

## Minutes of the Financial Stability Oversight Board Meeting June 20, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Thursday, June 20, 2013, at the offices of the Department of Treasury (“Treasury”).

### MEMBERS PARTICIPATING:

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

### STAFF PARTICIPATING:

Mr. Treacy, Executive Director

### 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. McArdle, Acting Chief  
Homeownership Preservation  
Officer, 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

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 2:00 p.m. (EDT).

The Board considered draft minutes for the meeting of the Board on May 20, 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”); the Community Development Capital Initiative (“CDCI”); the 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 May 31, 2013, taxpayers have recovered \$398.2 billion of the \$420.0 billion in TARP funds disbursed by Treasury. Officials noted that, when excluding disbursements under the housing programs, Treasury has disbursed \$411.7 billion and recovered \$415.7 billion (including the proceeds from sales of all Treasury AIG shares). Treasury's outstanding investment balance in these investment programs was \$31.28 billion. With regard to housing-related programs, \$8.25 billion had been disbursed to eligible borrowers to prevent avoidable foreclosures, from the total obligated funds of \$38.49 billion.

Treasury officials then provided the Members with an update on the CPP, including 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 reported that the June 2013 auctions of CPP securities of six institutions for aggregate gross proceeds of approximately \$56 million. Also in June, Treasury conducted auctions for its warrant positions in 16 institutions that were received in consideration for investments made under the CPP. These auctions resulted in additional returns to taxpayers of approximately \$13.4 million from Treasury's investments in these banks beyond any dividend or interest payment.

In addition, two CPP institutions redeemed their CPP shares for total proceeds of approximately \$4.7 million. Upon settlement of the June 2013 CPP auction, Treasury officials noted that 143 banks will remain in the TARP CPP program, which had an outstanding investment balance of approximately \$5.5 billion. As part of this discussion, Members and officials discussed prospects for additional near-term recoveries under the program.

Treasury officials then provided an update on the CDCI, which was established to provide lower-cost capital to community development financial institutions. Through CDCI, Treasury originally invested approximately \$570 million in 84 such institutions. Seventy-three institutions remained in the CDCI program with outstanding investments of approximately \$512 million. Treasury officials indicated they would continue to monitor the performance of CDCI and make decisions regarding the program's wind-down at a later date.

Treasury officials then provided Members with an update on the AIFP. Officials noted that in May, Treasury commenced its second pre-arranged written trading plan to sell a portion of its remaining common shares of General Motors ("GM"). In early June, Treasury sold 30 million additional shares of GM common stock through an underwritten public offering that was timed to coincide with the addition of GM to the S&P 500 index. This offering provided Treasury with \$1.03 billion in proceeds.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial

(“Ally”), including recent developments in the bankruptcy proceeding of Ally’s non-bank mortgage affiliate, Residential Capital LLC (ResCap). On May 14, 2013, Ally entered into an agreement with the ResCap estate and its creditors where Ally would contribute \$2.1 billion to support ResCap’s Chapter 11 plan. Treasury officials noted that John Durrett had resigned on May 27 from the Ally board of directors and Brian MacDonald, former chief executive officer of Sunoco, had joined the firm’s board of directors.

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 will continue 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 on June 3, 2013, the Oaktree PPIF, the only fund with a remaining outstanding Treasury investment, had fully repaid the \$31.8 million equity outstanding to Treasury, plus an additional \$48.5 million gain on the investment. As a result, Treasury had fully recovered its original PPIP investment of \$18.6 billion along with a positive return of nearly \$3.7 billion under the PPIP.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency (“HFA”) Hardest-Hit Fund (“HHF”). Treasury officials noted that the application deadline for MHA—previously set to expire in December 2013—had been

extended for two more years to December 2015, to help eligible borrowers to prevent avoidable foreclosures. Treasury officials also reported the results of Treasury’s MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program (“HAMP”) through April 2013.

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.

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. As part of this discussion, officials from the Federal Housing Finance Agency (“FHFA”) briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates, re-default rates of modified mortgages, refinancing activity, housing prices, sales, starts, and inventory. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

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. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:40 p.m. (EDT).

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William F. Treacy,  
Executive Director