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## FINANCIAL SERVICES REPUBLICAN MORNING CLIPS 5.04.2009

Washington Post: "Bernanke to Face Tension on the Hill ... The last time Ben S. Bernanke testified on Capitol Hill, it was immediately after the furor that erupted over bonuses paid to American International Group executives. When the Federal Reserve chairman goes before the Joint Economic Committee tomorrow, the atmosphere could be just as testy."

Washington Post: "Buffett Defends U.S. Decisions ... Billionaire investor Warren E. Buffett spent Saturday praising the decisions U.S. officials made to try to right the economy in the midst of a "financial hurricane" and defending the ones he made to help his company navigate the storm."

Washington Post: "How Madoff Became an Equal Opportunity Thief ... The infamous Bernard L. Madoff will no doubt be a boon to the book industry."

Washington Post: "In Credit Crisis, More Investors File Suit ... Stephanie Planchich tracks securities class-action suits for NERA, an international economics consulting firm."

Washington Post: "A Cash Lesson From the Meltdown ... Here is Part II of Lessons From the Meltdown. This week's teachable moment: Cash is never trash."

New York Times: "Tests of Banks May Bring Hope More Than Fear ... The Obama administration seems prepared to say that while a few of the biggest 19 banks may need more cash, the system is more solid than analysts fear."

New York Times: "Treasury Auctions Set for This Week ... The Treasury's schedule of financing this week includes the regular weekly auction of three- and six-month bills on Monday and an auction of four-week bills on Tuesday."

New York Times, Editorial: "As Foreclosures Surge ... The Obama administration sat by last week as 12 Senate Democrats joined 39 Senate Republicans to block a vote on an amendment that would have allowed bankruptcy judges to modify troubled mortgages."

New York Times, Op-Ed: "Inflation Nation ... IN the 1970s, with inflation rising, I often described the Federal Reserve as knowing only two speeds: too fast and too slow."

Wall Street Journal: "New York Fed Chairman's Ties to Goldman Raise Questions ... The Federal Reserve Bank of New York shaped Washington's response to the financial crisis late last year, which buoyed Goldman Sachs Group Inc. and other Wall Street firms. Goldman received speedy approval to become a bank holding company in September and a \$10 billion capital injection soon after."

Wall Street Journal: "Banks Get Tougher on Credit Line Provisions ... Banks are shortening the terms on lines of credit that have long been used by companies to avoid cash crunches -- a sign that while lending is reviving, businesses are facing new hurdles to obtaining credit."

Wall Street Journal: "Fed Keeps Its Helping Hand on Economy ... Recent data make clear the economy has pulled out of its steep dive and may even expand again soon. A key interest rate, the yield on the 10-year Treasury note, has climbed to 3.17%, the highest since November."

Wall Street Journal: "GM Shifts Negotiations Into High Gear ... General Motors Corp. is expected this week to accelerate talks with the United Auto Workers union and move toward closing about 2,600 dealerships."

Wall Street Journal: "Brighter Side Of 'Evil' Swaps ... these derivatives can be a force for good. Indeed, demand for credit-default swaps is among the factors spurring the revival in the market for corporate bonds. Large institutional investors, hedge funds in particular, are buying more investment-grade and high-yield corporate bonds of late and are pairing them with credit-default swaps to earn extra return, according to investment bankers."

Wall Street Journal, Brenner and Hume: "How Big Banks Want to Game the Mortgage Mess ... in the rush to do something, Congress is showing a regrettable willingness to adopt constitutionally suspect legislation that runs roughshod over the Fifth Amendment of the Constitution, which prohibits the taking of private property without just compensation."

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Wall Street Journal, Editorial: "The Next Housing Bust ... Everyone knows how loose mortgage underwriting led to the go-

go days of multitrillion-dollar subprime lending. What isn't well known is that a parallel subprime market has emerged over the past year -- all made possible by the Federal Housing Administration. This also won't end happily for taxpayers or the housing market."

Financial Times: "BofA and Citi in last push on stress tests ... Citigroup and Bank of America are working on plans to raise more than \$10bn each in fresh capital, even as they launch last-ditch attempts to convince the US government they do not need to bolster their balance sheets."

Financial Times, Thomas Hoenig: "Troubled banks must be allowed a way to fail ... I believe there is an alternative method for addressing this crisis that deals more effectively with the issues we currently face while also considering the long-run consequences of those actions: the implementation of a systematic plan to resolve large, problem financial institutions."

Los Angeles Times: "Don't be afraid of hybrid ARMs ... These types of adjustable-rate mortgages aren't nearly as risky as some other loans, and they can save you a substantial amount of money compared with conventional fixed-rate mortgages."

USA Today: "Big winner? UAW stake in Chrysler comes without authority ... The United Auto Workers union would appear to be the big winner in the Chrysler bankruptcy saga, having exercised its considerable political muscle to win a 55% stake in the country's third-largest automaker.

But when you consider the 55% is in a company that lost \$16.8 billion last year and has seen its sales drop by half, the victory seems less impressive. Especially since the union's stock must necessarily be converted at some point to cash to pay billions of dollars in retiree health care bills over the next 25 years."

Bloomberg: "Chrysler to Seek Court Approval to Sell Its Assets by May 22 ... Chrysler LLC, under orders by President Barack Obama to conduct a quick bankruptcy, asked for court approval to auction most of its assets in three weeks."

Bloomberg: "Citigroup Said to Weigh Capital Boost That Averts U.S. Control ... Citigroup Inc., girding for results of the Federal Reserve's bank stress test, may try to wring capital from private investors instead of U.S. bailout funds as a way of bolstering equity without ceding control to the government, people briefed on the matter said."

Investor's Business Daily, Editorial: "Congress (Rightly) Rejects Cramdowns ... A bill to let bankruptcy courts rewrite mortgages fails in the Senate. Government's forcing of banks to put people into unaffordable homes created the housing crisis. Forcing banks to keep them there won't solve it."

CongressDaily: "Banks Will Be On The Defensive Again This Week, As OMB Preps Budget Details ... Congress this week will continue its efforts to rein in the banking industry as Democrats push new consumer protections for credit cards and mortgage lending, putting the powerful lobby on the defensive amid public anger over the role it played in the recession. At the same time, the White House is expected to deliver its detailed budget to Congress. OMB ruled out sending the budget today or Tuesday, saying it was likely to be sent up later in the week."

Roll Call: "Bank Bills Test Industry Muscle ... Despite being blamed for the near collapse of the U.S. economy, banking interests remain a powerful force in shaping - and killing - legislation on Capitol Hill. But their muscle is being tested by a series of bills aimed at bringing the industry under Washington's regulatory thumb."