



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

BEN S. BERNANKE  
CHAIRMAN

January 27, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to inform you that the Board recently adopted the enclosed policy to help avoid preventable foreclosures on residential properties. The goal of the policy is to avoid preventable foreclosures on residential mortgage assets that are held, owned or controlled by a Federal Reserve Bank and that are subject to the policy through sustainable loan modifications and other actions that are consistent with the Federal Reserve's obligation to maximize the net present value of the assets for the benefit of taxpayers.

The Federal Reserve will apply the policy in accordance with the requirements of section 110 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. § 5220). In addition, the Board has decided to apply this policy more widely. In particular, the Board has determined to apply the policy to the residential mortgage assets that serve as collateral for the discount window loans extended by the Federal Reserve to Maiden Lane, LLC, Maiden Lane II, LLC and Maiden Lane III, LLC while those discount window loans are performing. Information concerning the loans extended by the Federal Reserve to these special purpose vehicles is included in the reports previously filed with the Committee on December 29, 2008, November 17, 2008, and November 3, 2008.

I hope this information is helpful.

Sincerely,

A handwritten signature in black ink, appearing to be "B. Bernanke", written over a light blue horizontal line.

Enclosure