

Minutes of the Financial Stability Oversight Board Meeting April 22, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 10:00 a.m. (EST) on Monday, April 22, 2013, via teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White
Mr. DeMarco

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

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

Ms. Carter, Senior Supervisory Financial
Analyst, Federal Reserve Board

Chairperson Bernanke called the meeting to order at approximately 10:00 a.m. (EDT).

STAFF PARTICIPATING:

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

The Board then considered draft minutes for the meeting of the Board on March 21, 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.

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

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 Term Asset-Backed Securities Loan Facility (“TALF”); 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 provided Members with an update on TARP programs. As of April 19, 2013, approximately \$33 billion of the \$411.7 billion non-housing-related TARP disbursements remained outstanding; however, Treasury's total recovery through repayments, dividends, interest, and other income (including the proceeds from sales of all Treasury AIG shares) was \$413.9 billion, exceeding the amount disbursed under the TARP investment programs. The estimated lifetime cost for TARP programs was revised downward by approximately \$7.9 billion from the prior month to \$47.6 billion, due to a reduction in the estimated lifetime cost for the FHA-Refinance Program. Treasury estimates the total cost for TARP programs at approximately \$30 billion, when adjusted for the proceeds Treasury received from the sale of its additional AIG shares.

Treasury officials then provided the Members with an update on the CPP. Treasury reported that the April 2013 auctions of CPP securities in eight financial institutions provided approximately \$104 million in gross proceeds to Treasury. The offerings were priced through modified Dutch auctions. The transactions were expected to close on or about April 29, 2013, subject to customary closing conditions. Officials also 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. During March, four institutions repurchased all or part of their outstanding CPP preferred shares or subordinated debentures from Treasury's investment in those institutions resulting in total proceeds of approximately \$139.5 million.

Treasury officials then provided Members with an update on the AIFP. Officials noted that on April 11, 2013, Treasury completed its first pre-arranged written trading plan to sell its remaining shares of General Motors common stock. As part of the AIFP discussion, officials also discussed recent developments in the bankruptcy proceeding of Ally Financial's ("Ally") non-bank mortgage affiliate, Residential Capital LLC. Officials noted that Treasury has appointed six directors to the board of directors of Ally, including former Treasury official Mathew Pendo.

Using prepared materials, Treasury officials then provided the Members with an update on the credit market programs established under TARP, including the TALF and PPIP. Officials noted that Treasury continues to receive distributions of excess accumulated fees and income earned by TALF LLC.

Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. Officials noted that Oaktree is the only fund remaining in the program with debt and equity outstanding to Treasury and is continuing to repay Treasury's investment under TARP. As of March 31, 2013, Treasury's remaining investment under the PPIP was less than

\$600 million. As part of this discussion, Treasury officials reviewed the net equity returns to Treasury and performance of the PPIP funds since the inception of the program. Officials also highlighted the performance of certain market indicators in the market for mortgage-backed securities through the life of the program.

Treasury officials then provided Members with an overview of the report issued by the Office of the Special Inspector General for TARP (“SIGTARP”) on April 9, 2013, titled “Banks that Used the Small Business Lending Fund to Exit TARP.” Officials noted that Congress authorized the Small Business Lending Fund (“SBLF”) as part of the Small Business Jobs Act of 2010, with the objective of providing capital to community banks to increase the availability of credit to small businesses. The SBLF draws from a source of funding separate from TARP, and it is administered by a separate organization within Treasury. Congress designed the SBLF to provide incentives for small business lending through the program’s dividend rate structure. As part of this discussion, Treasury officials reviewed the recommendations provided by the SIGTARP in the report.

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”). The application deadline for MHA is currently December 31, 2013. As part of this discussion, Treasury officials described the streamlined modification option recently announced by the Government Sponsored Enterprises (“GSEs”), which is aimed at

borrowers who may not be able to provide full documentation or might not qualify for alternative GSE modification options. Borrowers will continue to be offered a modification under the MHA initially, and Treasury officials noted that if the borrower is eligible, an MHA modification would typically have more favorable terms.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF. Officials noted that Treasury will hold a summit with HFAs, FHFA, mortgage servicers, and the GSEs in May to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize HHFs.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending March 31, 2013, 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 10:25 a.m. (EDT).

[Signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary