

Minutes of the Financial Stability Oversight Board Meeting February 25, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Monday, February 25, 2013, by teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Walter
Mr. DeMarco

STAFF PARTICIPATING:

Mr. Treacy, Executive Director
Mr. Gonzalez, General Counsel and
Secretary

AGENCY OFFICIALS PARTICIPATING:

Mr. Massad, Assistant Secretary for
Financial Stability, Department of
the Treasury

Mr. Pendo, Chief Investment Officer,
Office of Financial Stability,
Department of the Treasury

Mr. Kingsley, Chief, Homeownership
Preservation Office, Office of
Financial Stability, Department of
the Treasury

Ms. Uy, Deputy Chief Investment
Officer, Office of Financial
Stability, Department of the Treasury

Mr. Berman, Senior Advisor to the
Secretary, Department of Housing
and Urban Development

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Ms. Williams, Deputy Chief of Staff,
Securities and Exchange
Commission

Chairperson Bernanke called the meeting to order at approximately 2:05 p.m. (EST).

The Board then considered draft minutes for the meeting of the Board on January 24, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the Capital Purchase Program (“CPP”); Automotive Industry Financing Program (“AIFP”); the Legacy Securities Public-Private Investment Program (“PPIP”); and the Making Home Affordable (“MHA”) initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act (“105(a) report”), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with

respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then discussed with Members the latest cost estimates for TARP. Officials referred to Treasury's daily TARP update report as of February 1, 2013, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual investments as of January 31, 2012. Officials noted that the estimated lifetime cost of TARP had decreased to approximately \$55.5 billion as of January 31, 2013, and \$37.9 billion with the additional AIG shares Treasury received from the trust created by the Federal Reserve Bank of New York for the benefit of Treasury.

Treasury officials then provided Members with an update on the CPP. Officials discussed the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury had received thus far. Officials noted that, as of January 31, 2012, Treasury held CPP investments in 210 institutions totaling approximately \$6.67 billion. As part of this discussion, Treasury provided Members with an update on Treasury's progress in winding down the CPP. Consistent with its exit strategy, Treasury held auctions in January and early February for outstanding preferred stock and subordinated debt in sixteen CPP institutions that resulted in combined gross proceeds of approximately \$269 million.

Treasury officials then provided Members with an update on the Asset

Guarantee Program ("AGP"). Treasury, in conjunction with the Federal Deposit Insurance Corporation ("FDIC") and the Federal Reserve utilized the AGP in December 2008 to provide Citigroup with protection against the possibility of unusually large losses on a designated pool of approximately \$306 billion in assets. On December 28, 2012, Treasury received \$800 million in Citigroup trust preferred securities and accumulated dividends from the FDIC as part of the program. Officials noted that Treasury sold these securities on February 5, 2013, for proceeds totaling approximately \$895 million.

Treasury officials then provided Members with an update on the AIFP. Officials noted that Treasury was continuing to follow its pre-arranged written trading plan to sell its remaining shares of General Motors ("GM") common stock. As part of the AIFP discussion, officials provided an update on Ally Financial's ("Ally") sale of its international operations and discussed recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC. Officials noted that on February 1, 2013, Ally completed the sale of its Canadian auto finance operation, Ally Credit Canada Limited, and ResMor Trust to Royal Bank of Canada.

Officials then provided an update on the PPIP. Officials discussed the current aggregate status of all debt and equity repayments made by the Public-Private Investment Funds ("PPIFs") participating in the program, as well as the interest and proceeds in excess of original equity capital, including warrant proceeds, that Treasury had received. As of January 31, 2013, Treasury's

remaining investment under the PPIP totaled approximately \$2 billion.

Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”) and the Housing Finance Agency (“HFA”) Hardest-Hit Fund (“HHF”). As part of this discussion, Treasury officials noted the results of the Home Affordable Foreclosure Alternatives (“HAFA”) program, which provides transition alternatives to foreclosure in the form of a short sale or deed-in-lieu of foreclosure. Officials noted that Treasury had observed an increase in the number of HAFA transactions since the short sale and deed-in-lieu-of-foreclosure programs at Fannie Mae and Freddie Mac were streamlined (as directed by FHFA) together with Treasury’s version of HAFA in November 2012. As part of this discussion, officials noted Treasury’s continuing outreach and borrower assistance efforts under HAMP, including the assistance Treasury is seeking for outreach to potentially eligible borrowers through an agreement with NeighborWorks America. As part of this discussion, Mr. Donovan provided the Members with an update on the National Mortgage Settlement announced in 2012. Mr. Donovan provided an overview of the distributions made under the settlement, including the number of principal reduction and debt forgiveness actions.

Officials then discussed the release of Treasury’s Office of Financial Stability’s (“OFS”) Citizens’ Report for Fiscal Year 2012. The report presents the OFS audited financial statements, the

latest lifetime cost estimates, and an update on the TARP.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending December 31, 2012, which will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:50 p.m. (EST).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary