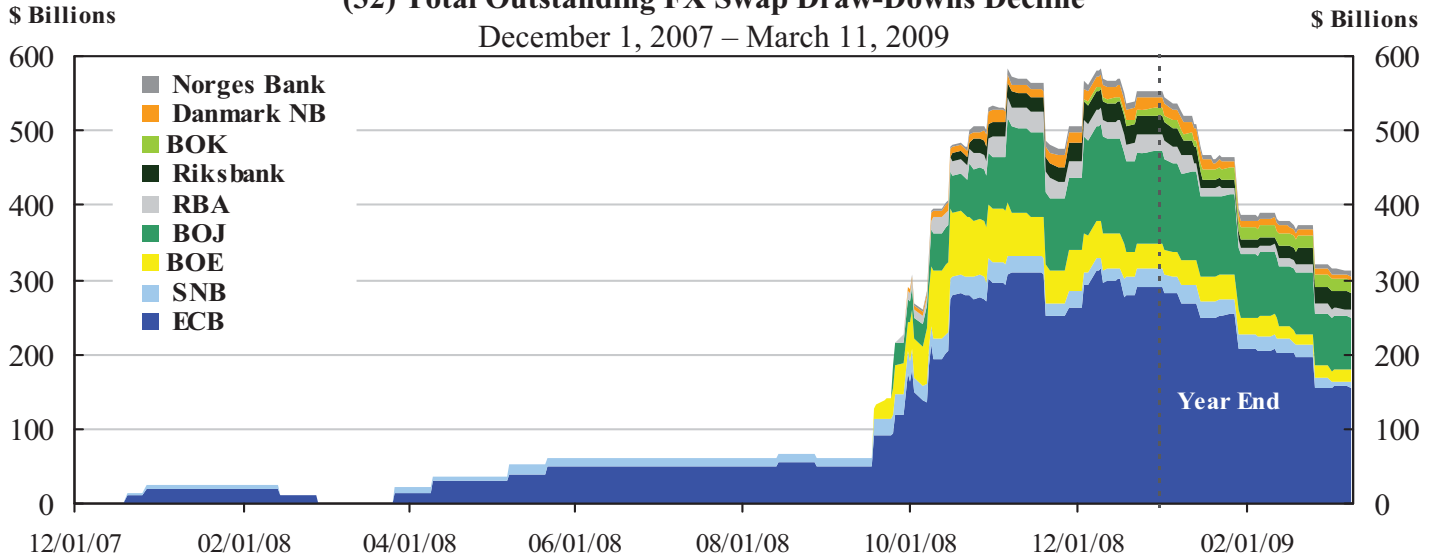
January 1, 1980 – March 6, 2009



Source: Bloomberg

**(32) Total Outstanding FX Swap Draw-Downs Decline**

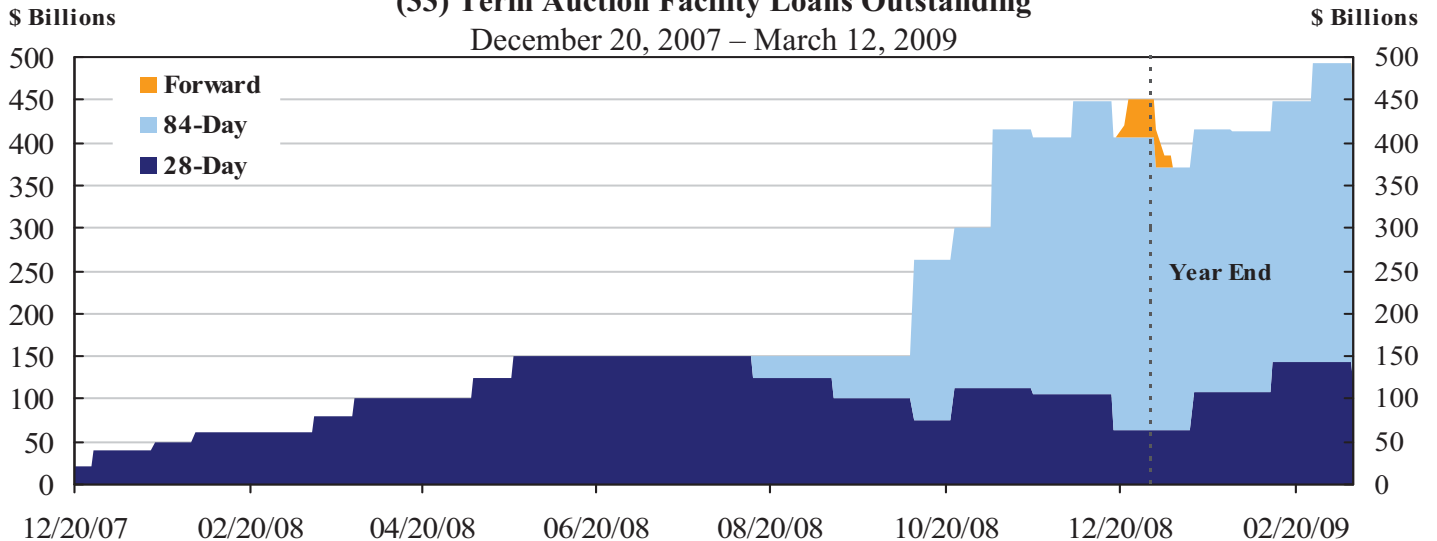
December 1, 2007 – March 11, 2009



Source: Federal Reserve Bank of New York

**(33) Term Auction Facility Loans Outstanding**

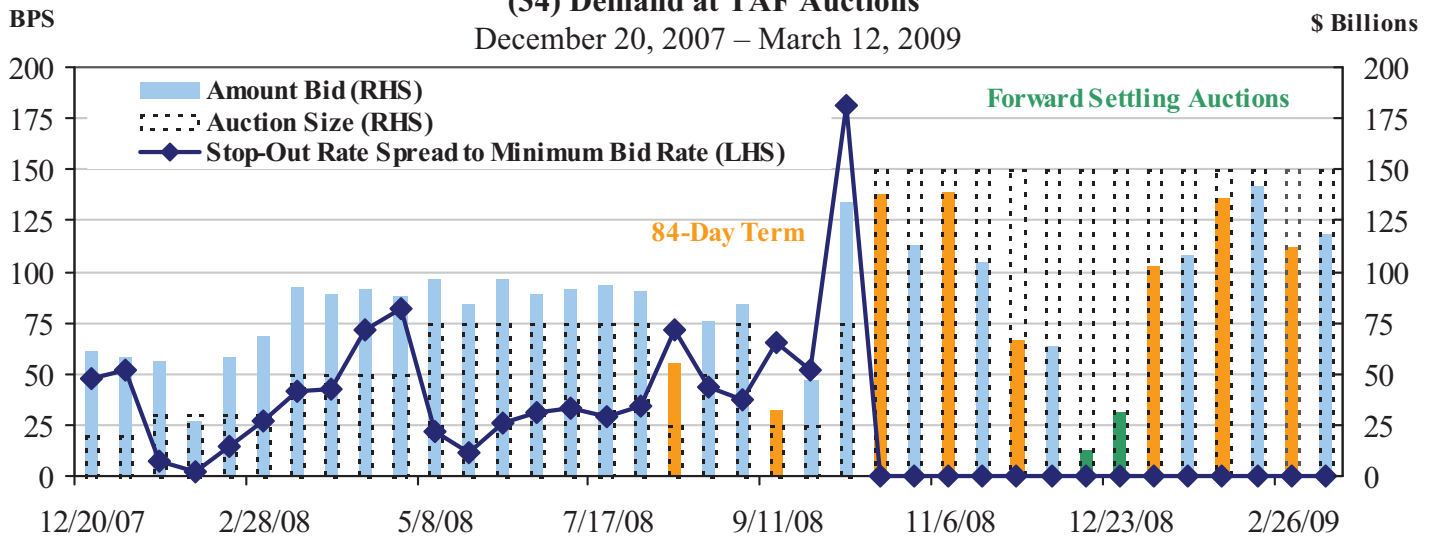
December 20, 2007 – March 12, 2009



Source: Federal Reserve Bank of New York

**(34) Demand at TAF Auctions**

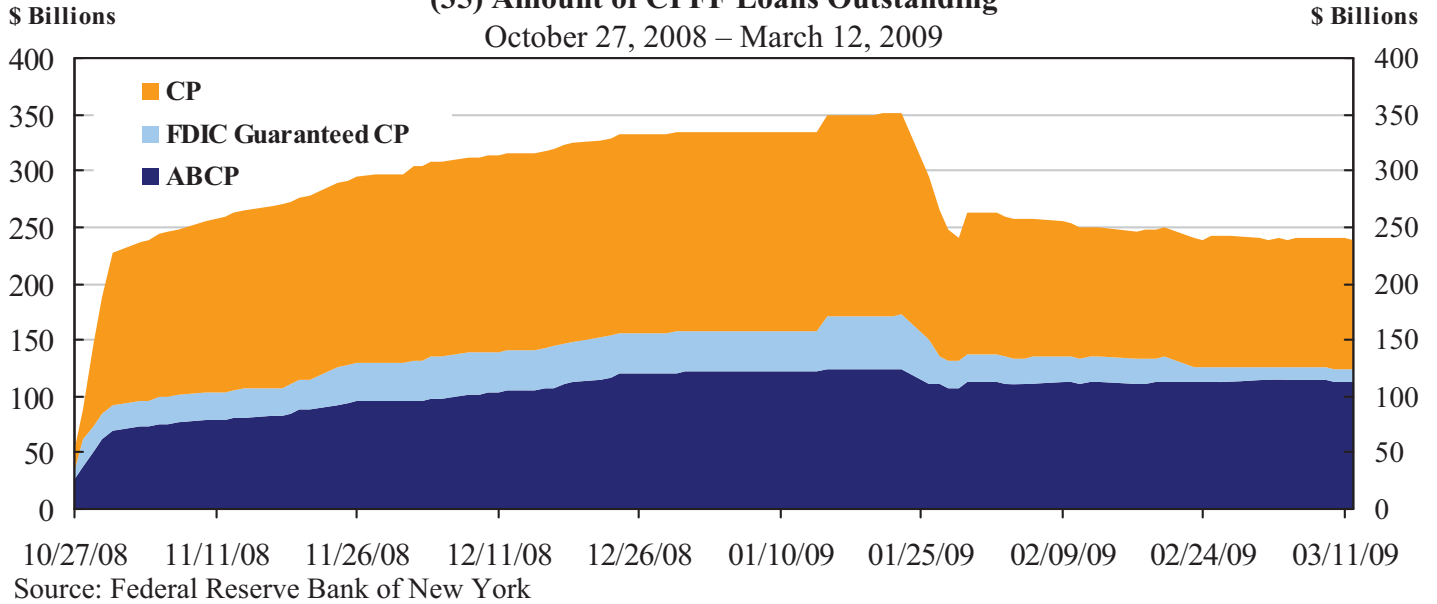
December 20, 2007 – March 12, 2009



Source: Federal Reserve Board

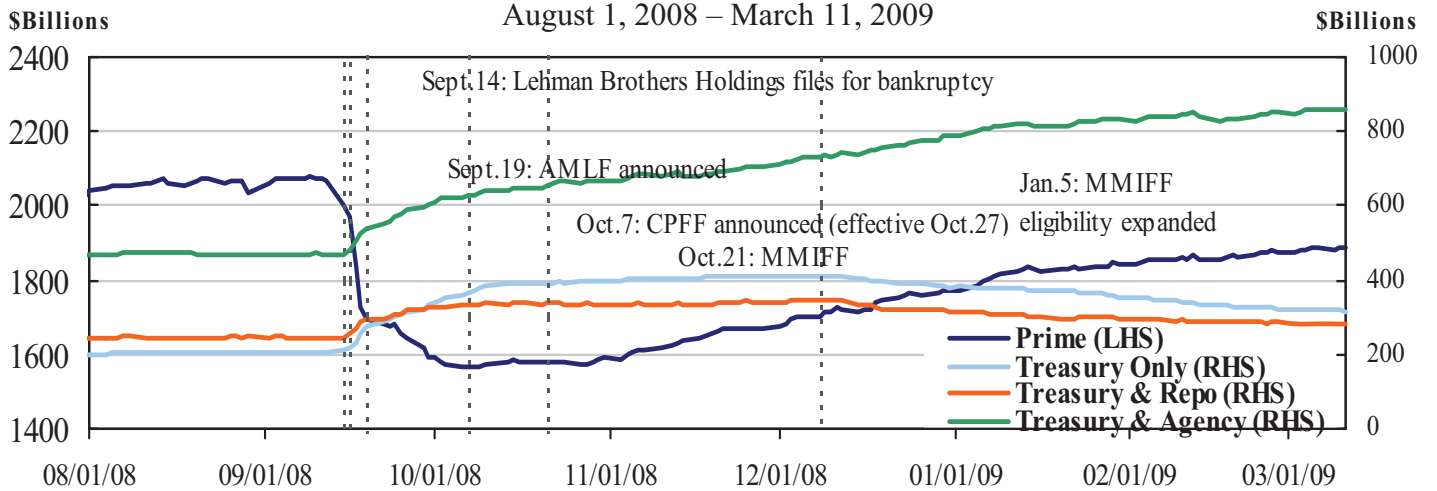
**(35) Amount of CPFF Loans Outstanding**

October 27, 2008 – March 12, 2009



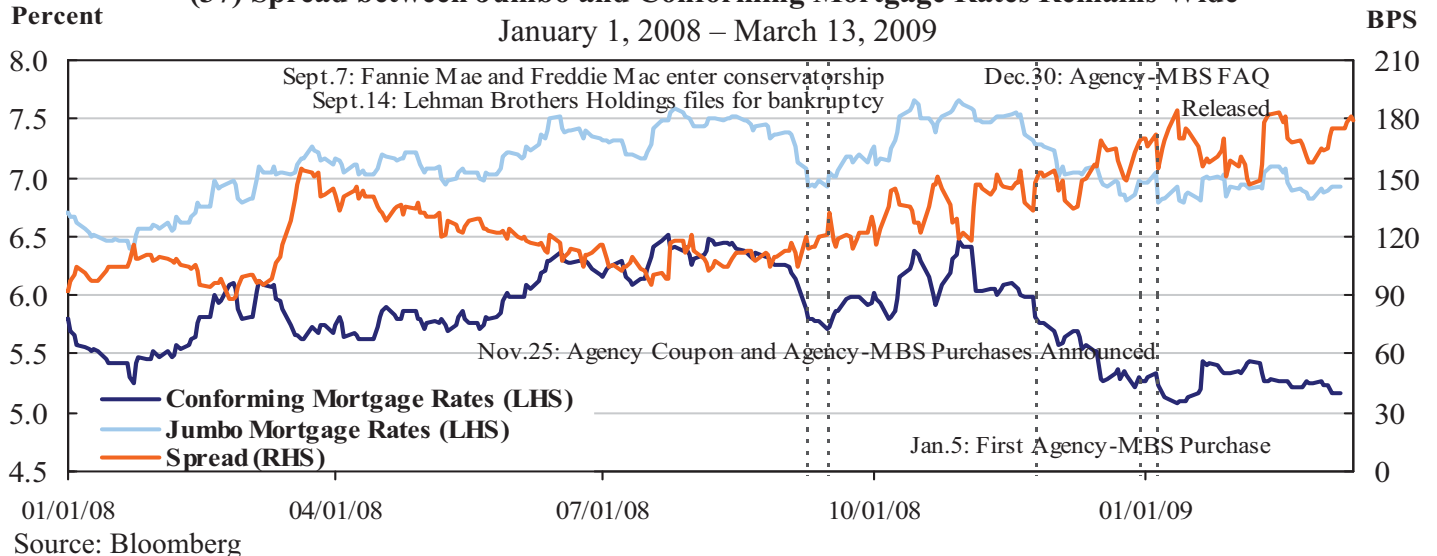
**(36) Assets in Prime Money Market Funds**

August 1, 2008 – March 11, 2009



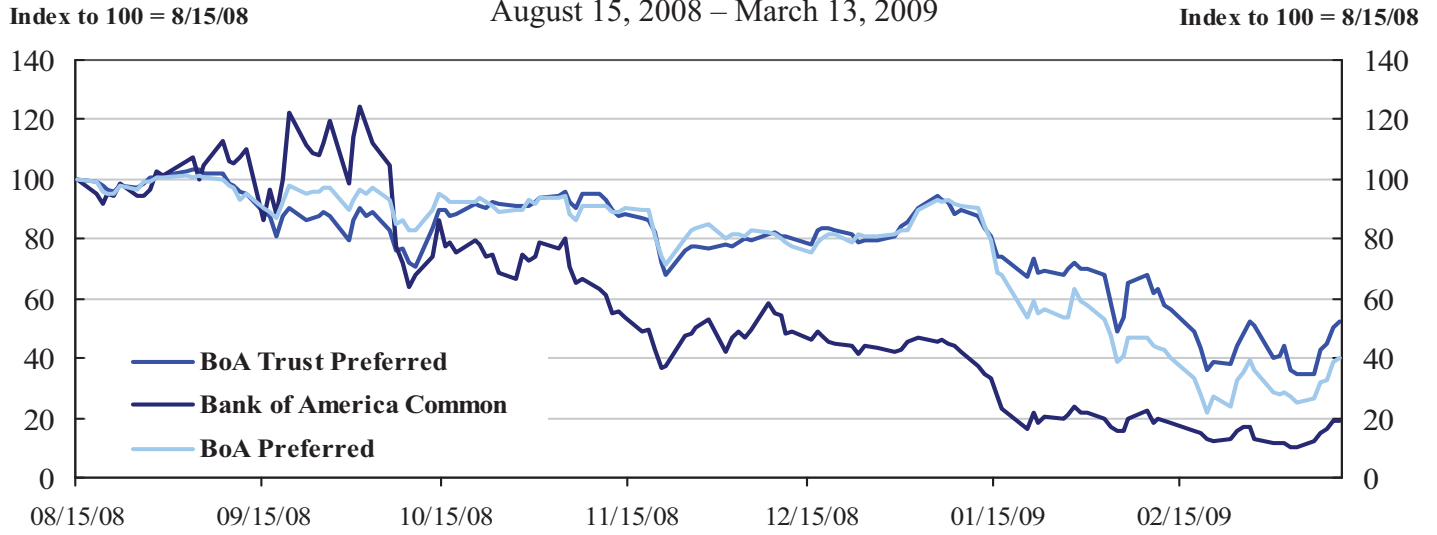
**(37) Spread between Jumbo and Conforming Mortgage Rates Remains Wide**

January 1, 2008 – March 13, 2009



**(38) Bank Equity**

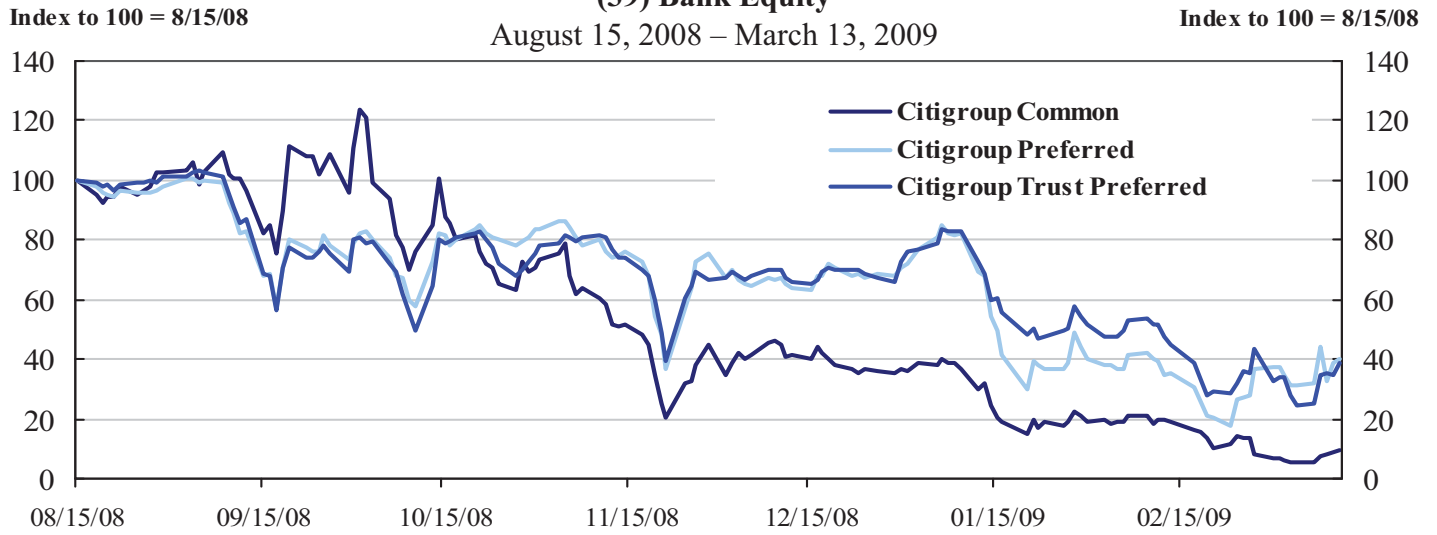
August 15, 2008 – March 13, 2009



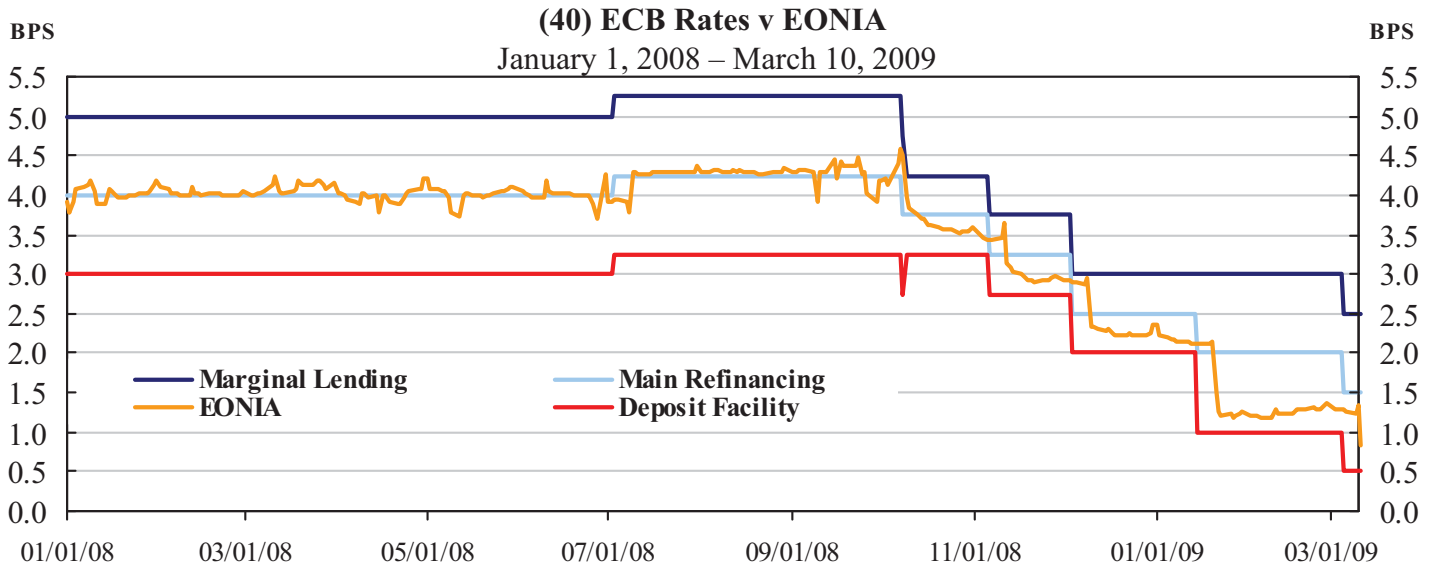
Source: Bloomberg

**(39) Bank Equity**

August 15, 2008 – March 13, 2009

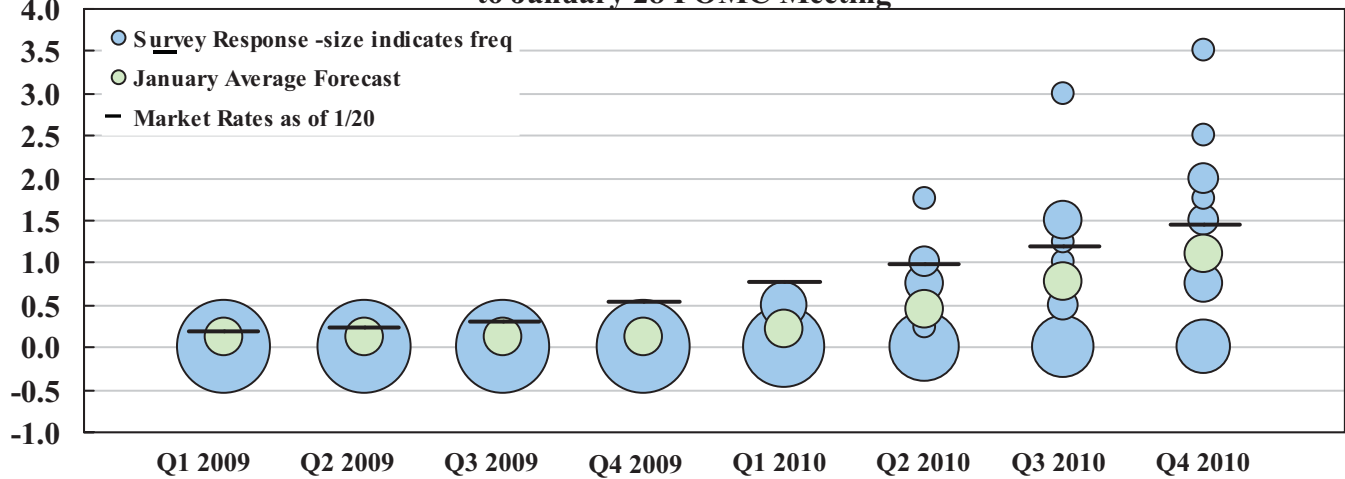


Source: Bloomberg

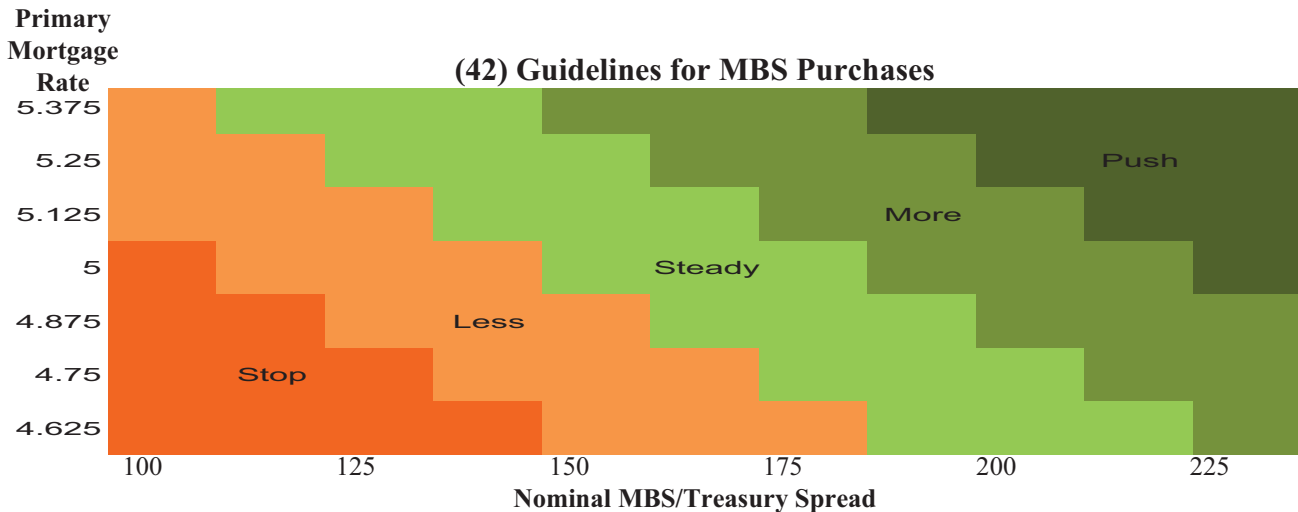


Source: Bloomberg

**(41) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to January 28 FOMC Meeting**



Source: Dealer Policy Survey



Notes: Primary Mortgage Rate - Bankrate 30-yr Mortgage rate (Natl Avg) ;Nominal MBS/Treas Spread - FN CC - Avg (10-yr UST, 5-yr UST)

Source: Bloomberg, Bankrate



**Appendix 2: Materials used by Messrs. Gagnon and Reifschneider**

**Class II FOMC – Restricted (FR)**

**Material for Briefing on**  
***Large-Scale Asset Purchases***

Joseph Gagnon  
David Reifschneider  
March 17, 2009

## Effects of Large-Scale Asset Purchases (LSAPs)

### Supply Effects on Bond Yields

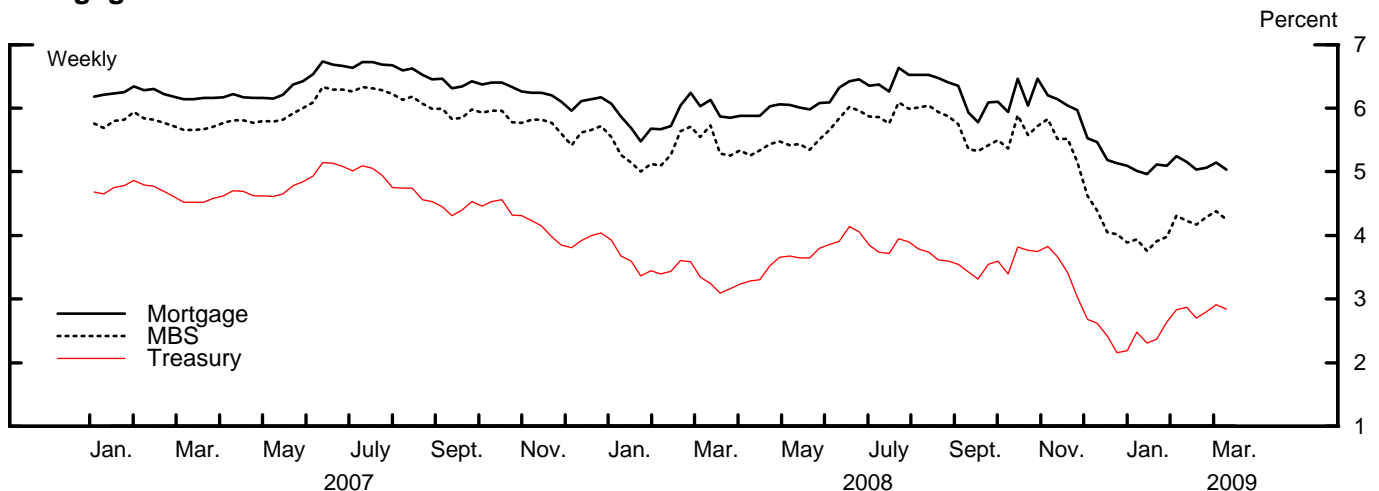
- FOMC memo (Cabana, et al., December 5) reviewed economic literature.
  - \$500 billion purchase of long-term Treasuries could reduce 10-year Treasury yield 20 to 100 basis points.
  - Also lower long-term private yields.
- Public and private long-term yields historically have been highly correlated.
  - In recent months, these correlations have declined.

### Yield Effects of Central Bank Communications\*

	United States				U.K.
	Nov. 25	Dec. 1-2	Dec. 16-17	Jan. 28-29	Mar. 5-6
Treasury 10-Y	-21	-24	-35	26	-58
Swap 10-Y	-33	-24	-54	5	-26
FNMA 10-Y	-60	-52	-39	27	..
FNMA MBS 30-Y	-44	-24	-23	43	..
Corp. AA 10-Y	-27	-30	-46	23	-50
Corp. BBB 10-Y	-16	-21	-29	13	-58

\*Changes in basis points from previous close.

### Mortgage Market Rates



\*Variables are 30-year conforming fixed mortgage rate, 30-year current coupon MBS yield, and 7.5 year off-the-run Treasury yield.

## Macroeconomic Effects of Large-Scale Asset Purchases

### Basic Principles

- Financial conditions broadly improve:
  - Purchases of Treasury securities or agency MBS lower yield on targeted asset
  - Own-yield declines spill over to other long-term interest rates
  - General decline in interest rates sparks higher equity prices, lower real exchange rate
  
- Consumption, investment, and net exports strength in response to:
  - Lower borrowing costs
  - Higher wealth
  - Improved international competitiveness of U.S. firms

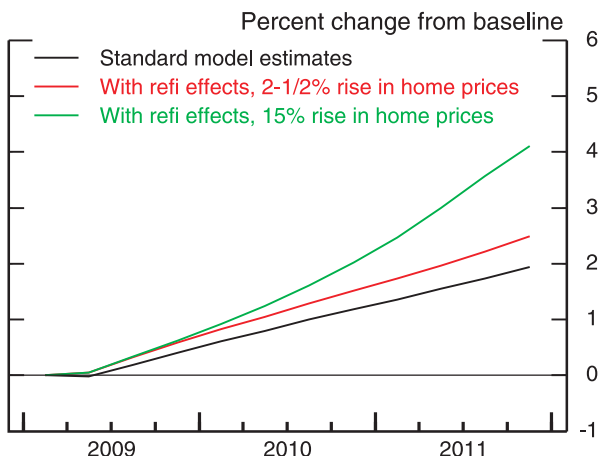
### FRB/US Estimates of the Output Effects of Purchasing a Further \$500 Billion in Agency MBS

	Percent change in the level of real GDP by end:		
	2009	2010	2011
<i>Financial spillovers limited to:</i>			
1. MBS yields and home mortgage rates	0.08	0.15	0.17
2. Interest rates	0.12	0.30	0.48
3. Interest rates and corporate equity prices	0.16	0.46	0.74
4. Full spillovers, including the real exchange rate	<b>0.22</b>	<b>0.65</b>	<b>1.06</b>
Memo: effect of purchasing \$500 billion in long-term Treasury securities assuming full financial spillovers	<b>0.17</b>	<b>0.52</b>	<b>0.83</b>

### Other Possible Channels

- Lower mortgage rates boost home prices
  - In theory, 15 percent rise in prices for each percentage point decline
  - Empirical evidence suggests smaller price increase of 2½ percent
  
- Mortgage refinancing transfers income
  - Borrowers gain at lenders expense
  - Calculations imply a modest boost to consumption

### Real GDP Effects of a \$1 Trillion LSAP Program

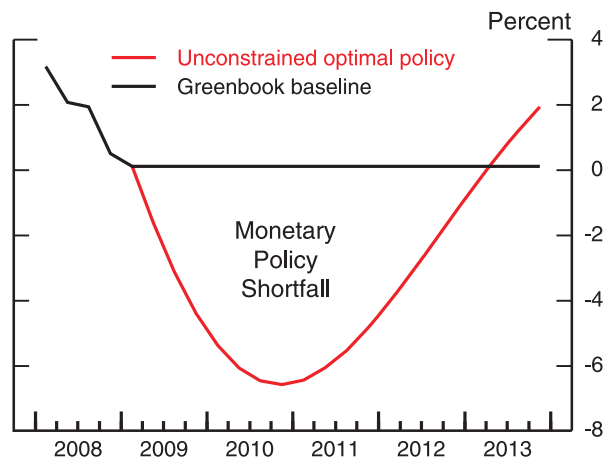


## Using Asset Purchases to Compensate for the Monetary Policy Shortfall

### Monetary Policy Shortfall

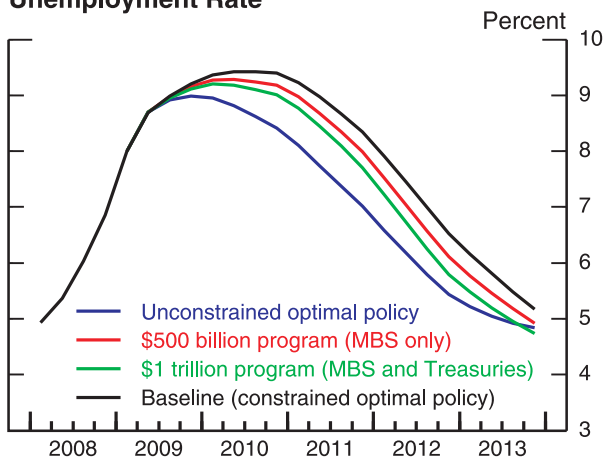
- Staff assumes that the funds rate will remain near zero for several years
- Unconstrained optimal monetary policy would ease even further
- Overcoming the monetary policy shortfall requires further fiscal or unconventional monetary action

### Federal Funds Rate

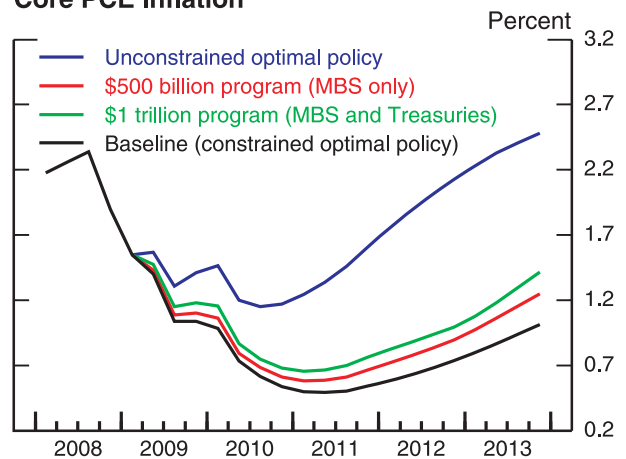


### Implications for the Outlook of Further Large-Scale Asset Purchases

#### Unemployment Rate



#### Core PCE Inflation



### Caveats

- Results hinge on extensive financial spillover but evidence for stock market and exchange rate effects is slim
- Economic effects highly uncertain
  - Households and firms may be reluctant to spend under current conditions
  - Credit constraints may limit response of consumption and investment
  - Cash-strapped households may be more responsive than normal
- Inflation effects may be more substantial if asset purchases directly bolster Fed credibility

## LSAP Risks

### LSAPs and Monetary Policy Flexibility

- Marketable assets do not constrain policy stance.
  - Asset purchases stimulate activity.
  - Asset sales restrain activity.
- Outright sales could lead to a financial loss.
- Use as collateral to drain reserves still under development.

### LSAPs and Fiscal Revenue

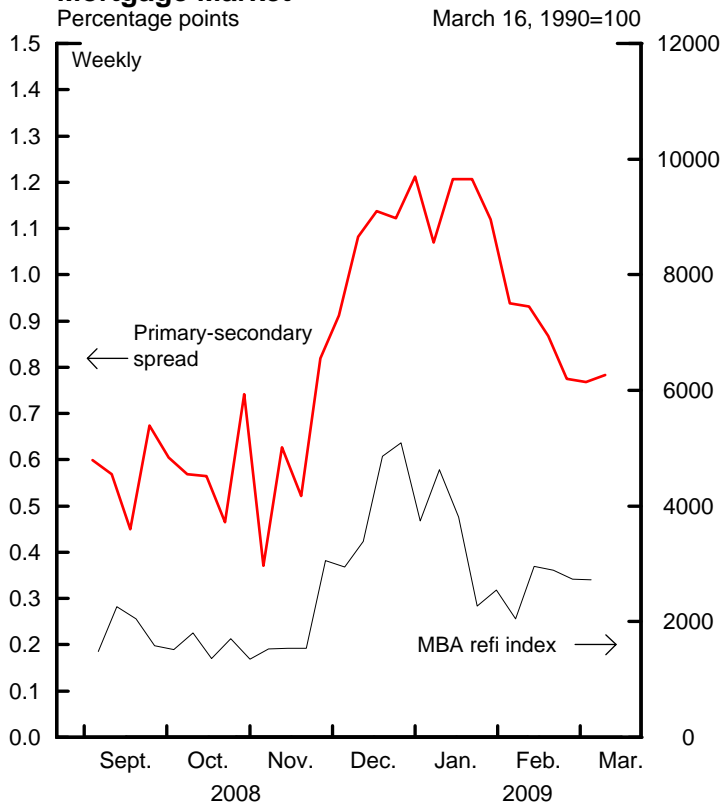
- LSAPs significantly increase Federal Reserve net income.
  - MBS yield 4-1/4%.
  - Reserves pay 1/4%.
- LSAPs increase Federal Reserve leverage.
- LSAPs increase maturity mismatch.

## Strategies

### Assets under Consideration

- Treasuries, agency debt, and agency MBS.
- MBS may have greater macroeconomic effect.
- Including Treasuries and agency debt may be a prudent strategy.

### Mortgage Market



### Holding Down Mortgage Spread

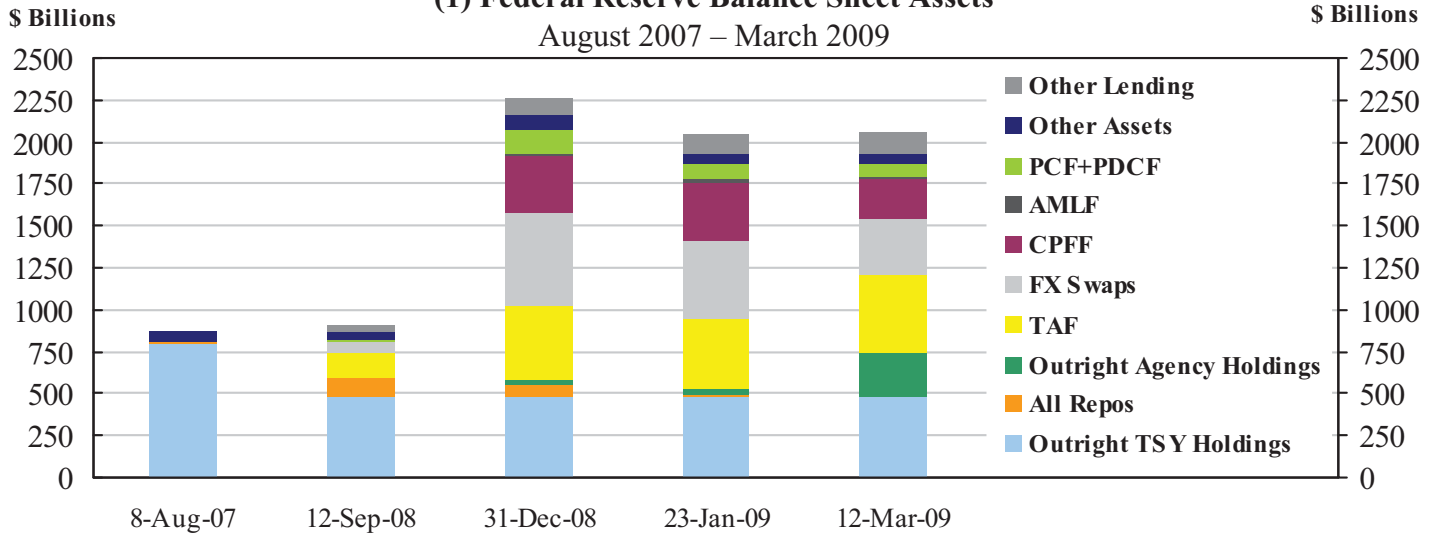
- Purchase new-production MBS.
- Sell put options on forward MBS.
- Communicate that mortgage rates are likely to remain low for several months.

**Appendix 3: Materials used by Mr. Hilton**



(1) Federal Reserve Balance Sheet Assets

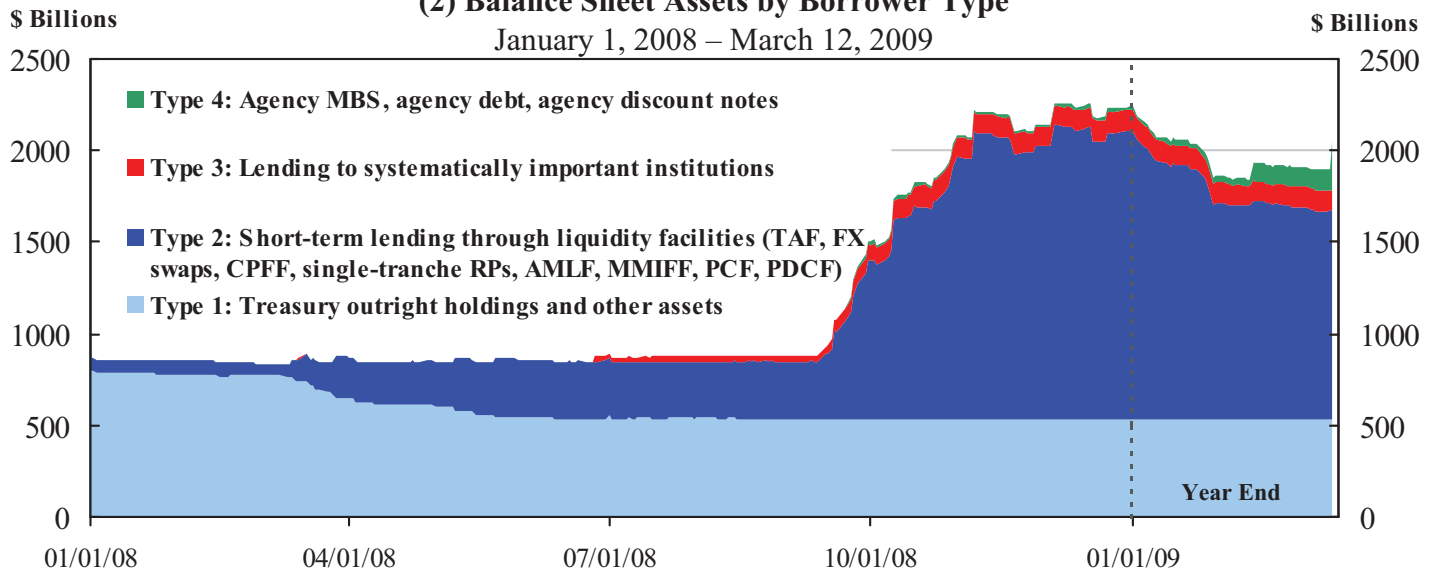
August 2007 - March 2009



Source: Federal Reserve Bank of New York

(2) Balance Sheet Assets by Borrower Type

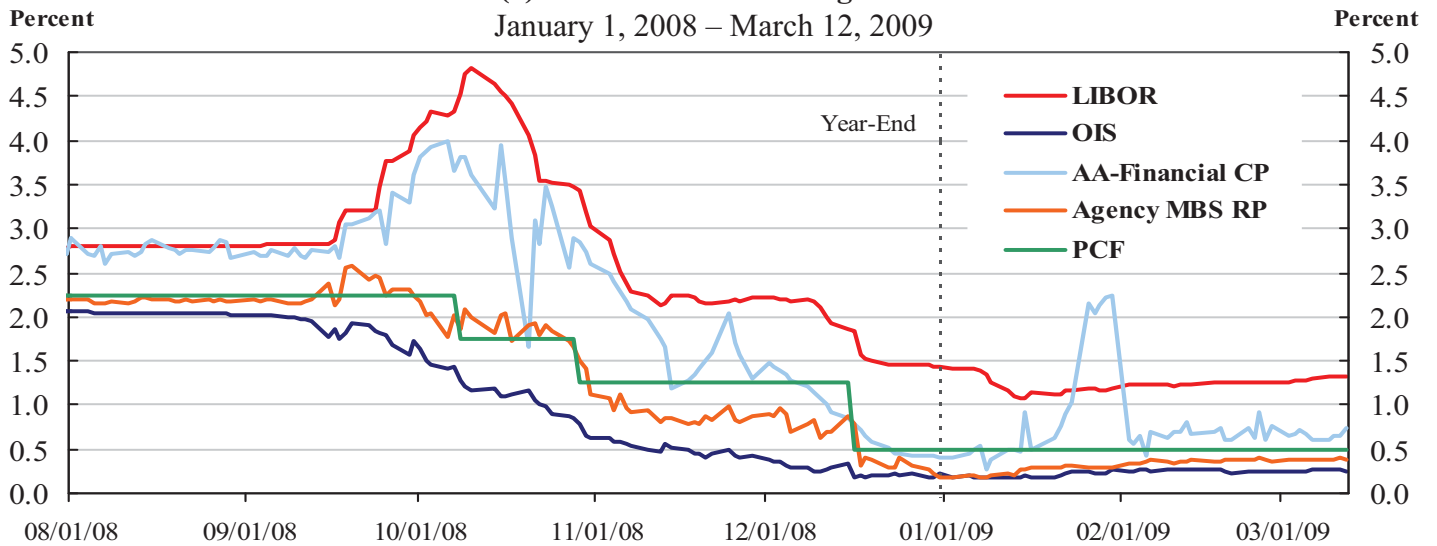
January 1, 2008 - March 12, 2009



Source: Federal Reserve Bank of New York

(3) Three-Month Funding Rates

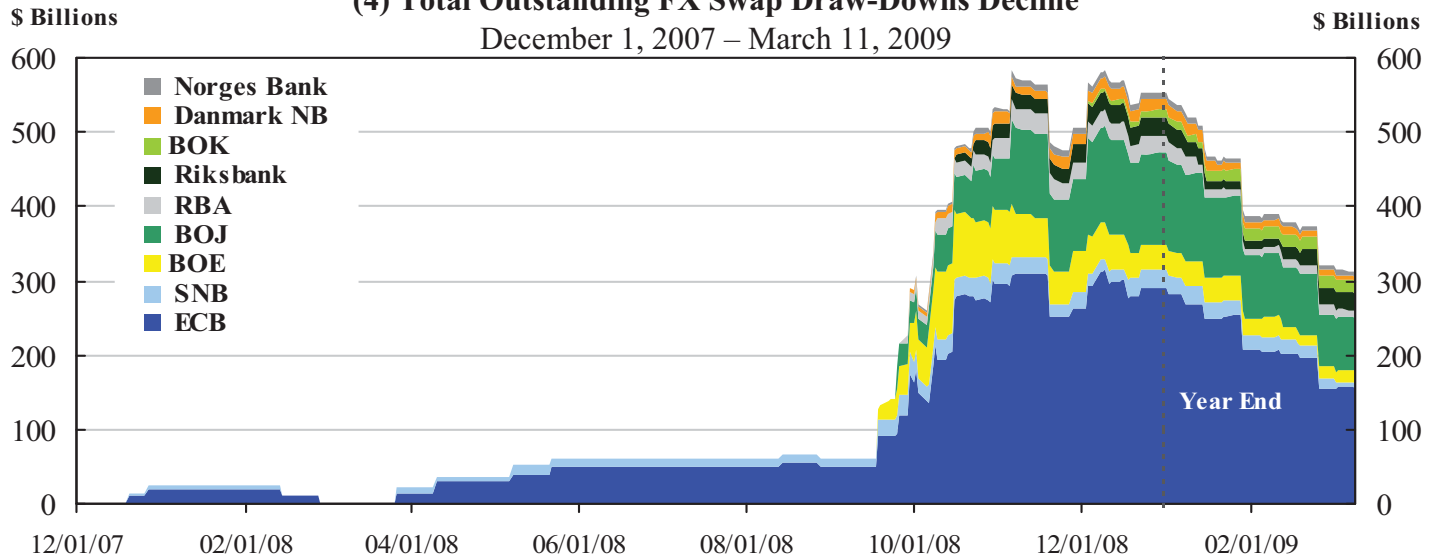
January 1, 2008 - March 12, 2009



Source: Bloomberg

**(4) Total Outstanding FX Swap Draw-Downs Decline**

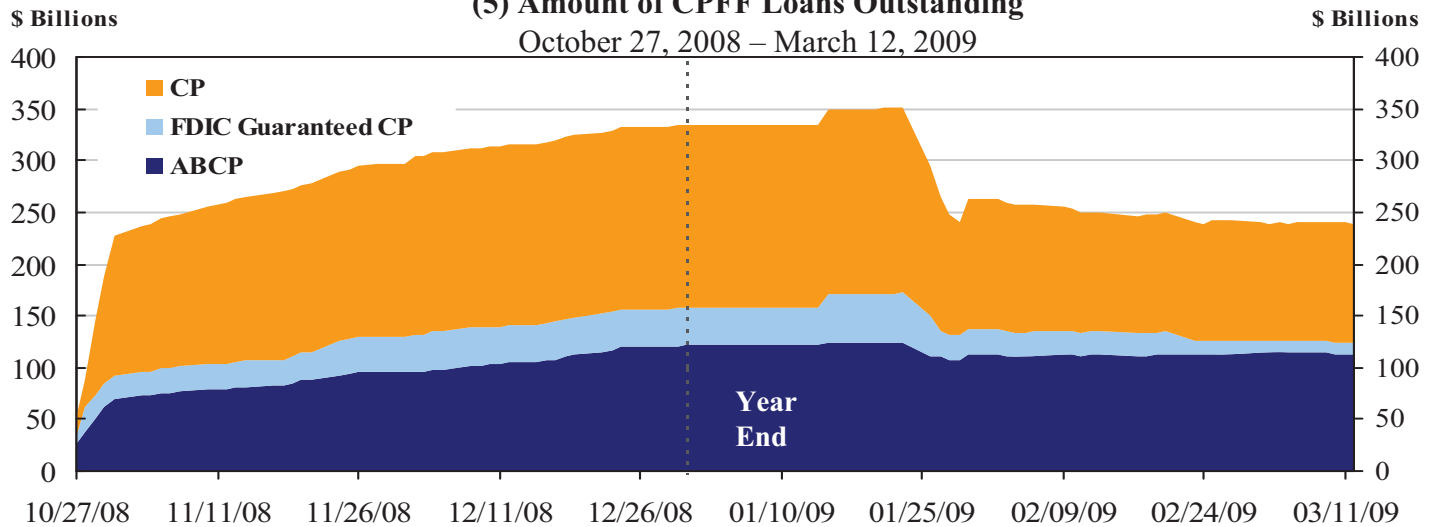
December 1, 2007 – March 11, 2009



Source: Federal Reserve Bank of New York

**(5) Amount of CPFF Loans Outstanding**

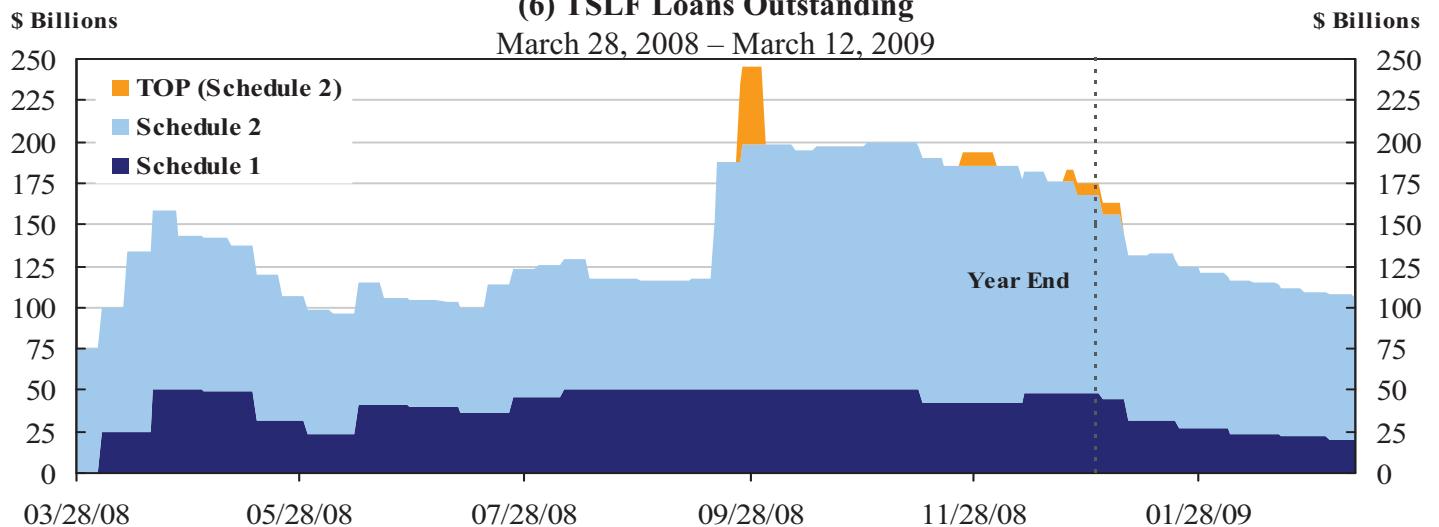
October 27, 2008 – March 12, 2009



Source: Federal Reserve Bank of New York

**(6) TSLF Loans Outstanding**

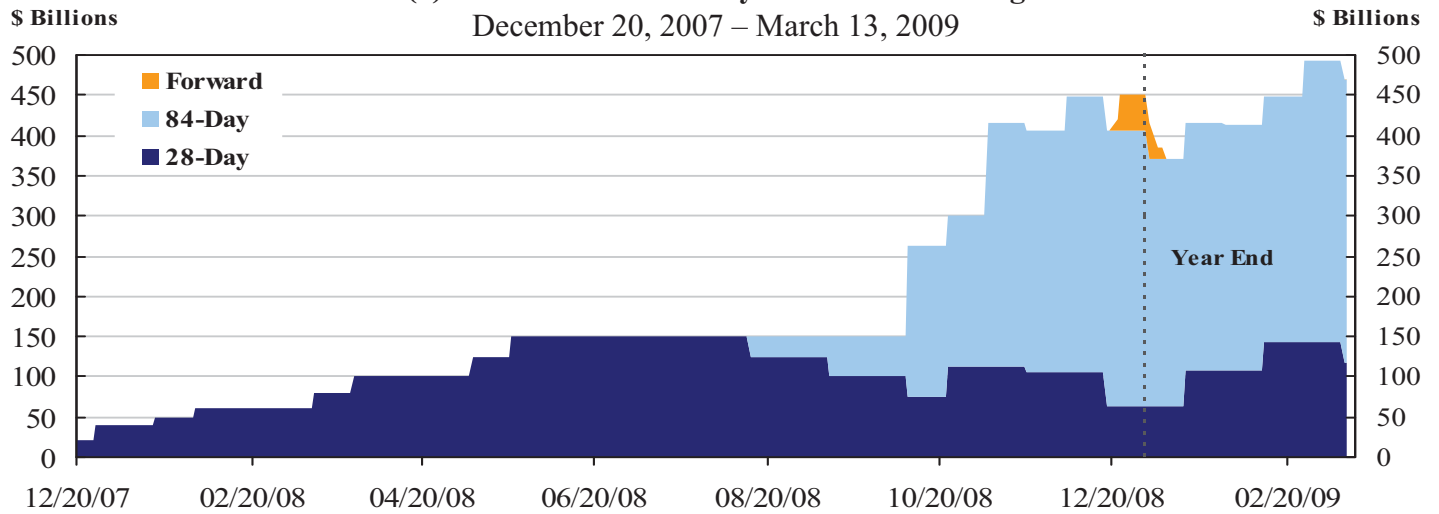
March 28, 2008 – March 12, 2009



Source: Federal Reserve Bank of New York

**(7) Term Auction Facility Loans Outstanding**

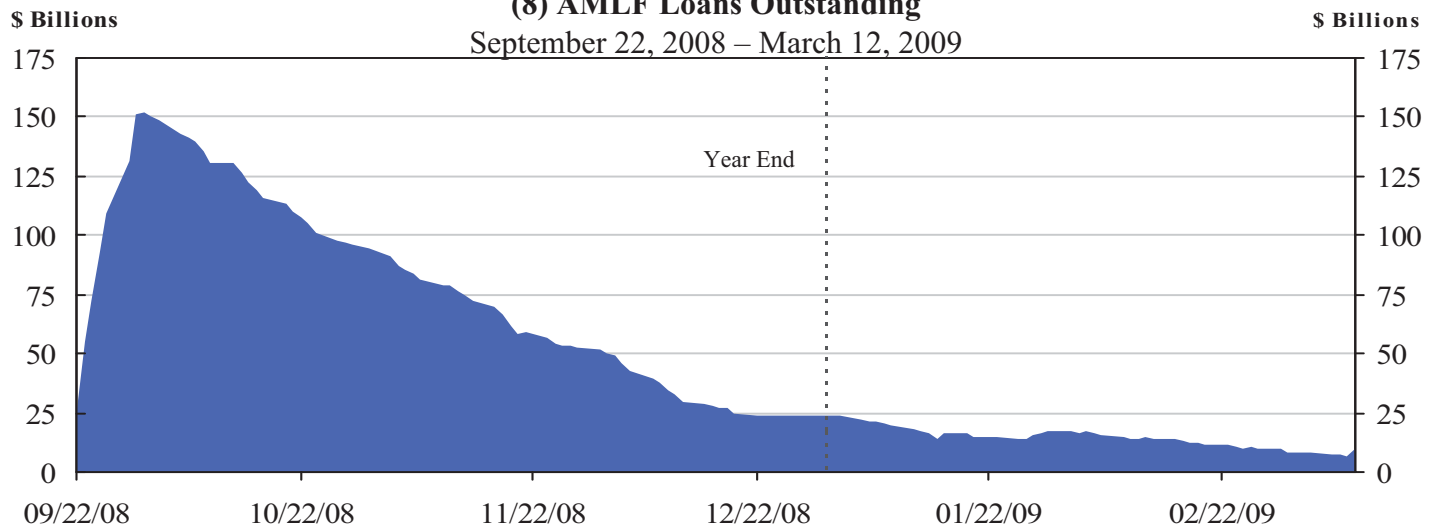
December 20, 2007 – March 13, 2009



Source: Federal Reserve Bank of New York

**(8) AMLF Loans Outstanding**

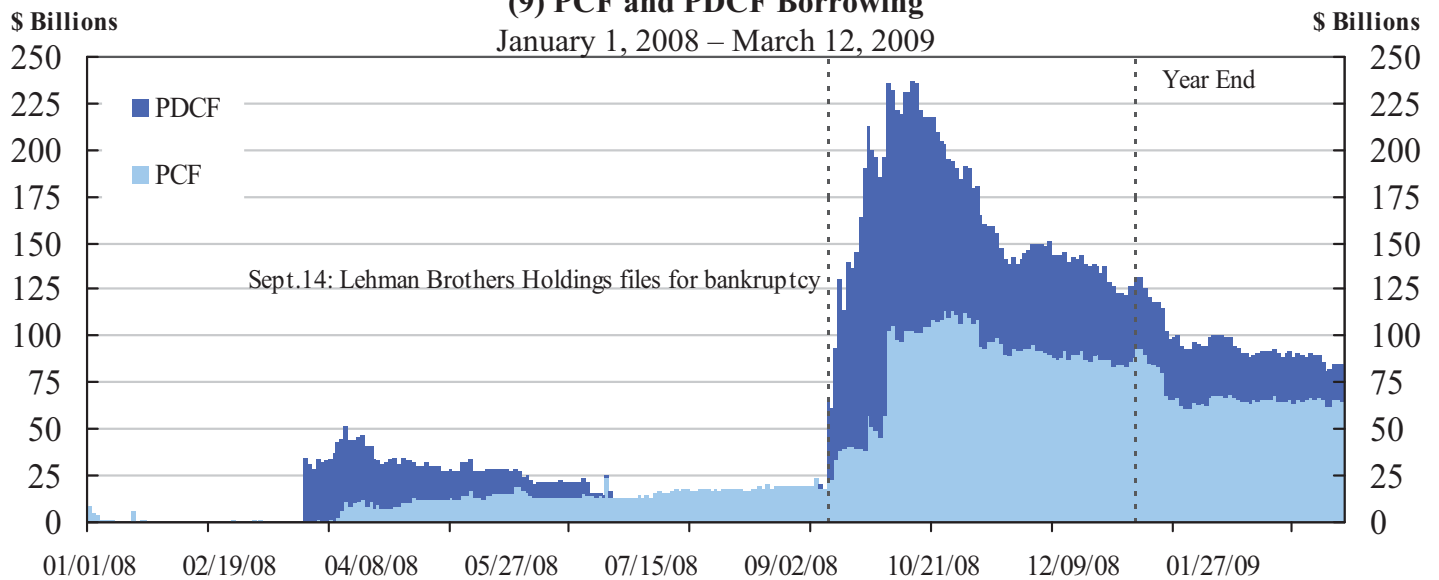
September 22, 2008 – March 12, 2009



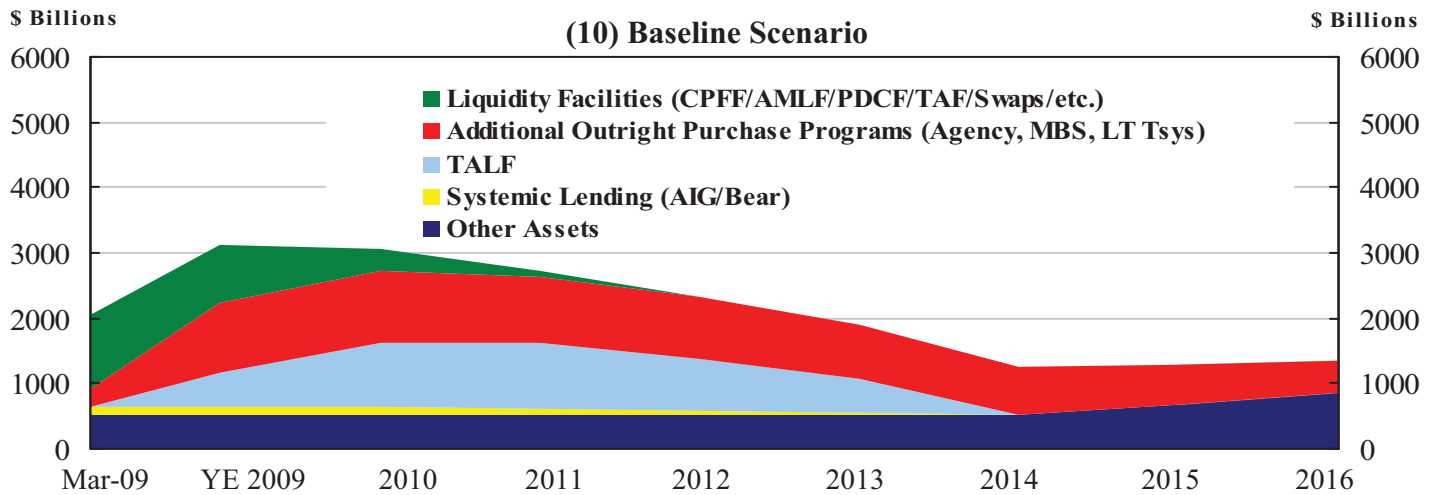
Source: Federal Reserve Bank of New York

**(9) PCF and PDCF Borrowing**

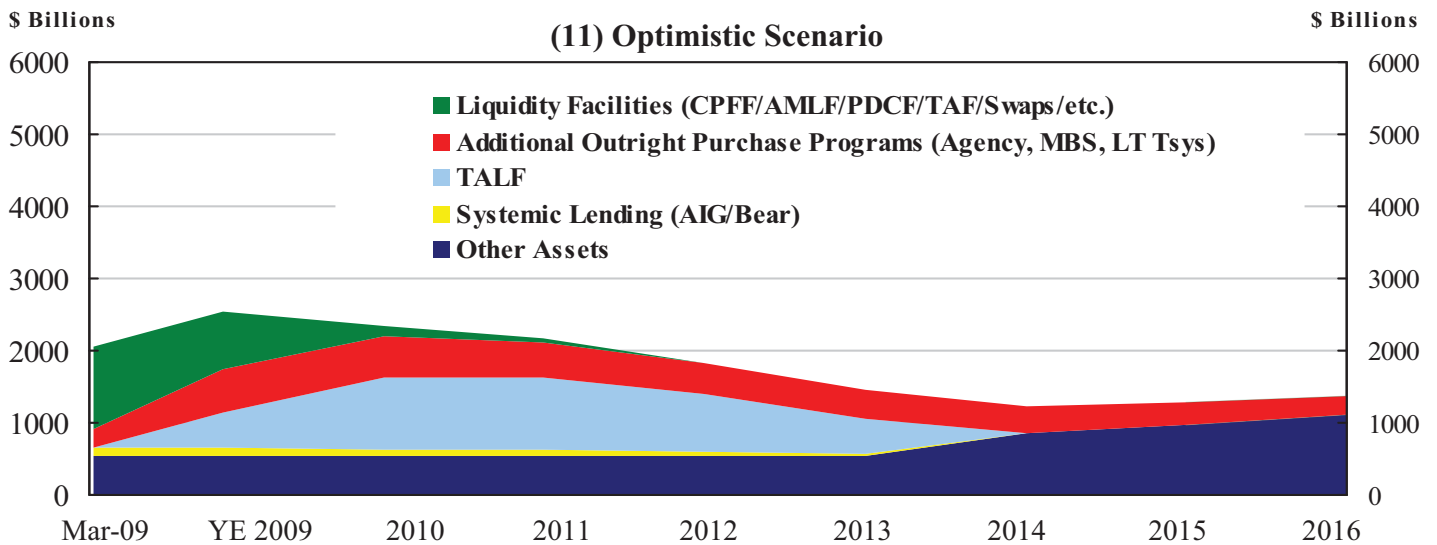
January 1, 2008 – March 12, 2009



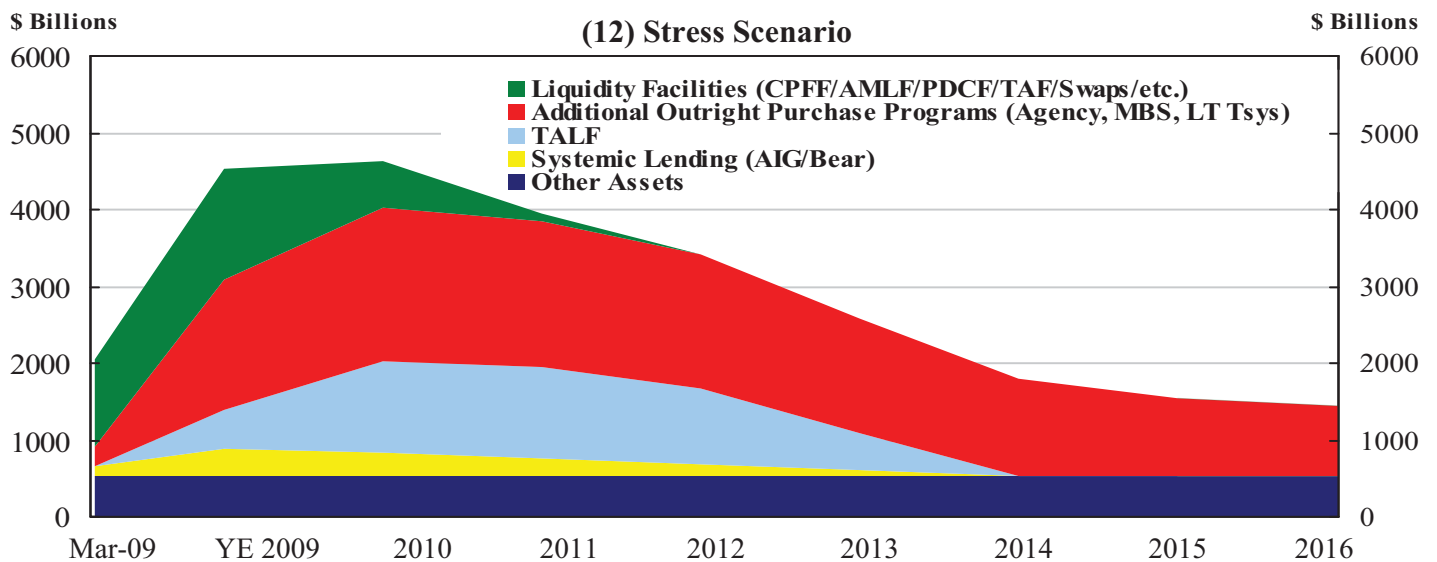
Source: Federal Reserve Bank of New York



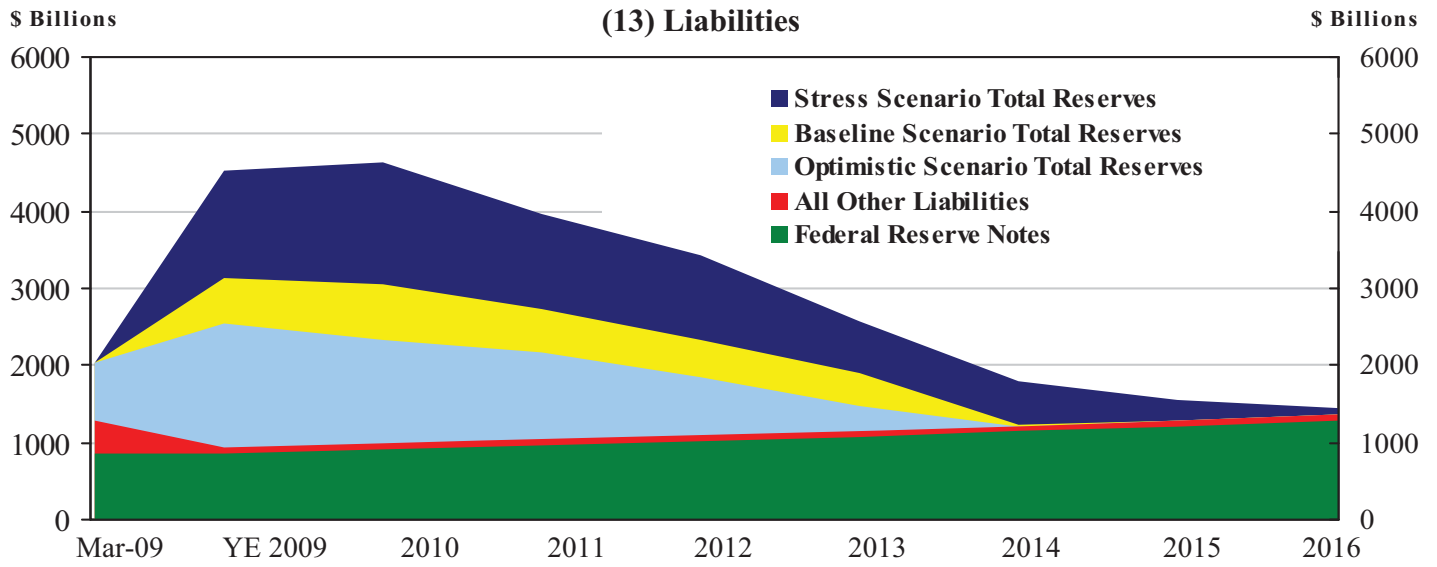
Source: Federal Reserve Bank of New York



Source: Federal Reserve Bank of New York



Source: Federal Reserve Bank of New York



Source: Federal Reserve Bank of New York

**Appendix 4: Materials used by Mr. Stockton**

**Recent Changes in Consumer Price Indexes**  
(Percent change)

Item	Weights <sup>1</sup>	12-month change <sup>2</sup>		3-month change		2008		2009	
		Feb. 2008	Feb. 2009	Nov. 2008	Feb. 2009	Nov.	Dec.	Jan.	Feb.
		Annual rate				Monthly rate			
<b>Total CPI</b>	<b>100.0</b>	<b>4.0</b>	<b>.2</b>	<b>-9.4</b>	<b>-5</b>	<b>-1.7</b>	<b>-8</b>	<b>3</b>	<b>.4</b>
Food	14.6	4.6	4.8	4.5	.0	.2	.0	.1	-.1
Meats, poultry, fish, and eggs	1.9	4.8	4.1	3.9	-1.5	-.5	-.2	-.1	-.1
Fruits and vegetables	1.2	1.3	2.4	-10.1	-9.6	-.7	-1.6	-1.3	.4
Other	11.5	4.9	5.2	6.3	1.3	.4	.3	.2	-.2
Energy	7.6	18.9	-18.5	-67.0	-17.4	-16.9	-9.3	1.7	3.3
Motor Fuel	3.2	32.7	-35.4	-85.0	-28.4	-28.9	-18.8	5.3	7.6
Heating oil	.3	33.0	-21.4	-58.3	-41.5	-11.1	-8.4	-2.7	-1.8
Natural gas	1.2	3.5	-3.3	-50.3	-23.3	-5.2	-1.3	-3.6	-1.6
Electricity	3.0	3.4	9.2	5.2	5.7	.6	.7	.2	.5
<b>CPI excluding food and energy</b>	<b>77.7</b>	<b>2.3</b>	<b>1.8</b>	<b>.6</b>	<b>1.5</b>	<b>.1</b>	<b>.0</b>	<b>.2</b>	<b>.2</b>
Goods ex. food and energy	21.5	.0	.0	-2.2	1.2	-.1	-.2	.1	.4
Nondurables ex. food and energy	11.0	1.0	2.5	1.1	3.7	.2	-.1	.3	.7
Apparel	3.7	-1.0	.8	-3.5	3.9	.1	-.6	.3	1.3
Tobacco	.8	4.8	6.3	1.7	8.1	.0	.5	.8	.7
Other nondurables	6.5	1.8	3.0	3.9	3.1	.3	.2	.3	.3
Durables	10.5	-1.0	-2.6	-5.5	-1.3	-.5	-.4	-.1	.1
New vehicles	4.5	-.8	-1.5	-6.3	3.1	-.4	-.3	.3	.8
New cars		-.6	.0	-5.9	1.0	-.4	-.4	.2	.5
New trucks		-.7	-3.2	-7.6	4.8	-.6	-.5	.4	1.2
Used cars and trucks	1.6	2.0	-10.5	-16.0	-11.9	-1.4	-.7	-.8	-1.7
Computers	.2	-11.7	-12.8	-15.9	-5.7	-1.1	-.5	.0	-.9
Audio/Video Equipment	.6	-5.3	-7.3	-5.0	-10.4	-.4	-.4	-1.2	-1.2
Other Durables	3.6	-1.4	1.6	1.7	.3	-.1	-.2	-.1	.4
Services excluding energy	56.3	3.2	2.5	1.7	1.6	.1	.1	.2	.1
Rent of shelter	32.9	2.9	1.7	2.1	.6	.2	.1	.2	-.1
Owners' equivalent rent	24.4	2.6	2.1	2.3	1.8	.2	.1	.3	.1
Rent of primary residence	6.0	3.7	3.3	3.4	2.6	.3	.2	.3	.1
Lodging away from home	2.5	3.5	-5.7	-5.9	-13.2	-.8	-.6	-1.1	-1.8
Services ex. energy and shelter	23.4	3.5	3.7	1.5	2.7	.1	.2	.2	.3
Medical services	4.8	5.0	3.1	2.5	3.8	.2	.2	.5	.3
Tuition and other school fees	2.9	5.5	5.4	5.0	5.1	.4	.5	.3	.5
Air fares	.7	7.6	-3.5	-30.6	-21.3	-3.5	-1.2	-2.1	-2.6
Other services	15.0	2.5	3.9	2.5	3.2	.1	.2	.3	.4
Memo:									
Chained CPI	100.0	3.7	-.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
All items less food and energy	77.6	1.9	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Relative importance weights for December 2008, which are based on 2005-2006 expenditure weights.

For the chained CPI, the 2005-2006 expenditure weights are shown.

2. Not seasonally adjusted.

Source: Bureau of Labor Statistics.

**Appendix 5: Materials used by Mr. Madigan**



**Class I FOMC – Restricted Controlled (FR)**

**Material for  
FOMC Briefing on Monetary Policy Alternatives**

Brian Madigan  
March 18, 2009

## January FOMC Statement

The Federal Open Market Committee decided today to keep its target range for the federal funds rate at 0 to ¼ percent. The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.

Information received since the Committee met in December suggests that the economy has weakened further. Industrial production, housing starts, and employment have continued to decline steeply, as consumers and businesses have cut back spending. Furthermore, global demand appears to be slowing significantly. Conditions in some financial markets have improved, in part reflecting government efforts to provide liquidity and strengthen financial institutions; nevertheless, credit conditions for households and firms remain extremely tight. The Committee anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant.

In light of the declines in the prices of energy and other commodities in recent months and the prospects for considerable economic slack, the Committee expects that inflation pressures will remain subdued in coming quarters. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.

The Federal Reserve will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. The focus of the Committee's policy is to support the functioning of financial markets and stimulate the economy through open market operations and other measures that are likely to keep the size of the Federal Reserve's balance sheet at a high level. The Federal Reserve continues to purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand the quantity of such purchases and the duration of the purchase program as conditions warrant. The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve will be implementing the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses.

The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and to assess whether expansions of or modifications to lending facilities would serve to further support credit markets and economic activity and help to preserve price stability.

## Alternative A

1. Information received since the Federal Open Market Committee met in January indicates that the economy is undergoing a severe contraction and that the outlook for the next several quarters has worsened. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. U.S. exports have slumped as a number of major trading partners have also fallen into recession. Although the near-term economic outlook is weak, the Committee anticipates that policy actions to stabilize financial markets and institutions, together with fiscal and monetary stimulus, will contribute to a gradual resumption of sustainable economic growth.
2. In light of increasing economic slack here and abroad, the Committee expects that inflation will remain subdued. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.
3. In these circumstances, the Federal Reserve will employ all available tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period. To provide greater support to mortgage lending and housing markets, the Committee decided today to increase the size of the Federal Reserve's balance sheet further by purchasing an additional \$500 billion of agency mortgage-backed securities, bringing its total purchases of these securities to \$1 trillion this year; at least half of this total will be acquired by June. **The Committee also decided to boost its purchases of agency debt securities; it now anticipates purchasing \$200 billion of such issues this year.** Moreover, to help **improve conditions** in private credit markets, the Committee decided to purchase **\$300** billion of longer-term Treasury securities **over the next six months.** The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments, **and it will be assessing whether a faster pace of asset purchases would be helpful in improving credit market conditions and supporting economic activity.**

## Alternative B

1. Information received since the Federal Open Market Committee met in January indicates that the economy is undergoing a severe contraction and that the outlook for the next several quarters has worsened. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. U.S. exports have slumped as a number of major trading partners have also fallen into recession. Although the near-term economic outlook is weak, the Committee anticipates that policy actions to stabilize financial markets and institutions, together with fiscal and monetary stimulus, will contribute to a gradual resumption of sustainable economic growth.
2. In light of increasing economic slack here and abroad, the Committee expects that inflation will remain subdued. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.
3. In these circumstances, the Federal Reserve will employ all available tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time. To provide greater support to mortgage lending and housing markets, the Committee decided today to increase the size of the Federal Reserve's balance sheet further by purchasing an additional **\$750** billion of agency mortgage-backed securities, bringing its total purchases of these securities to **\$1.25** trillion this year, **and to increase its purchases of agency debt this year by \$100 billion to a total of \$200 billion.** The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and to assess whether lending facilities should be expanded or modified to provide further support to credit markets and economic activity and to help preserve price stability.

## Alternative C

1. The Federal Open Market Committee decided today to keep its target range for the federal funds rate at 0 to ¼ percent. The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.
2. Information received since the Committee met in January indicates that the economy has slowed further. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. Furthermore, global demand appears to be slowing significantly. Conditions in some financial markets have improved, in part reflecting government efforts to provide liquidity and strengthen financial institutions. The Committee anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant.
3. In light of the declines in the prices of energy and other commodities that occurred last fall and the prospects for considerable economic slack, the Committee expects that inflation will remain subdued in coming quarters before returning to rates that best foster economic growth and price stability in the longer term.
4. The Federal Reserve will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. The Federal Reserve continues to purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand the quantity of such purchases and the duration of the purchase program as conditions warrant. The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and to assess whether lending facilities should be expanded or modified to provide further support to credit markets and economic activity and to help preserve price stability.

### Alternative A'

1. The Federal Open Market Committee decided today to increase the size of the Federal Reserve's balance sheet further by purchasing **\$300 billion** of longer-term Treasury securities **over the next six months** and by acquiring an additional **\$500 billion** of agency mortgage-backed securities (MBS) and **\$100 billion** of agency debt securities **this year**. These steps will bring the Committee's total purchases of agency MBS this year to \$1 trillion, at least half of which will be acquired by June, **and its total purchases of agency debt to \$200 billion**. The Committee anticipates that these actions will help **improve conditions** in private credit markets and will provide greater support to mortgage lending and housing markets. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.
2. This decision reflects information received since the Committee met in January that indicates that the economy is undergoing a severe contraction and that the outlook for the next several quarters has worsened. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. U.S. exports have slumped as a number of major trading partners have also fallen into recession. Although the near-term economic outlook is weak, the Committee anticipates that policy actions to stabilize financial markets and institutions, together with fiscal and monetary stimulus, will contribute to a gradual resumption of sustainable economic growth.
3. In light of increasing economic slack here and abroad, the Committee expects that inflation will remain subdued. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.
4. The Federal Reserve will continue to employ all available tools to promote economic recovery and to preserve price stability. The Committee will monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and, **and it will be assessing whether a faster pace of asset purchases would be helpful in improving credit market conditions and supporting economic activity**.

### Alternative B'

1. The Federal Open Market Committee decided today to increase the size of the Federal Reserve's balance sheet further by purchasing an additional \$750 billion of agency mortgage-backed securities and an additional \$100 billion of agency debt. These actions will bring the Committee's total purchases of these securities over the course of this year to \$1.25 trillion and \$200 billion, respectively. The Committee anticipates that this action will provide greater support to mortgage lending and housing markets. The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.
2. This decision reflects information received since the Committee met in January that indicates that the economy is undergoing a severe contraction and that the outlook for the next several quarters has worsened. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. U.S. exports have slumped as a number of major trading partners have also fallen into recession. Although the near-term economic outlook is weak, the Committee anticipates that policy actions to stabilize financial markets and institutions, together with fiscal and monetary stimulus, will contribute to a gradual resumption of sustainable economic growth.
3. In light of increasing economic slack here and abroad, the Committee expects that inflation will remain subdued. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.
4. The Federal Reserve will continue to employ all available tools to promote economic recovery and to preserve price stability. The Committee will monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and will assess whether lending facilities should be expanded or modified to provide further support to credit markets and economic activity and to help preserve price stability.

## Alternative C'

1. The Federal Open Market Committee today reaffirmed that the focus of its policy is to support the functioning of financial markets and to stimulate the economy through measures that are likely to keep the size of the Federal Reserve's balance sheet at a high level. The Federal Reserve continues to purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand the quantity of such purchases and the duration of the purchase program as conditions warrant. The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will maintain the target range for the federal funds rate at 0 to  $\frac{1}{4}$  percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.
2. Information received since the Committee met in January indicates that the economy has slowed further. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed investment. Furthermore, global demand appears to be slowing significantly. Conditions in some financial markets have improved, in part reflecting government efforts to provide liquidity and strengthen financial institutions. The Committee anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant.
3. In light of the declines in the prices of energy and other commodities that occurred last fall and the prospects for considerable economic slack, the Committee expects that inflation will remain subdued in coming quarters before returning to rates that best foster economic growth and price stability in the longer term.
4. The Federal Reserve will continue to employ all available tools to promote economic recovery and to preserve price stability. The Committee will monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and will assess whether lending facilities should be expanded or modified to provide further support to credit markets and economic activity and to help preserve price stability.



**Directive Wording – Alternative A/A'**

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to purchase GSE debt, agency-guaranteed MBS, **and longer-term Treasury securities** during the intermeeting period with the aim of providing support to ~~the mortgage and housing markets~~ **private credit markets and economic activity**. The timing and pace of these purchases should depend on conditions in the markets for such securities and on a broader assessment of **private credit market** conditions ~~in primary mortgage markets and the housing sector~~. The Desk is expected to purchase up to **\$200** billion in housing-related GSE debt by the end of ~~the second quarter~~ of this year. The Desk is expected to purchase at least \$500 billion in agency-guaranteed MBS by the end of the second quarter of this year and is expected to purchase up to \$1 trillion of these securities by the end of this year. The Committee also directs the Desk to purchase long-term Treasury securities during the intermeeting period. By the end of this year, the Desk is expected to purchase up to **\$300** billion of long-term Treasury securities, ~~with the aim of improving conditions in private credit markets~~. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

**Directive Wording – Alternative B/B'**

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to purchase GSE debt and agency-guaranteed MBS during the intermeeting period with the aim of providing support to the mortgage and housing markets. The timing and pace of these purchases should depend on conditions in the markets for such securities and on a broader assessment of conditions in primary mortgage markets and the housing sector. The Desk is expected to purchase up to **\$200** billion in housing-related GSE debt by the end of ~~the second quarter~~ of this year. The Desk is expected to purchase at least \$500 billion in agency-guaranteed MBS by the end of the second quarter of this year and is expected to purchase up to **\$1.25** trillion of these securities by the end of this year. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

**Directive Wording – Alternative C/C'**

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to purchase GSE debt and agency-guaranteed MBS during the intermeeting period with the aim of providing support to the mortgage and housing markets. The timing and pace of these purchases should depend on conditions in the markets for such securities and on a broader assessment of conditions in primary mortgage markets and the housing sector. By the end of the second quarter of this year, the Desk is expected to purchase up to \$100 billion in housing-related GSE debt and up to \$500 billion in agency-guaranteed MBS. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

**Appendix 6: Materials used by Messrs. Plosser and Bullard**

**Bullard/Plosser Statement****Alternative B''**

1. The Federal Open Market Committee decided today to continue to increase the Federal Reserve balance sheet through the purchase of agency MBS and Treasury securities. The Committee expects the growth rate of the MBS and Treasury components of the balance sheet combined to average about 10 percent per month. The Committee will carefully monitor macroeconomic and financial conditions and adjust this rate of expansion as warranted.
2. The Federal Reserve has launched the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses and anticipates that the range of eligible collateral for this facility is likely to be expanded to include other financial assets. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.
3. The decision reflects the Committee's view that the economy is undergoing a severe contraction. Although the near-term outlook is weak, the Committee anticipates that market forces and policy actions will contribute to a gradual resumption of sustainable economic growth.
4. In light of increasing economic slack here and abroad, the Committee expects that inflation will remain subdued. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.
5. The Federal Reserve will continue to employ all available tools to promote economic recovery and to preserve price stability. The Committee will monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and will assess whether lending facilities should be expanded or modified to provide further support to credit markets and economic activity and to help preserve price stability.