

Minutes of the Financial Stability Oversight Board Meeting March 26, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EDT) on Monday, March 26, at the offices of the Department of the Treasury (“Treasury”).

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. DeMarco

Chairperson Bernanke called the meeting to order at approximately 3:05 p.m. (EDT).

STAFF PARTICIPATING:

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

During the meeting, the Board considered draft minutes for the meeting of the Board on February 27, 2012, 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.

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

Mr. Grom, Acting Senior Advisor to the Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Ryan, Chief Risk Officer, Department of Housing and Urban Development

Treasury officials began the meeting with an update of the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the Capital Purchase Program (“CPP”); the American International Group, Inc. (“AIG”); the Automotive Industry Financing Program (“AIFP”); and the Making Home Affordable (“MHA”) program and related 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 discussed with Members Treasury's daily TARP update report as of March 1, 2012, 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 TARP investments.

Using prepared materials, Treasury officials then updated Members on CPP developments that occurred during the month of February. Officials reported that two institutions repurchased all or part of their outstanding CPP preferred shares from Treasury for total proceeds of approximately \$24 million. In addition, Treasury entered into an agreement with one CPP participant institution (Broadway Financial Corporation) to exchange Treasury's approximately \$15 million in preferred stock for common stock. The agreement is subject to fulfillment by the institution of certain conditions, including satisfactory completion of a capital plan. Officials also noted that one CPP participant institution failed in February (SCB Bank, Shelbyville, Indiana, the banking subsidiary of Blue River Bancshares, Inc.). In addition, Treasury exercised its right to elect members to the board of directors of one additional CPP institution (First Security Group of Chattanooga, Tennessee) bringing the total number of Treasury elected board of director members to thirteen at eight CPP institutions. As part of this discussion, Members and officials discussed Treasury's progress in and plans for disposing of its remaining CPP

investments. Officials noted that Treasury would soon commence secondary public offerings of the preferred stock it holds in six institutions. The offerings were expected to price through a modified Dutch auction registered under the Securities Act of 1933.

Treasury officials then provided an update on the AIFP, which included an update on Treasury's investment in General Motors, Inc. and Ally Financial. Officials reported that Treasury will continue to monitor the performance of these firms and evaluate options to exit fully from its AIFP investments.

Using prepared materials, Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Officials noted that AIG received approximately \$6 billion in net proceeds from the March 8th sale of ordinary shares of AIA Group Limited ("AIA") in Hong Kong. AIG used \$5.6 billion of these proceeds to reduce the outstanding balance on Treasury's preferred equity investment in the special purpose vehicle through which AIG holds the AIA ordinary shares. In addition, Treasury received proceeds of approximately \$6 billion from a registered public offering of AIG common stock that Treasury conducted on March 8th. Officials noted that this amount included purchases of shares by AIG as part of the public offering totaling approximately \$3 billion. With the effect of these transactions, Treasury's remaining interest in AIG included approximately 1.25 billion shares of AIG common stock and a preferred equity interest of approximately \$2.9 billion. Officials noted that the Federal Reserve Bank of New York also had a loan to

Maiden Lane III totaling \$9.3 billion, which is collateralized by assets with a current value well in excess of the outstanding loan balance.

Using prepared materials, Treasury officials provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”) and the Hardest-Hit Fund. Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program, and the Home Affordable Foreclosure Alternatives program. Members and officials also discussed the results of the quarterly servicer assessments Treasury published in conjunction with the January 2012 MHA Public Report. These assessments summarize performance for the 9 largest MHA participating servicers from reviews conducted during the fourth quarter of 2011. Treasury officials discussed the approach taken to identify servicers needing improvement; and to ensure that servicers address all instances of non-compliance identified by Treasury.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. Using prepared materials, officials from the Federal Housing Finance Agency (“FHFA”) briefed members on developments in the housing and housing finance markets. The data reviewed included data related to: mortgage rates

and delinquencies, mortgage originations, foreclosures, housing prices, and sales. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions and refinancing activity of Fannie Mae and Freddie Mac.

The meeting was adjourned at approximately 3:55 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary