

EDOLPHUS TOWNS, NEW YORK,  
CHAIRMAN

PAUL E. KANJORSKI, PENNSYLVANIA  
CAROLYN B. MALONEY, NEW YORK  
ELIJAH E. CUMMINGS, MARYLAND  
DENNIS J. KUCINICH, OHIO  
JOHN F. TIERNEY, MASSACHUSETTS  
WM. LACY CLAY, MISSOURI  
DIANE E. WATSON, CALIFORNIA  
STEPHEN F. LYNCH, MASSACHUSETTS  
JIM COOPER, TENNESSEE  
GERALD E. CONNOLLY, VIRGINIA  
MIKE QUIGLEY, ILLINOIS  
MARCY KAPTUR, OHIO  
ELEANOR HOLMES NORTON,  
DISTRICT OF COLUMBIA  
PATRICK J. KENNEDY, RHODE ISLAND  
DANNY K. DAVIS, ILLINOIS  
CHRIS VAN HOLLEN, MARYLAND  
HENRY CUELLAR, TEXAS  
PAUL W. HODES, NEW HAMPSHIRE  
CHRISTOPHER S. MURPHY, CONNECTICUT  
PETER WELCH, VERMONT  
BILL FOSTER, ILLINOIS  
JACKIE SPEIER, CALIFORNIA  
STEVE DRIEHAUS, OHIO  
JUDY CHU, CALIFORNIA

ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5051  
FACSIMILE (202) 225-4784  
MINORITY (202) 225-5074

[www.oversight.house.gov](http://www.oversight.house.gov)

DARRELL E. ISSA, CALIFORNIA,  
RANKING MINORITY MEMBER

DAN BURTON, INDIANA  
JOHN L. MICA, FLORIDA  
MARK E. SOUDER, INDIANA  
JOHN J. DUNCAN, JR., TENNESSEE  
MICHAEL R. TURNER, OHIO  
LYNN A. WESTMORELAND, GEORGIA  
PATRICK T. McHENRY, NORTH CAROLINA  
BRIAN P. BILBRAY, CALIFORNIA  
JIM JORDAN, OHIO  
JEFF FLAKE, ARIZONA  
JEFF FORTENBERRY, NEBRASKA  
JASON CHAFFETZ, UTAH  
AARON SCHOCK, ILLINOIS  
BLAINE LUETKEMEYER, MISSOURI  
ANH "JOSEPH" CAO, LOUISIANA

March 3, 2010

Mr. William C. Dudley  
President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045

Dear Mr. Dudley:

I am concerned by reports of a significant decline in value in the assets held in Maiden Lane I and the potential for further taxpayer losses as a result of the Federal Reserve-orchestrated bailout of Bear Stearns.<sup>1</sup> Moreover, I am troubled by the Federal Reserve's refusal once again to disclose to the public information about assets purchased with taxpayer money. I am writing to request additional information about the assets contained in Maiden Lane I, including all documents related to the lack of public disclosure of information about these assets.

As you know, the assets in Maiden Lane I were originally valued at \$30 billion in June 2008.<sup>2</sup> By the end of 2009, the assets had declined in value to \$27.1 billion, a loss of almost 10 percent.<sup>3</sup> News reports indicate that these losses were concentrated in commercial real estate assets. According to one report,

About two-thirds of the Maiden Lane I portfolio involved mortgage debt backed by government-created entities, people familiar with the matter said. ... 'It was the scrapings off the slaughterhouse floor,' said one person. 'It started with the things that were not good enough to get securitized.'<sup>4</sup>

In addition, it appears that a significant conflict of interest existed due to JPMorgan Chase's role as an advisor to the Federal Reserve Bank of New York ("FRBNY"). According to news reports, JPMorgan Chase was advising the FRBNY on

<sup>1</sup> See e.g., "Fed carries losses from Bear portfolio." *Financial Times*, February 15, 2010. Available at <http://www.ft.com/cms/s/0/b3898a44-1a62-11df-a2e3-00144feab49a.html>.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

Mr. William C. Dudley

March 3, 2010

Page 2

the value of the assets it was subsequently selling to the American people.<sup>5</sup> This conflict of interest, combined with the significant decline in value of the assets in Maiden Lane I over the past 18 months, raises serious questions about whether the FRBNY negotiated the best possible deal for the American people.

Unfortunately, the American people do not know whether the assets they now own are “scrapings off the slaughterhouse floor,” nor can they reliably estimate any further losses they may suffer as a result of the Federal Reserve’s actions in the Bear Stearns bailout, since the Federal Reserve has apparently prevented these details from becoming public:

The Fed has disclosed little detail on these or other assets in the Maiden Lane I portfolio, fearing such revelations could hurt sales efforts ....<sup>6</sup>

This argument is remarkably similar to the Federal Reserve’s widely discredited argument for keeping secret information about the backdoor bailout of AIG’s credit default swap counterparties through Maiden Lane III.<sup>7</sup> The Federal Reserve’s strenuous efforts to permit the details of Maiden Lane III’s assets from being disclosed to the public had little to do with protecting taxpayers and everything to do with protecting the Federal Reserve from criticism. The American people have a right to know the full details about the assets purchased with their money, regardless of the embarrassment this information may bring to federal officials who made the bailout decisions.

In order to assist the Committee with its investigation of these issues, please provide the following information as soon as possible, but in no case later than 5:00 pm on Wednesday, March 17, 2010:

1. A detailed accounting of each asset contained in Maiden Lane I, including but not limited to the purchase price of each asset, the current market value of each asset, and the expected cash flow of each asset.
2. All records and communications referring or relating to third-party valuations of the assets contained in Maiden Lane I, including all valuations by JPMorgan Chase and BlackRock from January 2008 to the present.

---

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> For a detailed explanation of the Federal Reserve’s actions in the backdoor bailout of AIG’s counterparties, and subsequent cover-up of these actions, see “Public Disclosure as a Last Resort: How the Federal Reserve Fought to Cover Up the Details of the AIG Counterparties Bailout From the American People,” House Committee on Oversight and Government Reform, January 25, 2010. Available at <http://republicans.oversight.house.gov/images/stories/Reports/20100125aigstaffreportwithcover.pdf>.

Mr. William C. Dudley

March 3, 2010

Page 3


3. All records and communications referring or relating to public disclosure of information related to the assets in Maiden Lane I, including disclosure to the SEC.

Please deliver all of the requested documents to B-350A Rayburn House Office Building. To facilitate delivery and review, I prefer that the records be delivered in electronic format, if possible.

Please note that, for purposes of responding to this request, the terms "records," "communications," and "referring or relating" should be interpreted consistently with the attached Definitions of Terms.

Thank you for your cooperation in this matter. If you have any questions regarding this request, please contact Christopher Hixon or Brien Beattie with the Committee staff at (202) 225-5074.

Sincerely,



Darrell Issa  
Ranking Member

cc. The Honorable Edolphus Towns, Chairman

Attachment

## **Definition of Terms**

1. The term "record" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.
3. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.