

Minutes of the Financial Stability Oversight Board Meeting September 19, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EST) on Thursday, September 19, 2013 at the offices of the Department of Treasury (“Treasury”).

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. White¹
Mr. DeMarco

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

Ms. Florman, Senior Advisor, Office of Financial Stability, Department of the Treasury

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. Golding, 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

ATTENDEES FROM THE OFFICE OF FINANCIAL STABILITY, DEPARTMENT OF TREASURY:

Mr. Kowalsky, Ms. Victorino, Mr. Silver, Ms. Desai, Mr. Hodge, Ms. Moore, and Ms. Heller-Stein

Chairperson Bernanke called the meeting to order at approximately 3:00 p.m. (EDT).

At the outset of the meeting, Members acknowledged the five-year anniversary of the Troubled Asset Relief Program (“TARP”) and expressed their appreciation for the continued hard work and commitment to public service exhibited by staff of the Office of Financial Stability, the Oversight Board, and the member agencies.

The Board then considered draft minutes for the meeting of the Board on August 26, 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

¹ Participated by telephone.

technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the TARP. Discussion during the meeting focused on the Capital Purchase Program (“CPP”); the Community Development Capital Initiative (“CDCI”); the Automotive Industry Financing Program (“AIFP”); and the Making Home Affordable (“MHA”) initiatives. Among the materials distributed in advance of the meeting was the latest 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. Treasury also distributed a report entitled, “The Financial Crisis Five Years Later: Response, Reform and Progress,” dated September 2013. 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 and their expected lifetime costs. As of August 31, 2013, Treasury had collected \$0.9 billion more than disbursements of \$420.9 billion under all TARP programs, including the proceeds of non-TARP common shares in American International Group. Treasury’s outstanding investment balance in these investment programs was \$23.8 billion. Under housing-related programs, Treasury had disbursed \$9.2 billion to assist at-risk mortgage borrowers.

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. As part of this discussion, Members and Officials discussed the prospects for additional repayments under the program.

As of August 31, Treasury had outstanding CPP investments totaling \$2.8 billion in 119 institutions of which approximately \$1.2 billion was in two institutions, Popular and First BanCorp. Officials noted that during the month of August three institutions fully repaid their CPP investments, resulting in total proceeds of \$12.4 million; Treasury sold 12 million shares of First Bancorp common stock for \$81 million; and Treasury completed late-August auctions for preferred stock and subordinated debt in five CPP institutions resulting in proceeds to Treasury of approximately \$129 million. Officials also noted that in September Treasury initiated its 20th auction of CPP investments, in this case involving six institutions.

Treasury officials then provided Members with an update on the AIFP. In August, Treasury continued its sale of General Motors (“GM”) stock pursuant to its second pre-arranged trading plan initiated in May, receiving total net proceeds from the sale of GM stock of \$811.1 million during the month of August. In mid-September, Treasury completed that second pre-arranged trading plan. Treasury received total net proceeds from the sale of GM stock of \$3.8 billion during the second pre-arranged written trading plan.

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"). Ally has entered into an agreement with the U.S. Treasury with respect to the repurchase of all its Mandatorily Convertible Preferred shares and elimination of its share adjustment right subject to certain conditions, including receiving a non-objection from the Federal Reserve related to Ally's Comprehensive Capital Analysis and Review ("CCAR") resubmission and successfully completing Ally's \$1 billion private placement. Upon fulfillment of the conditions, Ally will make a total cash payment to the U.S. Treasury of \$5.925 billion (plus accrued dividends) to repurchase \$5.938 billion par value of MCP and to terminate the share adjustment right. Treasury's remaining investment in Ally will then be comprised of a 66 percent ownership in the common stock of the company.

Treasury officials then provided an update on the CDCI. Seventy-one institutions remained in the CDCI program with outstanding investments of roughly \$500 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 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"). Treasury officials reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under HAMP through June 2013. Officials also noted efforts to work with servicers to do more counseling of home-owners who have had loan modifications, to reduce the probability of default. In its most recent compliance assessment of the largest MHA servicers, Treasury concluded that all servicers were in need of moderate improvement.

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.

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 and Treasury yields, housing price indices and sales, and refinancing activity. During this discussion, FHFA officials also presented data related to delinquencies, recovery rates, re-default rates on modified mortgages, and 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 June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:20 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary