

PROCESS FOR SELECTING ASSET MANAGERS PURSUANT TO THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008



The U.S. Department of the Treasury (Treasury) will use the following procedures to select asset managers for the portfolio of troubled assets, pursuant to the authorities given to the Treasury in the Emergency Economic Stabilization Act of 2008 (Act).

Securities vs. Whole Loans. The Treasury will select asset managers of securities separately from asset managers of mortgage whole loans, but in each case these procedures will apply. Securities asset managers will handle Prime, Alt-A, and Subprime residential mortgage backed securities (MBS), commercial MBS, and MBS collateralized debt obligations, and possibly other types of securities acquired to promote market stability. Whole loan asset managers may handle a range of products, including residential first mortgages, home equity loans, second liens, commercial mortgage loans, and possibly other types of mortgage loans acquired to promote market stability.

Financial Agents. Asset managers will be financial agents of the United States, and not contractors. The Act authorizes the Secretary of the Treasury (Secretary) to designate “financial institutions as financial agents of the Federal Government, and such institutions shall perform all such reasonable duties related to this Act as financial agents of the Federal Government as may be required.” As financial agents, asset managers will have a fiduciary agent-principal relationship with the Treasury with a responsibility for protecting the interests of the United States.

Organizational Eligibility. Financial Institutions are eligible to be designated as financial agents of the United States. The Act defines “Financial Institution” to mean “any institution, including, but not limited to, any bank, savings association, credit union, security broker or dealer, or insurance company, established and regulated under the laws of the United States or any State, territory, or possession of the United States, the District of Columbia, Commonwealth of Puerto Rico, Commonwealth of Northern Mariana Islands, Guam, American Samoa, or the United States Virgin Islands, and having significant operations in the United States, but excluding any central bank of, or institution owned by, a foreign government.”

Open Notice. Prospective financial agents will be solicited through the issuance of a public notice, posted on the Treasury website, requesting that interested and qualified Financial Institutions submit a response. The notice will describe the asset management services sought by the Treasury, set forth the rules for submitting a response, and list the factors that will be considered in selecting Financial Institutions. The notice will also include minimum

qualifications, such as years of experience and minimum assets under management, and eligibility requirements, such as a clean audit opinion. The Treasury will release one notice for securities asset managers, and a separate notice for whole loan asset managers.

Reviewing Responses and Second Phase. The Treasury will evaluate the initial responses from all interested and qualified Financial Institutions, and will invite certain candidates to continue to the second phase of the financial agent selection process. This second phase, and subsequent phases, may be conducted under confidentiality agreements to facilitate information exchange, but consistent with the public disclosure and transparency provisions of the Act. In the second phase, the prospective financial agents will provide additional information about their expertise, as well as asset management strategies, risk management, and performance measurement. This phase may include telephone conversations to allow questioning by and of the Treasury.

Final Phase and Selection. The Treasury will evaluate the responses from the second phase candidates, and will determine whether a candidate will continue to be considered. In this last stage, a Financial Institution may be required to conduct face-to-face discussions on portfolio scenarios, public policy goals, and statutory requirements, and to respond to interview questions to assess the capabilities of prospective individuals to be assigned to manage assets. Following any face-to-face meetings, the Treasury will make final selections of the Financial Institutions to be designated as asset managers.

Financial Agency Agreement. Financial Institutions selected to be asset managers must sign a Financial Agency Agreement with the Treasury, a copy of which will be provided for review during the second stage of the selection process. The Financial Institution's willingness to enter into the standard Financial Agency Agreement, with the established terms and conditions currently applied to financial agents of the United States, will be among the factors used in evaluating the Financial Institution.

Evaluations and Decisions. At each stage in the selection process, personnel from the Offices of the Fiscal Assistant Secretary and the Assistant Secretary for Financial Markets, and possibly additional personnel within the Offices of Domestic Finance and Economic Policy, will evaluate the candidate submissions and make recommendations to the head of the Office of Financial Stability, who will make the final decision.

Multiple Managers. The Treasury expects to designate multiple asset managers and sub-managers to obtain the proper expertise in different asset types and different segments of the mortgage credit market. However, the Treasury may not, in its discretion, select all asset managers at the same time, but rather in some sequence that matches the Treasury's asset acquisition schedule and project plan for the portfolio. For example, an asset manager for whole loans may not be selected at the same time as an asset manager for MBS, or a primary manager may be selected prior to a sub-manager. Furthermore, as business requirements evolve, the Treasury may issue additional notices in the future to select more asset managers, consistent with the process set forth in this document.

Small and Minority- And Women-Owned Businesses. The Treasury will issue separate notices, consistent with these procedures, specifically to identify smaller and minority- and

women-owned Financial Institutions that do not meet the minimum qualifications for current assets under management in the initial notices. Such Financial Institutions will be designated as sub-managers within the portfolio.

Urgency and Timeline. Given the urgent need to implement the Troubled Assets Relief Program quickly, the selection process for asset managers may involve extremely short deadlines for submitting information and for traveling to Washington, D.C. for meetings or interviews.

Costs of Applying. The Treasury will not reimburse or otherwise compensate a prospective asset manager for expenses or losses incurred in connection with the selection process.