

Minutes of the Financial Stability Oversight Board Meeting September 29, 2010

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Wednesday, September 29, 2010, at the offices of the Department of the Treasury (“Treasury”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. Donovan
Ms. Schapiro¹
Mr. DeMarco

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Goldstein, Under Secretary of the Treasury for Domestic Finance, Department of the Treasury

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

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

Mr. Miller, Acting Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

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

Ms. Celosse, Office of Financial Stability, Department of the Treasury

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

Mr. Sharpe, Chief of the Capital Markets Section, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission¹

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Special Advisor to the Office of the Director, Federal Housing Finance Agency

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

The Board first considered draft minutes for the meeting of the Board on August 16, 2010, which had been circulated in advance of the meeting. Upon a motion duly made and seconded,

¹ Participated by telephone.

the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Using prepared materials, Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”) and existing initiatives that continue to be implemented under TARP. Discussion during the meeting focused on the Home Affordable Modification Program (“HAMP”) and related initiatives; the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (“Hardest-Hit Fund”); the Capital Purchase Program (“CPP”); the Community Development Capital Initiative (“CDCI”); and the actions taken by Treasury in response to certain recommendations by the Government Accountability Office (“GAO”) and the Special Inspector General for the TARP (“SIGTARP”). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During 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 steps that Treasury has taken, or planned to take, to prepare for the October 3, 2010, expiration of the authority under TARP to enter into new commitments. Members and officials also expressed their appreciation for Mr. Allison’s service as the Assistant Secretary for Financial Stability. Mr. Allison will be replaced by Timothy G. Massad, who will serve as

Acting Assistant Secretary for Financial Stability.

Using prepared materials, Treasury officials then provided the Members with an update on the Hardest-Hit Fund (“HHF”) initiative. As part of this discussion, officials reviewed the status of programs approved under the first and second Hardest-Hit funds and Treasury’s progress in expanding the HHF initiative to support programs sponsored by Housing Finance Agencies (“HFAs”) in eligible states that have experienced an unemployment rate at or above the national average over the past 12 months. Treasury officials noted that, as of September 20, Treasury had approved plans for HFA-sponsored programs in 18 states and jurisdictions to receive up to \$2 billion in funding under the third HFF. Treasury officials also indicated that the Administration planned to announce an additional \$3.5 billion funding for the HHF initiative to help more struggling homeowners.

Treasury officials then provided the Members with an update on the HAMP and related housing initiatives. Officials noted that, approximately 50,000, 37,000 and 33,000 trial modifications became permanent in June, July and August, respectively. Trial modification cancellations continued to rise in June as servicers complied with MHA guidance to make decisions on aged trials (trials existing for six months or longer). As part of this discussion, Treasury officials reported on Treasury’s progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), including the publication of a loan level file for all HAMP activity and the

establishment of a web-portal that allows borrowers to run a Net-Present Value analysis using input data regarding their own mortgages, and provides borrowers who are turned down for a HAMP modification with the input data used to evaluate their application. Treasury officials then provided an update for the Members on the Second Lien Modification Program, principal reduction alternatives, and the Federal Housing Administration's Short Refinance Program.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury's progress in selling the common stock of Citigroup, Inc. ("Citigroup"), and Treasury's plans for selling additional common stock and securities of Citigroup in the future. Treasury officials also provided an update on recent sales of warrants received under the CPP, and exchanges conducted by Treasury to protect the interest of taxpayers.

Treasury officials then provided the Members with an update on Treasury's ongoing efforts to provide lower-cost capital under TARP to qualified Community Development Financial Institutions ("CDFIs") under the CDCI, including an update on the number of institutions receiving funding and the aggregate amount of funding provided under the CDCI.

Using prepared materials, Treasury officials then provided an update on Treasury's progress in implementing the recommendations made by GAO and SIGTARP regarding the TARP. In particular, Treasury reviewed the number of such recommendations that Treasury has implemented (62 percent),

is in the process of implementing (28 percent), and the number of recommendations that Treasury did not plan on implementing because Treasury did not believe the recommendation would further the purposes of the TARP or advance the interests of taxpayers.

Members and officials then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets and the effect of the programs established under the TARP in stabilizing the financial system, promoting the flow of credit to households and businesses, and promoting homeownership. As part of this discussion, staff from the Federal Reserve briefed Members concerning recent financial market developments and officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The data reviewed included corporate stock prices, credit default swap spreads for bank holding companies, corporate bond spreads, debt growth among household and nonfinancial businesses, growth of loans at depository institutions, and data related to credit demand and standards drawn from the Federal Reserve's Senior Loan Officer Opinion Survey consumer credit. Members also reviewed data related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and supply. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the

Board's quarterly report to Congress for the quarter ending September 30, 2010, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential contents of the report.

The meeting was adjourned at approximately 3:00 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary