APPENDIX I: LETTER FROM CONGRESSIONAL OVERSIGHT PANEL CHAIR ELIZABETH WARREN TO TREASURY SECRETARY MR. TIMOTHY GEITHNER, DATED JANUARY 28, 2009

Congressional Oversight Panel
732 North Capitol Street, NW
Rooms C-320 and C-617
Mailstop: COP
Washington, DC 20401

January 28, 2009

Mr. Timothy F. Geithner
Secretary of the Treasury
U. S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

Congratulations on your successful confirmation as Treasury Secretary. I am writing as Chair of the Congressional Oversight Panel to affirm the Panel's commitment to working with you as we carry out the duties assigned to us by Congress in Section 125 of the Emergency Economic Stabilization Act of 2008, Public Law 110-343.

In your opening statement to the Senate Finance Committee during your confirmation hearing on January 21, 2009, you committed to ensuring that Troubled Asset Relief Program (TARP) funding be allocated "with tough conditions to protect the taxpayer and the necessary transparency to allow the American people to see how and where their money is being spent and the results those investments are delivering." The Panel was encouraged by this statement and by your emphasis on transparency and accountability in your answers to the written follow-up questions you received from the Finance Committee after the hearing. Many of your proposed changes to TARP reflect the concerns we have expressed in both of our oversight reports.

In our first oversight report, we sent your predecessor ten questions consisting of forty-six sub-questions, seeking more information on behalf of the American public on Treasury's strategy, the selection process for TARP recipients, the uses to which this funding is being put, Treasury's plan to help families through this crisis, and any metrics Treasury may have as evidence of TARP's effectiveness. Your predecessor replied, but twenty-six of those sub-questions had no response. Among the nineteen remaining sub-questions, some open questions remain as well.

Our second report addressed your predecessor's response to our original questions, and identified four key areas of critical concern for Treasury to implement TARP in accordance with the will of Congress. We focus particularly on: 1) more bank accountability for the use of funds, 2) increased transparency, 3) a plan for foreclosure mitigation, and 4) the articulation of a clear overall strategy.

While we understand that this is a time of transition for your department, economic events are unfolding rapidly. We ask that you address these key areas of concern by Wednesday,

February 18, 2009. We also urge you to keep the American public informed on the uses and effects of TARP money and the steps being taken to safeguard the taxpayers' investments in financial institutions.

We look forward to working with you to meet the challenges posed by this crisis. If I can be of any assistance, please do not hesitate to contact me or have a member of your staff contact the Panel's Executive Director, Naomi Baum, at [redacted] or [redacted].

Sincerely,

Elizabeth Warren
Chair
Congressional Oversight Panel

cc: Rep. Jeb Hensarling

Sen. John E. Sununu

Mr. Richard H. Neiman

Mr. Damon A. Silvers

APPENDIX II: LETTER FROM TREASURY SECRETARY MR. TIMOTHY GEITHNER TO CONGRESSIONAL OVERSIGHT PANEL CHAIR ELIZABETH WARREN, DATED FEBRUARY 23, 2009

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

February 23, 2009

Ms. Elizabeth Warren
Chair
Congressional Oversight Panel
732 North Capitol Street, NW
Rooms C-320 and C-617
Mailstop: COP
Washington, DC 20401

Dear Chair Warren:

Thank you for your letters dated January 28 and February 4, 2009. This letter serves as a response to both of these letters. As you know, this Administration shares many of the concerns raised in your letters and recent reports. I am committed to working closely with the oversight entities to ensure that the specific programs that we announced as part of our broader *Financial Stability Plan* (FSP) are in the best interest of taxpayers. In fact, we used many of the Panel's constructive suggestions in designing our new programs. In particular, as part of the FSP, we are instituting a new system of accountability and transparency through tough conditions applied to the federal funds being invested during this challenging time. In order to address the issues raised in your recent letters, this letter describes the overall FSP, including our new *Homeowner Affordability and Stability Plan*. Additionally, attached are the public statements we released on our programs (Joint Regulators' Statement on the *Financial Stability Plan* and *Homeowner Affordability and Stability Plan:* Fact Sheet).

<u>The Financial Stability Plan</u>

Regarding your question on the overall strategy, the FSP provides a broad framework for effectively addressing the major financial challenges facing our nation. As you know, this financial crisis has touched Americans in many ways. For ordinary families – even those with strong credit – it has become difficult to get student loans, car loans, and credit to finance every day needs. Frozen credit markets are largely to blame. For our financial institutions, uncertainty, troubled assets and capital constraints have combined to undermine confidence in the strength and stability of our financial sector. For homeowners, the housing crisis has reduced home values and made it difficult for many responsible borrowers to meet their mortgage payments and stay

in their homes. We believe that these problems cannot be addressed in a piecemeal fashion. Instead, we have introduced our FSP, a broad and comprehensive set of initiatives designed to help American families and businesses by restarting the critical flow of credit, stabilizing our financial institutions, and helping homeowners.

Each of these goals requires a multi-pronged approach. To restore lending and get credit flowing again, we are taking a comprehensive approach to both restart the frozen secondary lending markets and improve the balance sheets and capital positions of financial institutions in order to jumpstart their lending. Our efforts to restore confidence in the financial sector will include these steps and will go further to ensure that major financial institutions have adequate capital to meet potential challenges and to help them remove "legacy" assets from their balance sheets.

Over the past two weeks, we laid out details of the plan, including the following components: the *Homeowner Affordability and Stability Plan* (HASP) to stabilize the housing markets and help homeowners; our *Capital Assistance Program* (CAP) to ensure that major financial institutions have adequate capital to meet the challenges ahead and jumpstart lending activities; our *Consumer Business Lending Initiative* (CBLI) to unfreeze consumer and business lending by boosting the secondary lending markets, bringing down borrowing costs and getting credit flowing again; and a *Public-Private Investment Fund* (PPIF) to use private and government capital to purchase legacy assets for removal from bank balance sheets in order to help jumpstart the market for the private real-estate-related assets that are at the core of our financial crisis.

Capital Assistance Program

The CAP is designed to help ensure that our banking institutions have sufficient capital to withstand the challenges ahead. As an essential part of restoring confidence in U.S. banking institutions, this process will begin with the federal supervisory agencies undertaking a coordinated and consistent capital planning exercise with each of the major U.S. banking institutions. This process will include a forward-looking "stress test" to assess whether the institutions have the capital necessary to continue lending and to absorb potential losses that could result from a more severe decline in the economy than projected. Banks will be encouraged to access private markets to raise any additional capital needed, but will also have access to a "capital buffer" provided by Treasury to help absorb losses and serve as a bridge to receiving increased private capital.

Consumer & Business Lending Initiative

Addressing our credit crisis on all fronts means going beyond simply dealing with banks. Full restoration of credit flows to households and businesses will require restarting critical segments of our financial markets, particularly securitization markets. When those markets freeze up, the

impact on lending for consumers and businesses – small and large – can be devastating. Unable to sell loans into secondary markets, lenders freeze up, leading those seeking credit, like car loans, to face high interest rates. The Term Asset-Backed Securities Lending Facility (TALF) combines funding from the Emergency Economic Stabilization Act (EESA) and the Federal Reserve in order to promote lending by increasing investor demand for securitized loans. Through the CBLI, we will be dramatically increasing the size of the TALF from $200 billion to as much as $1 trillion and will also be expanding the eligible asset classes.

Public-Private Investment Fund

One aspect of a comprehensive approach is the need to provide greater means for financial institutions to cleanse their balance sheets of what are often referred to as "legacy" assets. Many proposals designed to achieve this outcome are complicated both by their sole reliance on public purchasing and the difficulties in pricing assets. Working together in partnership with the FDIC and the Federal Reserve, the Treasury Department will initiate a PPIF that takes a new approach.

- Public-Private Capital: This new program will be designed with a public-private financing component, which will involve putting public and private capital side-by-side and using public financing to leverage private capital on an initial scale of up to $500 billion, with the potential to expand up to $1 trillion.

- Private Sector Pricing of Assets: Because the new program is designed to bring private sector equity contributions to make large-scale asset purchases, it not only minimizes public capital and maximizes private capital, it allows private sector buyers to determine the price for currently troubled and previously illiquid assets.

Homeowner Affordability and Stability Plan

Your January 28 letter asked about a plan for foreclosure mitigation. As noted, a critical component of the overall FSP plan, the *Homeowner Affordability and Stability Plan,* addresses the current housing crisis. This plan offers assistance to many homeowners suffering at the present time and includes the following critical elements:

1. Refinancing for responsible homeowners suffering from falling home prices
2. A comprehensive $75 billion homeowner stability initiative
   - A loan modification plan to reach 3 to 4 million homeowners
     - Shared effort with lenders to reduce interest payments
     - Incentives to servicers and borrowers
   - Clear and consistent guidelines for loan modifications
   - Required participation by FSP participants

- Modifications of home mortgages during bankruptcy
- Strengthen *Hope for Homeowners* and other FHA loan programs
- Support local communities and help displaced renters

3. Supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac

Attached to this letter, we have provided a fact sheet that provides descriptions and explanations of the intended impact of the initiatives we have proposed. I want to emphasize that all recipients of capital investments under the new FSP initiatives will be required to commit to participate in mortgage foreclosure mitigation programs consistent with our new guidelines. Our new plan for foreclosure mitigation is vital to our efforts to repair our financial system, and we are extremely focused on the successful implementation of this plan to help millions of homeowners.

I also want to respond to your letter dated February 4, 2009 that requested information to evaluate the effectiveness of foreclosure mitigation efforts using an enclosed Mortgage Foreclosure Mitigation Survey. At this time, the Treasury Department does not track mortgage delinquencies, foreclosures and mortgage loss modifications that would allow us to respond to your request and therefore we cannot answer your questions. However, we have talked with the staffs of the government's bank regulatory agencies, and it is my understanding that these regulators are working to answer your questions. Going forward under the *Homeowner Affordability and Stability Plan*, we will maintain strong oversight requirements included in our homeownership plan and ensure robust data reporting from participating mortgage servicers. From this data, we will be able to answer your questions and evaluate the success of our mortgage modification and foreclosure mitigation programs. Full details of Treasury's oversight measures and reporting requirements will be available by March 4, 2009.

Bank Accountability for the Use of Funds

We share your concerns about bank accountability for the use of government funding. Public funds invested in private institutions should be directed only towards the public interest in strengthening our economy by stabilizing our financial system and not toward inappropriate private gain. We therefore have articulated a series of requirements for all institutions accepting funds under the FSP.

First, we will require financial institutions that receive funds under the FSP to demonstrate how the funds they receive will support lending. The core of the new monitoring requirement is to require recipients of exceptional assistance or capital buffer assistance to show how every dollar of capital they receive is enabling them to preserve or generate new lending compared to what would have been possible without government capital assistance. Each recipient must submit a plan for how it intends to use that capital to preserve and strengthen its lending capacity. This

report will be submitted during the application process, and the Treasury Department will make these reports public upon completion of the capital investment in the firm.

Second, we will limit common dividends, stock repurchases and acquisitions to provide additional assurance to taxpayers that all of the capital invested by the government will go to improving banks' capital bases and enabling lending during this economic downturn. All banks that receive new capital assistance will be subject to the following terms:

- *Restricted from paying quarterly common dividend payments in excess of $0.01 a share until the government investment is repaid:* Banks that receive exceptional assistance can only pay $0.01 a share quarterly. That presumption will be the same for firms that receive generally available capital. The Treasury Department and a bank's primary regulator may approve a higher dividend based on an assessment if doing so is consistent with reaching the bank's capital planning objectives.
- *Restricted from repurchasing shares:* All banks that receive capital assistance are restricted from repurchasing any privately-held shares until the government's investment is repaid, except with the approval of the Treasury Department and their primary regulator.
- *Restricted from pursuing acquisitions*: All banks that receive capital assistance are restricted from pursuing cash acquisitions of healthy firms until the government investment is repaid. Exceptions will be made for explicit supervisor-approved restructuring plans.

Third, firms will be required to comply with appropriate and enhanced executive compensation restrictions. As you know, Congress recently passed legislation and Treasury recently issued guidelines. We are studying this legislation in concert with our guidelines in order to design implementing regulations.

All of these requirements attempt to ensure that those institutions receiving public support are acting in the public interest.

Increased Transparency

The Treasury Department launched a monthly bank lending survey and snapshot that we are sending to the top 20 recipients of EESA investments. The Treasury Department published the first lending snapshot on February 17, 2009. These snapshots are designed to provide new, more frequent and more accessible information on banks' lending activities to help taxpayers easily assess the lending and other activities of banks receiving government investments.

To improve transparency associated with all aspects of the FSP, all information disclosed or reported to the Treasury Department by recipients of capital assistance will be posted on *FinancialStability.gov* because we believe taxpayers have the right to know whether these programs are succeeding in creating lending and preserving financial stability. The Treasury Department will post redacted investment contracts under the FSP on *FinancialStability.gov* within five to ten business days of their completion. Whenever the Treasury Department makes a capital investment under these new initiatives, it will make public the value of the investment, the quantity and strike price of warrants received, and the schedule of required payments to the government. The terms of pricing of these investments will be compared to terms and pricing of recent market transactions during the period the investment was made, if available, and those prevailing under more normal market conditions.

In addition, the reports describing the use of FSP funds will be published to provide the public with a way to track the effectiveness of the FSP. In monthly reports submitted to the Treasury Department, firms will need to detail their lending results broken out by category and showing change in the amount of loans they provided to businesses and consumers and assets purchased, accompanied by a description of the lending environment in the communities and markets they serve. This report will also include a comparison to estimates of what their lending would have been in the absence of government support. For public companies, similar reports will be filed with an 8-K simultaneous with the filing of their 10-Q or 10-K reports. Additionally, the Treasury Department will – in collaboration with banking agencies – publish and regularly update key metrics showing the impact of the FSP on credit markets. These reports will be put on the Treasury Department's *FinancialStability.gov* website, so that they can be subject to scrutiny by outside and independent experts.

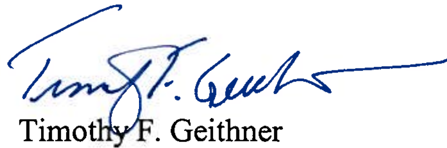
Finally, in the interest of full transparency, the Treasury Department has announced measures to ensure that lobbyists do not influence applications for, or disbursements of, FSP funds, and will certify that each investment decision is based only on investment criteria and the facts of the case.

Together, I believe this comprehensive set of measures will help restore confidence in the strength of U.S. financial institutions, boost lending to households and businesses, and lay the groundwork for restoring the critical flows of credit necessary to support the recovery of our economy.

As you can see from the plans that have been announced, we are deeply committed to ensuring that taxpayers' funds are used in their best interest and that the FSP upholds that standard in every regard.

Thank you again for your inquiries, and I look forward to a close and cooperative working relationship with the Panel.

Sincerely,



Timothy F. Geithner

Attachments:
Joint Regulators' Statement on the Financial Stability Plan, February 10, 2009
Homeowner Affordability and Stability Plan: Fact Sheet, February 19, 2009

cc: Rep. Jeb Hensarling
Sen. John E. Sununu
Mr. Richard H. Neiman
Mr. Damon A. Silvers
Mr. John M. Reich
Mr. John Dugan

JOINT STATEMENT

BY

SECRETARY OF THE TREASURY TIMOTHY F. GEITHNER, CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM BEN S. BERNANKE, CHAIRMAN OF THE FEDERAL DEPOSIT INSURANCE CORPORATION SHEILA BAIR, COMPTROLLER OF THE CURRENCY JOHN C. DUGAN, AND DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION JOHN M. REICH

Financial Stability Plan – February 10, 2009

Today, the Department of the Treasury, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision are announcing a comprehensive set of measures to restore confidence in the strength of U.S. financial institutions and restart the critical flow of credit to households and businesses. This program will help lay the groundwork for restoring the flows of credit necessary to support recovery.

The core program elements include:

- A new Capital Assistance Program to help ensure that our banking institutions have sufficient capital to withstand the challenges ahead, paired with a supervisory process to produce a more consistent and forward-looking assessment of the risks on banks' balance sheets and their potential capital needs.
- A new Public-Private Investment Fund on an initial scale of up to $500 billion, with the potential to expand up to $1 trillion, to catalyze the removal of legacy assets from the balance sheets of financial institutions. This fund will combine public and private capital with government financing to help free up capital to support new lending.
- A new Treasury and Federal Reserve initiative to dramatically expand – up to $1 trillion – the existing Term Asset-Backed Securities Lending Facility (TALF) in order to reduce credit spreads and restart the securitized credit markets that in recent years supported a substantial portion of lending to households, students, small businesses, and others.
- An extension of the FDIC's Temporary Liquidity Guarantee Program to October 31, 2009.

- A new framework of governance and oversight to help ensure that banks receiving funds are held responsible for appropriate use of those funds through stronger conditions on lending, dividends and executive compensation along with enhanced reporting to the public.

Alongside this program, the Administration will launch a comprehensive program to help address the housing crisis.

We will begin immediately a process of consultation designed to solicit further input from key public and private stakeholders. Details on all programs will be posted on ***FinancialStability.gov*** over the course of the next several weeks.

Congress has already allocated substantial resources and authority for this program through the Emergency Economic Stabilization Act (EESA). We will move ahead quickly and carefully to use the authorities provided. As we do so, we will continue to consult closely with Congress to ensure we have the resources to make this program work effectively over time. We anticipate adapting the program as we move forward.

New Financial Stability Trust

The program will consist of three elements: (1) a forward-looking assessment of the risks on bank balance sheets and their capital needs, (2) a capital program to help banks establish an additional buffer that strengthens both the amount and quality of the capital and (3) efforts to improve the disclosure of exposures on bank balance sheets. In conducting these exercises, supervisors recognize the need not to adopt an overly conservative posture or take steps that could inappropriately constrain lending.

Capital Assistance Program (CAP)

While the vast majority of U.S. banking institutions continue to exceed regulatory requirements for being well-capitalized, the highly uncertain economic environment has eroded confidence in the amount and quality of capital held by some banks.

As an essential part of restoring confidence in U.S. banking institutions, the supervisory agencies will undertake a coordinated and consistent capital planning exercise with each of the major U.S. banking institutions. As part of this process, supervisors will conduct a special forward-looking "stress" assessment of the losses that could occur across a range of economic scenarios, including conditions more severe than currently anticipated or than are typically used in the capital planning process.

This stress testing exercise will allow supervisors to determine whether an additional buffer, particularly one that strengthens the composition of capital, is needed for the bank to comfortably absorb losses and continue lending, even in a more adverse environment. Banks will be encouraged to access private markets to raise any additional capital needed to establish this buffer. However, in light of the current challenging market environment, the Treasury will make a new capital facility generally available to eligible banking institutions as a bridge to private capital until market conditions normalize.

This additional capital buffer is designed to help absorb larger than expected future losses and to support lending to creditworthy borrowers during an economic downturn.

Our expectation is that the capital provided under the CAP will be in the form of a preferred security that is convertible into common equity, with a dividend rate to be specified and a conversion price set at a modest discount from the prevailing level of the institution's stock price up to February 9th, 2009. This security would serve as a source of "contingent" common equity, convertible solely at the issuer's option for an extended period of time.

The instrument will be designed to give banks the incentive to replace USG-provided capital with private capital or to redeem the USG capital when conditions permit. In addition, with supervisory approval, banks will be allowed to apply to exchange the existing CPP preferred stock for the new CAP instrument.

By reassuring investors, creditors, and counterparties of financial institutions—as well as the institutions themselves—that there is a sufficient amount and quality of capital to withstand even a considerably weaker-than-expected economic environment, the CAP instrument should improve confidence and increase the willingness of financial institutions to lend.

Any capital investments made by Treasury under the CAP will be placed in a separate entity set up to manage the government's investments in US financial institutions.

Eligible U.S. banking institutions with assets in excess of $100 billion on a consolidated basis will be required to participate in the coordinated supervisory review process, and may access the CAP as a means to establish any necessary additional buffer. Eligible US banking institutions with consolidated assets below $100 billion may also obtain capital from the CAP. Eligibility will be consistent with the criteria and deliberative process established for identifying Qualifying Financial Institutions (QFIs) in the existing Capital Purchase Program (CPP).

The U.S. government has a range of other tools available for use in extraordinary circumstances to help mitigate the strains facing banks and restore confidence during this period of significant uncertainty. These tools include the provision of credit loss protection for specified asset pools held on the balance sheets of institutions as well as the guaranteeing of liabilities.

In pursuit of its commitment to restore and maintain the strength and stability of the U.S. financial system, the U.S. government remains committed to preventing the failure of any financial institution where that failure would pose a systemic risk to the economy.

Enhancing public disclosure

Increased transparency will facilitate more effective market discipline in financial markets. We will work with bank regulatory agencies and the Securities and Exchange Commission and accounting standard setters in their efforts to improve public disclosure by banks. This process will aim to increase the publicly available information about the range of exposures on bank balance sheets.

New Public-Private Investment Fund (PPIF)

As a complement to the CAP, the Treasury, working with the Federal Reserve, FDIC, and private investors, will create a new Public-Private Investment Fund to acquire real-estate related "legacy" assets. By selling to PPIF, financial institutions will be able to reduce balance sheet risk, support new lending and help improve overall market functioning. The PPIF facility will be sized up to $500 billion and we envision expanding the program to up to $1 trillion over time.

This PPIF will combine a mix of government and private capital with financing supported by the Federal Reserve and the FDIC. Designing this structure in an efficient manner will require a careful balance between the interests of taxpayers, investors, and the financial institutions, and we will continue to consult with market participants to design the best structure. The participation of private investors will help promote competitive prices that will sufficiently compensate and protect taxpayers, while providing additional risk capital to support the purchase program.

Temporary Financing and Direct Purchase Facilities

Full restoration of credit flows to households and businesses will require restarting critical segments of our financial markets, particularly securitization markets. The facilities described below are designed to improve the functioning of markets where dislocation is most acute and most detrimental to economic activity.

Expansion of the Term Asset-Backed Securities Lending Facility (TALF)

The Term Asset-Backed Securities Lending Facility (TALF) combines capital provided by the TARP with funding from the Federal Reserve in order to promote lending by increasing investor demand for securitized loans. The TALF will significantly expand the availability and reduce the cost of term financing for investors in asset-backed securities (ABS), which will stimulate demand for ABS and thereby allow originators of securitized loans to lower the cost and increase the availability of credit to consumers and businesses.

The Treasury and Federal Reserve have agreed to dramatically increase the size of the TALF from $200 billion to as much as $1 trillion and to expand the eligible asset classes from the current newly issued 'AAA' rated ABS collateralized by credit card, auto, student, and Small Business Administration loans to include newly issued 'AAA' commercial mortgage-backed securities (CMBS). In addition, the Treasury will continue to consult with the Federal Reserve regarding possible further expansion of the TALF program to include other asset classes, such as non-Agency residential mortgage-backed securities (RMBS) and assets collateralized by corporate debt.

This facility is designed in a way that gradually reduces its attractiveness and scale as the economy and financial conditions recover.

Ongoing mortgage-backed securities (MBS) and Agency Debt Purchases

The Federal Reserve will continue its current purchase program of Agency debt and mortgage-backed securities (MBS) on a total scale of at least $600 billion. The Federal Reserve and the Treasury stand

ready to expand their MBS purchase programs as conditions warrant. These purchase programs should help to stimulate economic activity by reducing mortgage rates, thereby improving housing affordability and the demand for houses, as well as reducing interest payments and freeing up funds for households that refinance.

Additional tools for the Federal Reserve

In order for the Federal Reserve to manage monetary policy over time in a way consistent with maximum sustainable employment and price stability, it must be able to manage its balance sheet, and in particular, to control the amount of reserves that the Fed provides to the banking system. The amount of reserves is the key determinant of the interest rate that the Federal Reserve uses to pursue its monetary policy objectives. Treasury and the Federal Reserve will seek legislation to give the Federal Reserve the additional tools to enable it to manage more effectively the level of reserves.

Extension of Temporary Liquidity Guarantee Program (TLGP)

The FDIC's Temporary Liquidity Guarantee Program has contributed importantly to the gradual easing of liquidity strains on our financial institutions. Though funding conditions have eased somewhat, this temporary program will be extended for an additional four months to provide liquidity to our banks as part of this overall strategy to move our economy forward.

With that in mind, for an additional premium, the FDIC will extend the TLGP program through October 2009.

Stronger Conditions on Lending, Executive Compensation, and Reporting

Going forward, the Financial Stability Plan will call for a new level of transparency, accountability and conditionality with tougher standards for firms receiving exceptional assistance. These stronger conditions were informed by recommendations made by formal oversight groups – the Congressional Oversight Panel, the Special Inspector General, and the Government Accountability Office -- as well as Congressional banking oversight leaders.

Use of government-provided capital and impact on lending

Recipients of capital provided under the CAP will be required to submit a plan for how they intend to use this capital to preserve and strengthen their lending capacity – specifically, they will commit to increase lending activities above levels relative to what would have been possible without government support. This plan will be submitted during the application process, and the Treasury Department will make these plans public upon distribution of the capital investment to the firm.

These firms must submit to Treasury monthly or quarterly reports on their lending by category. This report will also include a comparison to estimates of what their lending would have been in the absence of government support. For public companies, similar reports will be filed on an 8K simultaneous with the

filing of their 10Q and 10K reports. All these reports will be put on the Treasury website ***FinancialStability.gov***.

Taxpayers' Right to Know

Information disclosed or reported to Treasury by recipients pursuant to the conditions and requirements announced today will be posted on ***FinancialStability.gov***.

Committing recipients to mortgage foreclosure mitigation

All recipients of Capital Assistance Program (CAP) funds shall commit to participate in mortgage foreclosure mitigation programs consistent with guidelines we will release on industry standard best practices.

Restricting dividends, stock repurchases and acquisitions

Limiting dividends, stock repurchases and acquisitions provides assurance to taxpayers that all of the capital invested by the government under the CAP goes to improving banks' capital bases and promoting lending. Until an institution repays all funds provided to it under the CAP, it shall be:

- Restricted from paying quarterly common stock dividend payments in excess of $0.01 per share unless approved by Treasury and the primary regulator as consistent with the firm reaching its capital planning objectives.

- Restricted from repurchasing shares. Special approval for share repurchases may be granted by the Treasury Department and the banking institution's primary regulator.

- Restricted from pursuing acquisitions. Banking institutions that receive CAP funds are restricted from pursuing cash acquisitions of healthy firms until the government investment is repaid. Exceptions will be made for regulator-approved restructuring plans.

Limiting executive compensation

Firms receiving CAP funds will be required to comply with final version of the executive compensation restrictions announced February 4th.

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HOMEOWNER AFFORDABILITY AND STABILITY PLAN

Fact Sheet

The deep contraction in the economy and in the housing market has created devastating consequences for homeowners and communities throughout the country. Millions of responsible families who make their monthly payments and fulfill their obligations have seen their property values fall, and are now unable to refinance to lower mortgage rates. Meanwhile, millions of workers have lost their jobs or had their hours cut, and are now struggling to stay current on their mortgage payments. As a result, as many as 6 million families are expected to face foreclosure in the next several years, with millions more struggling to stay current on their payments.

The present crisis is real, but temporary. As home prices fall, demand for housing will increase, and conditions will ultimately find a new balance. Yet in the absence of decisive action, we risk an intensifying spiral in which lenders foreclose, pushing home prices still lower, reducing the value of household savings, and making it harder for all families to refinance. In some studies, foreclosure on a home has been found to reduce the prices of nearby homes by as much as 9 percent – creating the potential that even borrowers who make every payment suffer from an increase in foreclosures in their community.

The Obama Administration's Homeowner Affordability and Stability Plan ***will offer assistance to as many as 7 to 9 million homeowners*** making a good-faith effort to stay current on their mortgage payments, while attempting to prevent the destructive impact of foreclosures on families and communities. It will not provide money to speculators, and it will target support to the working homeowners who have made every possible effort to stay current on their mortgage payments. Just as the American Recovery and Reinvestment Act works to save or create several million new jobs and the Financial Stability Plan works to get credit flowing, the Homeowner

Affordability and Stability Plan will support a recovery in the housing market and ensure that these workers can continue paying off their mortgages.

By supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac, providing up to 4 to 5 million homeowners with new access to refinancing and enacting a comprehensive stability initiative to offer reduced monthly payments for up to 3 to 4 million at-risk homeowners, this plan – which draws off the best ideas developed within the Administration, as well as from Congressional housing leaders and Federal Deposit Insurance Corporation Chair Sheila Bair – brings together the government, lenders and borrowers to share responsibility towards ensuring working Americans can afford to stay in their homes.

Homeowner Affordability and Stability Plan

1. **Refinancing for Responsible Homeowners Suffering From Falling Home Prices**

2. **A Comprehensive $75 Billion Homeowner Stability Initiative**

- A Loan Modification Plan To Reach 3 to 4 Million Homeowners
    - Shared Effort with Lenders to Reduce Interest Payments
    - Incentives to Servicers and Borrowers
- Clear and Consistent Guidelines for Loan Modifications
- Required Participation By Financial Stability Plan Participants
- Modifications of Home Mortgages During Bankruptcy

1. Provide Access to Low-Cost Refinancing for Responsible Homeowners Suffering From Falling Home Prices:

- ***Provide the Opportunity for Up to 4 to 5 Million Responsible Homeowners Expected to Refinance:*** Mortgage rates are currently at historically low levels, providing homeowners with the opportunity to reduce their monthly payments by refinancing. But under current rules, most families who owe more than 80 percent of the value of their homes have a difficult time securing refinancing. (For example, if a borrower's home was worth $200,000, he or she would have limited refinancing options if he or she owed more than $160,000.) Yet millions of responsible homeowners who put money down and made their mortgage payments on time have – through no fault of their own – seen the value of their homes drop low enough to make them unable to access these lower rates. As a result, the Obama Administration

is announcing a new program that will provide the opportunity for 4 to 5 million responsible homeowners who took out conforming loans owned or guaranteed by Freddie Mac and Fannie Mae to refinance through the two institutions over time.

- ***Reducing Monthly Payments:*** For many families, a low-cost refinancing could reduce mortgage payments by thousands of dollars per year. For example, consider a family that took a 30-year fixed rate mortgage of $207,000 with an interest rate of 6.50% on a house worth $260,000 at the time. Today, that family has $200,000 remaining on their mortgage, but the value of that home has fallen 15 percent to $221,000 – making them ineligible for today's low interest rates that generally require the borrower to have 20 percent home equity. Under this refinancing plan, that family could refinance to a rate near 5.16% – reducing their annual payments by over $2,300.

2. **A $75 Billion Homeowner Stability Initiative to Prevent Foreclosures and Help Responsible Families Stay in Their Homes:** The Treasury Department, working with the GSEs, FHA, the FDIC and other federal agencies, will undertake a comprehensive multi-part strategy to prevent millions of foreclosures and help families stay in their homes. This strategy includes the following five features:

- ***A Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners***
- ***Clear and Consistent Guidelines for Loan Modifications***
- ***Requiring That Financial Stability Plan Recipients Use Guidance for Loan Modifications***
- ***Allowing Judicial Modifications of Home Mortgages During Bankruptcy When A Borrower Has No Other Options***
- ***Require Strong Oversight, Reporting and Quarterly Meetings with Treasury, the FDIC, the Federal Reserve and HUD to Monitor Performance***
- ***Strengthening FHA Programs and Providing Support for Local Communities***

A. *A Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners:* This initiative is intended to reach millions of responsible homeowners who are

struggling to afford their mortgage payments because of the current recession, yet cannot sell their homes because prices have fallen so significantly. In the current economy, in which 3.6 million jobs have been lost over the past 14 months, millions of hard-working families have seen their mortgage payments rise to 40 or even 50 percent of their monthly income – particularly if they received subprime and exotic loans with exploding terms and hidden fees. The Homeowner Stability Initiative operates through a shared partnership to temporarily help those who commit to make reasonable monthly mortgage payments to stay in their homes, providing families with security and neighborhoods with stability. This plan will also help to stabilize home prices for homeowners in neighborhoods hardest hit by foreclosures. Based on estimates concerning the relationship between foreclosures and home prices, with the average house in the U.S. valued around $200,000, **the average homeowner could see his or her home value stabilized against declines in price by as much as $6,000** relative to what it would otherwise be absent the Homeowner Stability Initiative.

Who the Program Reaches:

- ***Focusing on Homeowners At Risk:*** Anyone with high combined mortgage debt compared to income or who is "underwater" (with a combined mortgage balance higher than the current market value of his house) may be eligible for a loan modification. This initiative will also include borrowers who show other indications of being at risk of default. Eligibility for the program will sunset at the end of three years.

- ***Reaching Homeowners Who Have Not Missed Payments:*** Delinquency will not be a requirement for eligibility. Rather, because loan modifications are more likely to succeed if they are made before a borrower misses a payment, the plan will include households at risk of imminent default despite being current on their mortgage payments.

- ***Common Sense Restrictions:*** Only owner-occupied homes qualify; no home mortgages larger than the Freddie/Fannie conforming limits will be eligible. *This initiative will go solely to supporting responsible homeowners willing to make payments to stay in their home – it will not aid speculators or house flippers.*

- ***Special Provisions for Families with High Total Debt Levels:*** Borrowers with high total debt qualify, but only if they agree to enter HUD-certified consumer debt counseling. Specifically, homeowners with total "back end" debt (which includes not only housing debt, but other debt including car loans and credit card debt) equal to

55% or more of their income will be required to agree to enter a counseling program as a condition for a modification.

How the Program Works

- The Homeowner Stability Initiative has a simple goal: reduce the amount homeowners owe per month to sustainable levels. This program will bring together lenders, servicers, borrowers, and the government, so that **all stakeholders share in the cost** of ensuring that responsible homeowners can afford their monthly mortgage payments – helping to reach up to 3 to 4 million at-risk borrowers in all segments of the mortgage market, reducing foreclosures, and helping to avoid further downward pressures on overall home prices. The program has several key components:

    i. ***Shared Effort to Reduce Monthly Payments:*** Treasury will partner with financial institutions to reduce homeowners' monthly mortgage payments.

    - The lender will have to first reduce interest rates on mortgages to a specified affordability level (specifically, bring down rates so that the borrower's monthly mortgage payment is no greater than 38% of his or her income).

    - Next, the initiative will match further reductions in interest payments dollar-for-dollar with the lender, down to a 31% debt-to-income ratio for the borrower.

    - To ensure long-term affordability, lenders will keep the modified payments in place for five years. After that point, the interest rate can be gradually stepped-up to the conforming loan rate in place at the time of the modification. *Note: Lenders can also bring down monthly payments to these affordability targets through reducing the amount of mortgage principal. The initiative will provide a partial share of the costs of this principal reduction, up to the amount the lender would have received for an interest rate reduction.*

    ii. ***"Pay for Success" Incentives to Servicers:*** Servicers will receive an up-front fee of $1,000 for each eligible modification meeting guidelines established under this initiative. Servicers will also receive "pay for success" fees –

awarded monthly as long as the borrower stays current on the loan – of up to $1,000 each year for three years.

iii. ***Responsible Modification Incentives:*** Because loan modifications are more likely to succeed if they are made before a borrower misses a payment, the plan will include an incentive payment of $1,500 to mortgage holders and $500 for servicers for modifications made while a borrower at risk of imminent default is still current.

iv. ***Incentives to Help Borrowers Stay Current:*** To provide an extra incentive for borrowers to keep paying on time under the modified loan, the initiative will provide a monthly balance reduction payment that goes straight towards reducing the principal balance on the mortgage loan. As long as the borrower stays current on his or her payments, he or she can get up to $1,000 each year for five years.

v. ***Home Price Decline Reserve Payments:*** To encourage lenders to modify more mortgages and enable more families to keep their homes, the Administration -- together with the FDIC -- has developed an innovative partial guarantee initiative. The insurance fund – to be created by the Treasury Department at a size of up to $10 billion – will be designed to discourage lenders from opting to foreclose on mortgages that could be viable now out of fear that home prices will fall even further later on. This initiative provides lenders with the security to undertake more mortgage modifications by assuring that if home price declines are worse than expected, they have reserves to fall back on. Holders of mortgages modified under the program would be provided with an additional insurance payment on each modified loan, linked to declines in the home price index. These payments could be set aside as reserves, providing a partial guarantee in the event that home price declines – and therefore losses in cases of default – are higher than expected.

How It Will Be Effective

- ***Protecting Taxpayers:*** To protect taxpayers, the Homeowner Stability Initiative will focus on sound modifications. If the total expected cost of a modification for a lender taking into account the government payments is expected to be higher than the direct costs of putting the homeowner through foreclosure, that borrower will not be eligible. For those borrowers unable to maintain homeownership, even under the affordable terms offered, the plan will provide incentives to encourage families and lenders to avoid the costly foreclosure process and minimize the damage that

foreclosure imposes on lenders, borrowers and communities alike. Moreover, Treasury will not provide subsidies to reduce interest rates on modified loans to levels below 2%.

- ***Counseling and Outreach to Maximize Participation:*** Under the plan, the Department of Housing and Urban Development will also make available funding for non-profit counseling agencies to improve outreach and communications, especially to disadvantaged communities and those hardest-hit by foreclosures and vacancies.

- ***Creating Proper Oversight and Tracking Data to Ensure Program Success:*** Fannie Mae and Freddie Mac will be responsible – subject to Treasury's oversight and the Federal Housing Finance Agency's conservatorship – for monitoring compliance by servicers with the program. Every servicer participating in the program will be required to report standardized loan-level data on modifications, borrower and property characteristics, and outcomes. The data will be pooled so the government and private sector can measure success and make changes where needed. Treasury will meet quarterly with the FDIC, the Federal Reserve, the Department of Housing and Urban Development and the Federal Housing Finance Agency to ensure that the program is on track to meeting its goals.

- ***Limiting the Impact of Foreclosure When Modification Doesn't Work:*** Lenders will receive incentives to take alternatives to foreclosures, like short sales or taking of deeds in lieu of foreclosure. Treasury will also work with the GSEs to provide data on foreclosed properties to streamline the process of selling or redeveloping them, thereby ensuring that they do not remain vacant and unsold.

B. ***Clear and Consistent Guidelines for Loan Modifications:*** A lack of common standards has limited loan modifications, even when they are likely to both reduce the chance of foreclosure and raise the value of the securities owned by investors. Mortgage servicers – who should have an interest in instituting common-sense loan modifications – often refrain from doing so because they fear lawsuits. Clear and consistent guidelines for modifications are a key component of foreclosure prevention.

- ***Developing Clear and Consistent Guidelines for Loan Modifications:*** Working with the FDIC, other federal banking and credit union regulators, the FHA and the Federal Housing Finance Agency, the Administration is in process of developing guidelines for sustainable mortgage modifications for all federal agencies and the private sector – bringing order and consistency to foreclosure mitigation. The guidelines will include detailed protocols for loss mitigation as well for identifying borrowers at risk of default; the Administration expects to announce these guidelines by Wednesday, March 4th

- ***Applying Guidelines Across Government and the Private Sector:*** Treasury will develop uniform guidance for loan modifications across the mortgage industry by working closely with the FDIC and other bank agencies and building on the FDIC's pioneering role in developing a systematic loan modification process last year. The Guidelines – to be posted online – will be used for the Administration's new foreclosure prevention plan. Moreover, all financial institutions receiving Financial Stability Plan financial assistance going forward will be required to implement loan modification plans consistent with Treasury guidance. Fannie Mae and Freddie Mac will use these guidelines for loans that they own or guarantee, and the Administration will work with regulators and other federal and state agencies to implement these guidelines across the entire mortgage market. The agencies will seek to apply these guidelines when permissible and appropriate to all loans owned or guaranteed by the federal government, including those owned or guaranteed by Ginnie Mae, the Federal Housing Administration, Treasury, the Federal Reserve, the FDIC, Veterans' Affairs and the Department of Agriculture. In addition, these guidelines will apply to loans owned or serviced by insured financial institutions supervised by the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Reserve, the Federal Deposit Insurance Corporation and the National Credit Union Administration.

C. ***<u>Requiring All Financial Stability Plan Recipients to Use Guidance for Loan Modifications:</u>*** As announced last week, the Treasury Department will <u>require all Financial Stability Plan recipients going forward to participate in foreclosure mitigation plans</u> consistent with Treasury's loan modification guidelines.

D. ***<u>Allowing Judicial Modifications of Home Mortgages During Bankruptcy for Borrowers Who Have Run Out of Options:</u>*** The Obama administration will seek careful changes to personal bankruptcy provisions so that bankruptcy judges can modify mortgages written in the past few years when families run out of other options.

- ***How Judicial Modification Works:*** When an individual enters personal bankruptcy proceedings, his mortgage loans in excess of the current value of his property will now be treated as unsecured. This will allow a bankruptcy judge to <u>develop an affordable plan for the homeowner to continue making payments</u>. To receive judicial modifications in bankruptcy, homeowners must first ask their servicers/lenders for a modification and certify that they have complied with reasonable requests from the servicer to provide essential information. *This provision will apply only to existing mortgages under Fannie Mae and Freddie Mac conforming loan limits, so that millionaire homes don't clog the bankruptcy courts.*

- ***Bolster FHA and VA Authority to Protect Investors and Ensure Loan Modifications Occur:*** Legislation will provide the FHA and VA with the authority they need to provide partial claims in the event of bankruptcy or voluntary modification so that holders of loans guaranteed by the FHA and VA are not disadvantaged.

E. ***Strengthening FHA Programs and Providing Support for Local Communities***

- ***Ease Restrictions in Federal Housing Administration Programs, Including Hope for Homeowners:*** The Hope for Homeowners program offers one avenue for struggling borrowers to refinance their mortgages. In order to ensure that more homeowners participate, the FHA will reduce fees paid by borrowers, increase flexibility for lenders to modify troubled loans, permit borrowers with higher debt loads to qualify, and allow payments to servicers of the existing loans.

- ***Strengthening Communities Hardest Hit by the Financial and Housing Crises:*** As part of the recovery plan signed by the President, the Department of Housing and Urban Development will award $2 billion in competitive Neighborhood Stabilization Program grants for innovative programs that reduce foreclosure. Additionally, the recovery plan includes an additional $1.5 billion to provide renter assistance, reducing homelessness and avoiding entry into shelters

3. **Support Low Mortgage Rates By Strengthening Confidence in Fannie Mae and Freddie Mac:**

- ***Ensuring Strength and Security of the Mortgage Market:*** Today, using funds already authorized in 2008 by Congress for this purpose, the Treasury Department is increasing its funding commitment to Fannie Mae and Freddie Mac to ensure the strength and security of the mortgage market and to help maintain mortgage affordability.

    - ***Provide Forward-Looking Confidence:*** The increased funding will enable Fannie Mae and Freddie Mac to carry out ambitious efforts to ensure mortgage affordability for responsible homeowners, and provide forward-looking confidence in the mortgage market.

    - Treasury is increasing its Preferred Stock Purchase Agreements to $200 billion each from their original level of $100 billion each.

- ***Promoting Stability and Liquidity:*** In addition, the Treasury Department will continue to purchase Fannie Mae and Freddie Mac mortgage-backed securities to promote stability and liquidity in the marketplace.

- ***Increasing The Size of Mortgage Portfolios:*** To ensure that Fannie Mae and Freddie Mac can continue to provide assistance in addressing problems in the housing market, Treasury will also be increasing the size of the GSEs' retained mortgage portfolios allowed under the agreements – by $50 billion to $900 billion – along with corresponding increases in the allowable debt outstanding.

- ***Support State Housing Finance Agencies:*** The Administration will work with Fannie Mae and Freddie Mac to support state housing finance agencies in serving homebuyers.

- ***No EESA or Financial Stability Plan Money:*** The $200 billion in funding commitments are being made under the Housing and Economic Recovery Act and **do not use any money from the Financial Stability Plan or Emergency Economic Stabilization Act/TARP.**

APPENDIX III: LETTER FROM CONGRESSIONAL OVERSIGHT PANEL CHAIR ELIZABETH WARREN TO TREASURY SECRETARY MR. TIMOTHY GEITHNER, DATED MARCH 5, 2009

Congressional Oversight Panel

732 North Capitol Street, NW
Rooms C-320 and C-617
Mailstop: COP
Washington, DC 20401

March 5, 2009

Hon. Mr. Timothy F. Geithner
Secretary of the Treasury
U. S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

Thank you for your February 23, 2009 letter. During your brief tenure, Treasury has taken important steps towards improving accountability and increasing transparency in its financial stabilization programs, and starting to implement a plan of relief for struggling home owners.

Your letter and, more important, your actions as Secretary of the Treasury, have addressed many of the Congressional Oversight Panel's concerns. I am writing, however, as part of our ongoing oversight obligations under the Emergency Economic Stabilization Act of 2008 because of the Panel's concern that many of the questions we raised remain unanswered. The Panel cannot fulfill its obligations to the Congress unless it can obtain complete and candid answers to its questions in a timely fashion. We understand that you and your staff face many immediate challenges, and we are willing to work with you to set a reasonable timetable for a response to the Panel's open questions. But meaningful answers are essential.

There are many questions that we believe must be addressed in coming weeks, but we ask you to focus your attention on one immediate issue. Treasury has not explained how its financial stabilization programs fit together to address the problems that caused this crisis. This failure to connect specific programs to a clear strategy aimed at the root causes of the crisis has produced uncertainty and drained your work of public support. Financial institutions, businesses, and consumers will not return to healthy investment in the economy if they fear that the federal government is careening from one crisis to another without an intelligible road map.

For these reasons, we ask that you provide answers to the following questions about Treasury's current views and the approach outlined in the Administration's recently-issued

Financial Stability Plan. Please answer each question in detail and please indicate the economic or other evidence on which your each answer rests:

1. What do you believe the primary causes of the financial crisis to have been? Are those causes continuing? How does your overall strategy for using Treasury authority and taxpayer funds address those causes?

2. What is the best way to recapitalize the banking system? How does your answer relate to your assessment of the causes of the financial crisis?

3. What is your view of the economic status of the American consumer and the amount that constitutes a healthy debt burden for the consumer? The Consumer and Business Lending Initiative and elements of the Homeowner Affordability and Stability Plan are designed to restart consumer purchases of homes and automobiles, but the success of these programs depends on the ability of consumers to absorb more debt. Has Treasury developed any data to determine whether consumers can shoulder the additional debt to power these initiatives?

In order to advance our understanding of Treasury's strategic plan, I request that, in addition to providing the Panel with written answers by March 20, you share the core of those answers in a Panel hearing on Financial Stability Program strategy on March 12 or March 19, 2009.

The Panel looks forward to working with you in its oversight capacity as you address the economic crisis. If we can be of any assistance, please do not hesitate to contact me or have a member of your staff contact the Panel's Executive Director, Naomi Baum, at [redacted] or [redacted].

Sincerely,

Elizabeth Warren
Chair
Congressional Oversight Panel

cc: Sen. John E. Sununu
cc: Rep. Jeb Hensarling
cc: Mr. Richard H. Neiman
cc: Mr. Damon A. Silvers

APPENDIX IV: MORTGAGE SURVEY LETTER FROM CONGRESSIONAL OVERSIGHT PANEL CHAIR ELIZABETH WARREN TO TREASURY SECRETARY MR. TIMOTHY GEITHNER, DATED FEBRUARY 4, 2009

Congressional Oversight Panel

732 North Capitol Street, NW
Rooms: C-320 and C-617
Mailstop: COP
Washington, DC 20401

February 4, 2009

Mr. Timothy Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Geithner:

I am writing to request that the U.S. Department of the Treasury (Treasury Department) assist the Congressional Oversight Panel (Panel) in its oversight over federal efforts at foreclosure mitigation.

The Panel was created pursuant to section 125 of the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343 (EESA). EESA vested the Panel with broad oversight authority and duties, including the requirement to make regular reports to Congress on the effectiveness of foreclosure-mitigation efforts. Congress also empowered the Panel to "secure directly from any department or agency of the United States information necessary to enable it to carry out" its oversight responsibilities.

As part of its effort to evaluate the effectiveness of foreclosure mitigation efforts, the Panel requests that the Treasury Department respond to the following survey about foreclosure-mitigation efforts.

The Panel recognizes that the Treasury Department may not possess data sufficient to answer all the questions in the survey. If the Treasury Department does possess such data, however, the Panel is requesting that the Treasury Department perform the data analysis necessary to answer the questions in the survey, even if the Treasury Department does not routinely perform such analysis of the data.

The Panel is concurrently sending the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC) the identical survey that is attached here. The Panel requests that the Treasury Department coordinate with OTS and OCC and only provide information based on mortgage data that is not kept by either OTS and OCC and thus will not be part of either of these agencies' survey responses.

The Panel requests that you provide this information as soon as possible, but in no case later than **5:00 p.m. on Wednesday, February 18, 2009.**

If you have any questions or would like additional information, please contact Charlie Honig at [redacted] or [redacted].

Thank you for your attention to this request.

Sincerely,

Elizabeth Warren
Chairperson
Congressional Oversight Panel

cc: Mr. John M. Reich

Ms. Julie L. Williams

Rep. Jeb Hensarling

Sen. John E. Sununu

Mr. Richard H. Neiman

Mr. Damon A. Silvers