

## Minutes of the Financial Stability Oversight Board Meeting June 25, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, June 25, 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. Donovan  
Ms. Schapiro  
Mr. DeMarco

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

### STAFF PARTICIPATING:

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

The Board first considered draft minutes for the meeting of the Board on May 21, 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:

Mrs. Miller, Under Secretary for Domestic Finance, Department of the Treasury  
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. Grom, Senior Advisor to the Assistant Secretary for Financial Stability, Department of the Treasury  
Mr. Ryan, Senior Advisor to the Secretary, Department of Housing and Urban Development

Officials from the Department of the Treasury (“Treasury”) 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 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.

Treasury officials first discussed the latest cost estimates for TARP. As part of this discussion, Treasury officials discussed with Members Treasury's daily TARP update report as of June 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 through May 31, 2012.

Using prepared materials, Treasury officials then provided Members with an update on the CPP. As part of this discussion, officials discussed the current status of repayments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. Specifically, on June 14, Treasury priced secondary public offerings of the preferred stock it holds in seven financial institutions (Taylor Capital Group, Inc., Ameris Bancorp, First Defiance Financial Corp., Farmers Capital Bank Corp., LNB Bancorp Inc., First Capital Bancorp Inc., and United Bancorp, Inc.). The offering, which priced through a modified Dutch auction, resulted in aggregate net proceeds to Treasury of approximately \$245 million. In addition, on June 25, Treasury commenced secondary public offerings of the preferred stock it holds in seven additional institutions (Fidelity Southern Corporation, Firstbank Corporation, First Citizens Banc Corp, MetroCorp Bancshares, Inc., Peoples Bancorp of North Carolina, Inc., Pulaski Financial Corp., and Southern First Bancshares,

Inc.). These offerings also are expected to price through a modified Dutch auction. Officials noted that Treasury will continue with its previously announced plans for winding down the remaining CPP investments and maximizing overall returns to the taxpayer.

Using prepared materials, Treasury officials provided an update on the AIFP. During this discussion, Members and officials discussed the voluntary petition for relief under Chapter 11 of the U.S. bankruptcy code filed on May 14 by Residential Capital LLC ("ResCap"), a non-bank subsidiary of Ally Financial, Inc. ("Ally"). Officials noted certain recent developments in ResCap's bankruptcy proceedings. Officials also noted that Berkshire Hathaway, a major ResCap creditor, made an initial offer to purchase ResCap's mortgage servicing unit. Officials also discussed Ally's announcement to begin a process of selling its international auto finance and insurance operations to potentially repay part of the \$12.5 billion of current Treasury assistance under the AIFP.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Treasury continues to hold approximately 61 percent of the common stock outstanding of AIG.

Treasury officials then provided an update on the Term Asset-Backed Securities Loan Facility ("TALF"). As part of this discussion, Members and officials discussed the prospects for further reduction of the credit protection Treasury is providing under the TALF.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”) and the Hardest-Hit Fund (“HHF”). During this discussion, officials discussed the numbers of temporary and permanent modifications made under HAMP. Officials noted that, as of May, more than one million homeowners have received a permanent HAMP modification. More than 83,000 homeowners have had their principal reduced as part of a HAMP permanent modification, and nearly 84,000 second lien modifications have been completed through the Second Lien Modification Program (“2MP”). Treasury officials also discussed Treasury’s progress in expanding the population of homeowners that may be eligible for HAMP through the “HAMP Tier 2” alternative announced in January 2012. As of June 1, 2012, the 18 largest servicers (which cover 96 percent of all non-GSE HAMP activity) have informed Treasury that they have begun accepting HAMP Tier 2 modification requests from borrowers. Treasury is currently surveying smaller servicers. As part of this discussion, Treasury officials also reported on the HHF. Among the matters discussed were recent program changes made by certain Housing Finance Agencies to improve the take-up and performance of their respective HHF-sponsored programs. Officials noted that while some states will require additional time to build program volume, several states have started showing substantial growth in the number of borrowers assisted under the program (specifically, California, Florida, Illinois, Michigan, North Carolina, Ohio and South Carolina). Officials also noted that

Treasury is working to provide technical assistance to states with lower participation volumes.

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 the Fannie Mae and Freddie Mac.

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

[Signed Electronically]

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Jason A. Gonzalez,  
General Counsel and Secretary