

Minutes of the Financial Stability Oversight Board Meeting August 26, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Monday, August 26, 2013, by teleconference.

MEMBERS PARTICIPATING:

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

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor,
Federal Housing Finance Agency

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

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

STAFF PARTICIPATING:

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

Chairperson Bernanke called the meeting to order at approximately 2:00 p.m. (EDT).

AGENCY OFFICIALS PARTICIPATING:

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

The Board considered draft minutes for the meeting of the Board on July 22, 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.

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

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”) and related initiatives. Among the materials distributed in advance of the meeting was

Mr. McArdle, 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

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 July 31, 2013, Treasury had collected almost as much as it had disbursed under TARP programs. Disbursements totaled \$420.62 billion, including \$8.9 billion disbursed through Treasury’s housing-related programs to assist at-risk mortgage borrowers. Collections, including Treasury’s return from non-TARP AIG shares, totaled \$420.40 billion. Treasury’s outstanding investment balance in its investment programs was \$26.2 billion. Total obligated funds for Treasury’s housing programs were \$38.5 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. A total of seven institutions fully repaid their CPP investments in July, resulting in total proceeds of \$1.3 billion. The repayments included \$967.9 million from Treasury’s largest outstanding CPP investment, preferred shares in Synovus Financial Corporation. Treasury’s fifth largest outstanding CPP investment (New York

Private Bank & Trust Corporation) also fully repaid. Separately, Treasury conducted an auction for five CPP institutions in late July that returned \$129 million. This amount was substantially below Treasury’s initial invested amount in these institutions (not considering dividends paid to Treasury), which represented a significant change from recent CPP auctions. This was due to the fact that the investment in First Banks, which had been one of the largest remaining positions under CPP, sold at 35 percent of par.

As of the meeting date, Treasury held remaining CPP investments in approximately 120 banks totaling \$2.8 billion. As part of this discussion, Members and Officials discussed prospects for additional repayments under the program and the role of the Federal Deposit Insurance Corporation should a CPP bank fail or enter receivership.

Treasury officials then provided Members with an update on the AIFP. In July, Treasury continued its sale of General Motors (“GM”) stock pursuant to its second pre-arranged trading plan announced in May. During July, Treasury received total net proceeds of approximately \$876.9 million from the sale of GM common stock. 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). In mid-August, Ally entered into an agreement with Treasury to repurchase \$5.938 billion par value of Mandatorily Convertible Preferred shares and terminate the share adjustment right held by Treasury for \$5.925 billion. The

transaction is contingent on a number of conditions, including Ally's completion of a \$1 billion private placement of common shares as well as approval by the Federal Reserve and other regulators. Treasury officials noted that the Ally repayment, if completed as planned, would reduce the estimated lifetime cost of TARP programs by \$3 billion.

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 in July, Treasury continued to receive small distributions of excess accumulated fees and income earned by TALF LLC and by PPIFs.

Treasury officials then provided an update on the CDCI, which was established to provide lower-cost capital to community development financial institutions. Seventy-three institutions remained in the CDCI program with outstanding investments of approximately \$512 million.

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 reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through June 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.

Treasury officials then provided an update on the blight elimination programs under HHF in Michigan. Officials also noted that Ohio recently announced a similar \$60 billion blight elimination initiative under HHF.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:30 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary