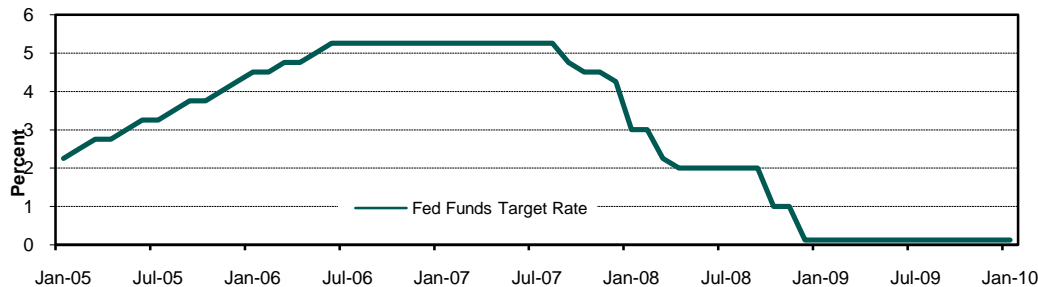


LIQUIDITY PROGRAMS TO EXPIRE THIS YEAR AS SCHEDULED

FOMC Policy Meeting – January 27, 2010



| Fed Funds Target | |
|------------------|-------------|
| Forecast: | 0% to 0.25% |
| Consensus: | 0% to 0.25% |
| Actual: | 0% to 0.25% |

As widely expected the FOMC voted to keep rates in an exceptionally low range of 0% to 0.25% in order to support ongoing recovery in the economy. The policy statement was released at the conclusion of their two-day meeting today. The Committee acknowledging continued improvement in the economy with very slow expansion. Because of continued economic weakness, inflation is not a major concern for the Fed at this time. Policymakers maintained their commitment to buying up to \$1.25 trillion of agency mortgage backed securities and up to \$175 billion of agency debt. In addition the Fed anticipates that most of their special liquidity programs will expire on February 1, 2010 but are prepared to modify these plans if necessary. The Fed and fiscal and market forces have generated the beginnings of an economic recovery and resolved much of the distress in financial markets. With their mission largely being accomplished, details of the exit strategy are emerging.

Federal Open Market Committee Policy Statement

(*Italics/highlight* indicate material changes in wording from last statement)

Release Date: **January 27, 2010**

For immediate release

Information received since the Federal Open Market Committee met in **December** suggests that economic activity has continued to **strengthen** and that the deterioration in the labor market is abating. Household spending **is** expanding at a moderate rate, **but** remains constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit. **Business spending on equipment and software appears to be picking up, but investment in structures is still contracting and employers** remain reluctant to add to payrolls. **Firms have brought** inventory stocks into better alignment with sales. **While bank lending continues to contract**, financial market conditions **remain** supportive of economic growth. Although **the pace of economic recovery** is likely to **be moderate** for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability.

With substantial resource slack likely to continue to restrain cost pressures and with longer-term inflation expectations stable inflation **is likely to be** subdued for some time.

The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve is in the process of purchasing \$1.25 trillion of agency mortgage-backed securities, and about \$175 billion of agency debt. In order to promote a smooth transition in markets, the Committee **is** gradually **slowing** the pace of these purchases and anticipates that these transactions will be executed by the end of the first quarter. The Committee will continue to evaluate its purchases of securities in light of the evolving economic outlook and conditions in financial markets.

In light of improved functioning of financial markets, the Federal Reserve **will be closing** the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Primary Dealer Credit Facility, and the Term Securities Lending Facility on February 1, **as previously announced**. **In addition, the temporary liquidity swap arrangements between the Federal Reserve and other central banks will expire on February 1**. The Federal Reserve **is in the process of winding down its** Term Auction Facility: **\$50 billion in 28-day credit will be offered on February 8 and \$25 billion in 28-day credit will be offered at the final auction on March 8**. The anticipated expiration dates for the Term Asset-Backed Securities Loan Facility remain set at June 30 for loans backed by new-issue commercial mortgage-backed securities and March 31 for loans backed by all other types of collateral. The Federal Reserve is prepared to modify these plans if necessary to support financial stability and economic growth.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; **James Bullard**; Elizabeth A. Duke; Donald L. Kohn; **Sandra Pianalto**; **Eric S Rosengren**; Daniel K. Tarullo; Kevin M. Warsh. **Voting against the policy action was Thomas M Hoenig, who believed that economic and financial conditions have changed sufficiently that the expectation of exceptionally low levels of the federal funds rate for an extended period was no longer warranted.**