



CONFIDENTIAL - NOT FOR PUBLIC DISTRIBUTION

**REVISED Agenda for Financial Crisis Inquiry Commission Retreat and Meetings
Wednesday, November 3, 2010 and Thursday, November 4, 2010;**

Wednesday, November 3, 2010,

FCIC RETREAT MEETING – DAY 1

Time: 5:30-8:30pm

**Location: Commissioners are welcome to join telephonically instead of in person:
Conference Dial-In Number: 866-692-3582
Participant Access Code: 3387529**

or

**FCIC Office, Large Conference Room
1717 Pennsylvania Avenue NW, Suite 800
Washington, D.C. 20006**

5:33pm

**xPhil Angelides
xBill Thomas
xBrooksley Born
xByron Georgiou
xBob Graham (joined at 5:37pm)
-Keith Hennessey (absent)
xDoug Holtz-Eakin
xHeather Murren
xJohn W. Thompson
xPeter Wallison (joined 5:35pm)**

Also present: Wendy, Gary, Gretchen, Scott, Courtney, Rob

5:30-5:45pm Overview of Meeting

PA: review the Chairman's and Vice Chairman's draft outline.

BT: Vice Chairman's mark is an attempt to reach agreement on what happened among the republican commissioners – no consensus – Peter not in concurrence. Their belief of what happened.

(recording starts at 5:39pm)

PA: his draft is not final.

BT: His mark – not final – done to meet the timeline to put something on the table.

HM: question before the participants on the phone. Looking at VC mark – Bill/DHE/Keith – if not on this page – is it irrelevant? BT: not necessarily – this is what can be supported by the facts we have on record. Thinks what this is – is sufficient. DHE: maybe no comprehensive. He wrote down what he thinks are key causal factors – sent to Keith – came back – “yeah, I could live with this”.

PA: good place to start is Chair's outline. Are there items on what we laid out that you can accept in whole, in part, what is objectionable?

BT: what I need to have is an understanding – call it finding and conclusions – is is supposed to be based on the research and hearing and info available to us – and how far do we go making conclusions (business practices) – has a problem with definition of “findings and conclusions”.

PA: hopes that the “what” happened (how the crisis) is played out is embodied in the report.

BT: he's done.

DHE: what are you asking?

PA: are their pieces you can accept/agree with?

DHE: obviously there are things that overlap. Difficult to understand what your document is trying to say. “What didn't cause the crisis?” Very frustrated to try to thrash through it.

PW: Disagree with the Chairman and VC mark. Fundamentally for the same reason – neither have a sensible or plausible description of why mortgage standards deteriorated. He believes it was government policy to cause the mortgage standards to deteriorate in order to increase home ownership. It produced 27 million subprime or AltA mortgages. Tremendous interest in both papers on the bubble – not relevant to him – doesn't think a deflation of the bubble would have caused a financial crisis. In VC – combination of “things” that led to substandard mortgages. Reason was simply that the government wanted them.

2/3 of all bad mortgages ended up on the balance sheets. Disagrees with both marks and sees no reason to participate further unless things changes. Does think all have to come to an agreement to get the report out – might not continue to attend the meetings – has work to do outside.

PA: perhaps we can solicit reaction to what Bill solicited and get something from that.

HM: they are similar to the comments she loaded in the Chairman's mark – skinny down list of the causes of the crisis – what is causative. Large heading and sub heading. Thornier – reads through housing bubble portion of VC – methodology of compensation was a driving factor of the growth. Why was this left out? DHE: not a crucial factor – didn't ask Keith – left it out consciously. HM: fair lending requirements important enough but compensation not? DHE: yes.

BB: some of this VC outline is a recitation of facts. One real concern – what is missing – like regulatory gaps.

JWT: free market guy but agrees with BB – regulation was important – lack of execution or gaps that existed were causal.

DHE: I think there are 2 different things – 1) were there supervisor failures and regulatory gaps – yes and yes. Were they causal to the crisis? No. the Regulatory regime could not have stopped that. This occurred around the world among different regulatory regimes – thus regulation not a factor.

Byron: what about what we heard from Greenspan and others? Inadequate capital not reflected here. Missing.

DHE: hesitant to speak for Keith. But they do note capital arbitrage and role of off balance sheet entities. Deciding what the right capital is after the fact is easy – can't know what the flood will be and where the firewall should be. Citi is the exception. Most financial institutions suffered a liquidity crisis, not a capital crisis.

PA: no question that liquidity was a factor.

Bob: idea of Greenspan talking that markets would be self regulating – moral hazard issue. Conscious policy and actions. They carried out a certain moral philosophy.

BB: can't look backward today and judge capital requirements and adequacy. That is what we are asked to do. We should look backward and say where problems were and what mistakes were made. Shouldn't fail to meet statutory obligation.

PA: (back to his outline) – credit rating agencies- essentially that their failure to

assess the securities they rated was seminal to the crisis. What judgment would you make to the extent they contributed to the problem? In a sense your accurately catalog what happened, but no judgment for relevance to the crisis.

PA: inclusion means contributory?

DHE/BT: wouldn't put something in if it was contributory or causal.

PA: for declining underwriting standards – you don't think there was an option to regulate that?

DHE: hard enough to get this agreed on. I think this is the hardest call – how to characterize the crisis. The Federal Reserve had the opportunity to question. For him, the big question was this an issued missed – no, it was raised. It wasn't a failure to execute job - they examined and chose not to modify. All matter of degree.

People speaking for themselves.

PA: you mention Bear and failure of Lehman.

BT: no recommendation – not sure about findings and conclusions –

PA: findings of the most significant causes of the crisis. BT: what are conclusions. Things listed are causes?

PA: yes – there are causes of the crisis. Difference between contributory and causal?

BT: when you say we – who agrees with you? are you telling me everyone on yours understands? Ours is condensed down to what we all agree.

PA: we are working cooperatively together. It may evolve some over the next few days.

PA: first time we've had cards on the table face up.

PA: is there movement in their document after today? Ability to add things?

BT: depends on what you want to add. DHE: go back and think about Heather and Brooksley's points – learn more and maybe document will move.

BT: not comfortable on causal and contributory. Shouldn't we start with fundamental core thing that are causal?

PA: sounds like the members need to digest a little. Seems to me it is time for a little internal consultation?

BT: we've outlined

Business meeting tomorrow and cancel rest of the time.

Adjourn at 6:24pm.

5:45-7:00pm

Session One: Discussion of Report

Background materials: See attached Outline distributed by Chairman Angelides and Draft Chapters Distributed by FCIC Staff under separate cover – additional background materials, including outline from Vice Chairman Thomas, may be forthcoming

7:00-7:15pm

Break

(Dinner and Beverages served in the conference room for those attending in person.)

7:15-8:30pm

Session Two: Discussion of Report

Background materials: See attached Outline distributed by Chairman Angelides and Draft Chapters Distributed by FCIC Staff under separate cover – additional background materials, including outline from Vice Chairman Thomas, may be forthcoming

Thursday, November 4, 2010,

FCIC RETREAT MEETING – DAY 2

Time: 10:00am-2:00pm

**Location: Commissioners are welcome to join telephonically instead of in person:
Conference Dial-In Number: 866-692-3582
Participant Access Code: 3387529
or
FCIC Office, Large Conference Room
1717 Pennsylvania Avenue NW, Suite 800
Washington, D.C. 20006**

RECORDER

10:00-10:30am Session One: Business Meeting

Agenda Item 1: Call to Order 10:05

Agenda Item 2: Roll Call

**xPhil Angelides
xBill Thomas
xBrooksley Born
xByron Georgiou
xBob Graham (joined at 10:20am)
--Keith Hennessey
xDoug Holtz-Eakin
xHeather Murren
--John W. Thompson
xPeter Wallison (10:07am)**

Agenda Item 3: Approval of Minutes of Telephonic Meeting of October 12, 2010 (attached)

Motion: Doug moved; second by Byron. Motion passes 7-0 (Bob absent)

Agenda Item 4: Amendment to Commission Rules re: Report Approval Procedures (attached)

Chairman Angelides introduced the rule. PW: what is the deadline for a separate statement. PA: hope to have something formal in terms of process within next few days from staff. Thinks it will work – if delivery date is

December 15, the final approval will be sometime between December 1-7th. We will get something out in writing with steps. Envisions that the additional views be concurrent with the draft of the report. Hope would be that a draft additional view would be submitted within a couple of days of the draft report going out. Additional view submitted right after the report is disseminated. BT: Thanksgiving is a target date. PA: assume November 24th. Byron: additional views circulated with time to review – majority have opportunity to respond to items submitted to modify the report to accommodate or comment on them. PA: yes. We will get out a time schedule. Deal with format issue in upcoming meeting – shortly.

BT: friendly amendment – where is says ansent another vote – only technical non-substantive – add “grammatical” – Byron moves with amendment and Peter seconds. Motion passes 7-0. (bob absent)

Agenda Item 5: Comments and Questions from Commissioners

Nothing

Agenda Item 6: Other Items of Business

PA – revised schedule and Little Brown unwilling to meet our revised schedule. Little Brown is no longer our publisher. Replaced by Public Affairs. We have royalties (same – 7.5%) in place but no advance. Two items – given the rapid time delivery – if we deliver our PDF on December 7th – they will guarantee a December 15th delivery date - also be doing a Kindle and enhanced e-version of the book – extra shipping charge – if by December 7th - \$29,000-\$40,000. Also, the agents – have on as consultants at \$8500/month. Expect to recoup those costs with royalties. Deliver the book on time. Bill – why the range. How much per a book. Gary: depends on how the orders break (3 to Spokane) Byron: on the royalties – how does that break out? PA: customary is 7.5% to us to the Treasury – agents get 15% of our royalties – but whatever paid to date is an advance. PW:GPO? PA: yes, GPO version of the book for official submission to President and Congress and available on website and for order. Gary: we have to pay for copies delivered to Congress. PW: ready the same day? Gary: yes. BT: strategy – if we’re going to deliver on time and ship it right, contemplate having books on book shelves when GPO copy is available – also online – if convenient and easy you will sell more books if available during the first week and out of those sales we’re assuming we can make enough for the postage cost and agents fees. (BOB GRAHAM joins) PA: 9/11 is not a good marker – sold more than a million copies – Iraq sold 200,000. We are whole on potential expenditures on postage and agent advance if we sell 50,000. Bob: members should look for book fairs and attend and sell books. PA: Staff working on a rollout. Hopes Commissioners should be available for the rollout- and where Commissioners know of avenues in community, take bull b y the horns.

Rought schedule – Thanksgiving for noticed report draft for adoption and date for additional views. Chapter 6 and 9 flowing to Commissioners shortly. Followed shortly by Section 1 – setting of the stage for the crisis laid out. Section 2 – housing crisis plus (era of 2000-2007) and thing occurring – such as capital flows and development of securities market.

Agenda Item 7: Adjournment

Motion: by Bob Graham. Second my Born. Motion passes 8-0.

10:30-12:00pm Session Two: Discussion of Report

Background materials: See attached Outline distributed by Chairman Angelides and Draft Chapters Distributed by FCIC Staff under separate cover – additional background materials, including outline from Vice Chairman Thomas, may be forthcoming

12:00-12:15pm Break

(Lunch and Beverages served in the conference room for those attending in person.)

12:15-1:45pm Session Three: Discussion of Report

Background materials: See attached Outline distributed by Chairman Angelides and Draft Chapters Distributed by FCIC Staff under separate cover – additional background materials, including outline from Vice Chairman Thomas, may be forthcoming

1:45-2:00pm Wrap Up and Next Steps