

Minutes of the Financial Stability Oversight Board Meeting August 31, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:30 p.m. (EDT) on Monday, August 31, 2009, at the offices of the Department of the Treasury (“Treasury”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. Donovan
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel

AGENCY OFFICIALS PRESENT:

Mr. Allison, Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Wheeler, Senior Advisor to the Secretary, Department of the Treasury

Mr. Miller, Director of Investments, Office of Financial Stability, Department of the Treasury

Mr. Massad, Chief Counsel, Office of Financial Stability, Department of the Treasury

Ms. Ochs, Senior Advisor to the Counselor to the Secretary and Assistant Secretary of the Treasury for Financial Stability, Department of the Treasury

Ms. Aveil, Special Assistant to the Secretary, Department of the Treasury

Mr. Morse, Chief Compliance and Risk Officer, Office of Financial Stability, Department of the Treasury

Ms. Liang, Senior Associate Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Lehnert, Assistant Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Astrada, Attorney, Legal Division, Board of Governors of the Federal Reserve System

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

Mr. Davidson, General Deputy General Counsel, Department of Housing and Urban Development

Mr. Herold, Deputy General Counsel for Housing Programs, Department of Housing and Urban Development

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

Mr. Cross, Acting Senior Deputy Director and Chief Operating Officer, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:37 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on July 29, 2009, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members unanimously voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Using prepared materials, 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 Legacy Securities Public-Private Investment Partnership (“S-PPIP”) program; the Capital Purchase Program (“CPP”); the Term Asset-Backed Securities Loan Facility (“TALF”); and the Home Affordable Modification Program (“HAMP”). Also included in materials prepared for the meeting were updates concerning the other programs established by Treasury under the TARP, including the most recent data gathered as part of Treasury’s Monthly Lending and Intermediation Snapshots and Reports; recent recommendations made by the U.S. Government Accountability Office (“GAO”) concerning the HAMP; and the aggregate level and distribution of commitments and disbursements under the TARP, repayments of TARP funds, and the level of resources that remain available under the TARP. During the meeting, Members raised and discussed various matters with respect to the development and ongoing implementation of the policies and programs under the TARP.

Treasury officials first provided the Members with an update on the S-PIPP. As part of this discussion, Members and officials reviewed the progress made by the program’s pre-qualified fund managers in raising private capital and the expected date for initial closings for Public-Private Investment Funds (“PPIFs”) under the program. Members also discussed the expected composition of assets in PPIFs, both initially and thereafter; the impact of recent pricing trends on the expected composition of purchased assets; and the potential effect of purchases on participating financial institutions. Officials also discussed Treasury’s progress in establishing internal controls and an external reporting framework for the program.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. As part of this discussion, Treasury officials reviewed the number of applications received, approved, and withdrawn under the CPP, and the amount of funds requested from, disbursed by, and repaid to Treasury. Members also reviewed and discussed Treasury’s exchange of preferred shares in Popular Inc. acquired under the CPP for a like-amount of trust preferred securities. Treasury officials noted that Popular Inc. paid Treasury a fee of \$13 million in connection with the exchange and that the transaction resulted in Treasury moving to a more senior position in Popular Inc.’s capital structure while maintaining its dividend rate on the CPP investment.

Using prepared materials, Treasury officials then provided the Members with an update on the TALF. As part of this discussion, Treasury officials reviewed the recent announcement made by the Federal Reserve and Treasury that no additional asset classes would be added as eligible collateral under the TALF and that the TALF will be extended through March 31, 2010, for newly issued asset-backed securities (“ABS”) and legacy commercial mortgage-backed securities (“CMBS”), and through June 30, 2010, for newly issued CMBS. Members also discussed recent issuance and purchases of ABS completed without TALF funding.

Following this discussion, Treasury officials provided an update regarding the HAMP. As part of this discussion, Members and officials reviewed and discussed the progress of servicers participating in the program in commencing and completing modifications, the reasons why homeowners successfully completing trial modifications might choose not to finalize permanent modifications, and the current and projected number of trial and final modifications under the program. Members also discussed developments in the second lien modification program and the expected impact of second lien modifications on the overall program and the performance of first lien modifications. Members and officials also reviewed the GAO’s recommendations on the HAMP and upcoming announcements regarding the short sale and deed-in-lieu programs under the HAMP.

Members and officials then discussed potential ways to provide

additional assistance to small businesses and banks, and potential topics for future meetings.

The meeting was adjourned at approximately 3:10 p.m. (EDT).

[Signed Electronically]

Kieran J. Fallon
General Counsel