

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

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

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White
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. Silver, Chief Reporting 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

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

Mr. Wilcox, Division Director, Federal Reserve Board

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

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

Mr. Rasetti, Mr. Kowalsky, Ms. Philip, Ms. Victorino, Ms. Heller-Stein, and Mr. Sturc

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

The Board then considered draft minutes for the meeting of the Board on November 25, 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.

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”); and the Making Home Affordable (“MHA”), and Hardest Hit Fund (“HHF”) 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, and the Office of Financial Stability (“OFS”) TARP Agency Financial Report for 2013 (“Agency Report”). 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 the meeting date, Treasury had disbursed \$421.6 billion and collected approximately \$433.0 billion under all TARP investment programs, including the proceeds of non-TARP common shares in American International Group (“AIG”).

Treasury officials then reported the latest lifetime cost estimate for TARP of \$40.3 billion, which as in in the past assumed full disbursement of TARP

housing commitments of \$38.5 billion. Adding the \$17.5 billion proceeds from the sale of non-TARP AIG stock held by Treasury, this figure would be \$21.0 billion. As of November 30, 2013, Treasury had disbursed \$10.1 billion to at-risk borrowers under its TARP housing-related programs and \$13.5 billion remained outstanding under all TARP investment programs.

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 of November 30, 2013, Treasury had outstanding CPP investments totaling \$2.12 billion in 89 institutions. One institution (Popular) continued to account for nearly half of the remaining CPP investment balance, with the remaining investments associated with small institutions. Officials noted that Treasury will continue to liquidate CPP investments through regular auctions, restructurings and warrant repurchases. Officials briefly noted that seventy-one institutions remained in the “CDCI” bank support program, with outstanding investments of \$470 million.

Treasury officials then provided Members with an update on the “AIFP”. As previously announced to the public, Treasury had sold all remaining holdings of General Motors (“GM”) common stock on December 9, when it completed the sale of its remaining 31.1 million shares under a fourth and final trading plan. The liquidation of Treasury’s GM stock began in December 2012, when GM completed an initial purchase of 200 million shares, followed in 2013 by

the sale of stock under four successive pre-arranged written trading plans. Treasury officials noted that \$39 billion had been recovered through repayments, the sale of stock, dividends, and interest, which represented approximately 80 percent of Treasury's invested amount in GM.

Treasury officials then discussed the status of Treasury's investment in Ally. Completing a transaction previously discussed with Members, on November 20 Treasury's outstanding investment in Ally was reduced by \$5.9 billion as Ally repurchased Mandatory Convertible Preferred ("MCP") shares owned by Treasury as well as eliminating Treasury's Share Appreciation Right ("SAR"). Earlier in November, Ally received notification that the Federal Reserve Board did not object to its revised Comprehensive Capital Analysis and Review ("CCAR") plan, which satisfied a key closing condition related to the transaction involving the \$1.3 billion private placement of Ally common stock as well as the MCP and SAR transactions.

Treasury officials also provided an update on the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC ("ResCap"), noting that the bankruptcy court had approved Ally's reorganization plan last week. Officials also noted that Ally's debt rating had been upgraded by one credit rating agency (Fitch) to BB, due to these positive recent developments.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including Home Affordable Modification Program ("HAMP") and the Housing Finance

Agency ("HFA") Hardest-Hit Fund ("HHF").

Treasury officials reported that, from the initiation of the MHA program through October 2013, more than 1.8 million homeowner assistance actions had been taken, with the majority of assistance actions (approximately 1.2 million) being HAMP Tier 1 modifications. During October, roughly 14,000 new trial modifications and 16,000 permanent modifications were completed under HAMP.

Treasury officials also provided the Members with an update on the HHF initiative. They reported that four HFAs drew a total of \$90.3 million in November, bringing to \$3.1 billion the amount drawn by the 19 HFAs, out of \$7.6 billion committed, to assist at-risk mortgage borrowers since the program's inception. Treasury officials also noted that three states, Washington, New Jersey, and Illinois, had hit their funding limits.

Officials indicated that HHF funding for blight elimination was recently approved for Indiana, and that Illinois was considering a program similar to those in Michigan, Ohio and Indiana. Ohio is expected to implement its blight elimination program in the first quarter of 2014. Members expressed interest in seeing data on the results of these programs once available.

Treasury then discussed the results of the most recent Quarterly Servicer Assessment, which covered seven of the largest MHA servicers for the third quarter of 2013. For this period, three servicers were found to need minor improvement, three servicers required

moderate improvement, and one servicer required significant improvement. For the latter, Treasury officials noted that the servicer needing significant improvement (CitiMortgage) had agreed to make program adjustments that would improve its performance.

Treasury officials also provided an update on OFS staffing and administrative matters. OFS reported it currently had 110 direct employees, down from a peak of 240 employees during the height of the TARP programs. The majority of remaining OFS staff is associated with activities related to the administration of ongoing housing initiatives.

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, foreclosure prevention actions taken by the Government Sponsored Enterprises (“GSEs”), and refinancing activity. FHFA officials indicated that they will soon announce that refinancing of underwater GSE mortgages under FHFA’s Home Affordable Refinancing Program (“HARP”) since that program’s

inception had reached a total of three million transactions.

Staff of the Oversight Board then provided Members with an update on Oversight Board administrative matters. Staff discussed, among other topics, the status of the Oversight Board’s report to Congress for the quarter ending September 30, 2013, and planning for 2014 monthly meetings of the Oversight Board.

The meeting was adjourned at approximately 3:30 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary