



Following are selected quotes from documents used by Commissioners in the hearing “Subprime Lending and Securitization and Government-Sponsored Enterprises” on April 8, 2010.

2007 Federal Reserve Bank of New York Minutes of Senior Supervisors Meeting

- Angelides quoted in Session 1 @ 00:24:33; Transcript page 21.
- Holtz-Eakin quotes in Session 1 @ 02:09:24; Transcript page 102.
 - "Poor communication across businesses: decentralized nature of the firm created silos."
 - "Senior Management, business line and risk management did not fully appreciate the market risk of the leverage loan pipeline or of the retained super-senior CDO positions."
 - "Corporate-wide stress testing and scenario analysis was insufficient, and not compensated for by other controls."
 - "The firm did not have an adequate, firm-wide consolidated understanding of its risk factor sensitivities."
 - "The nature, origin, and size of CDO exposure were surprising to many in senior management and the board."

2007 Internal Office of the Comptroller of the Currency Memo

- Angelides quoted in Session 2 @ 02:07:00; Transcript page 241-242.

"Relativity and the Boiling Frog Theory-- I explained I was concerned that management and committees such as CMAC which are too close to these types of products may become too conditioned and not perceive subtle changes over a long period of time, much like what happened to real estate in the 1980s. I explained that occasionally sending the most extreme deals to David Bushnell and Randy Farmer was a good practice and helped them occasionally dip their fingers in the pot to insure that the water was not getting too hot."