

## Minutes of the Financial Stability Oversight Board Meeting July 29, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:30 p.m. (EDT) on Wednesday, July 29, 2009, at the offices of the Department of the Treasury (“Treasury”).

### MEMBERS PRESENT:

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

### STAFF PRESENT:

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

### AGENCY OFFICIALS PRESENT:

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

Mr. Wheeler, Deputy Assistant Secretary for Federal Finance, Department of the Treasury

Mr. Bloom, Lead Advisor to the Secretary on the Automotive Industry, Department of the Treasury, Member of Presidential Task Force on the Automotive Industry

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

Mr. Wilcox, Deputy Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

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

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

Mr. Stevens, Assistant Secretary for Housing and Commissioner of the Federal Housing Administration, Department of Housing and Urban Development

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

Ms. Nisanci, Chief of Staff, Securities and Exchange Commission

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

Mr. DeMarco, Chief Operating Officer and Deputy Director for Housing Mission and Goals, Federal Housing Finance Agency

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 3:35 p.m. (EDT).

Using prepared materials, officials from the Department of the Treasury (“Treasury”) 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”), Capital Assistance Program (“CAP”) and the Supervisory Capital Assistance Program (“SCAP”); the Public-Private Investment Partnership (“PPIP”) program; the Home Affordable Modification Program (“HAMP”); the Unlocking Credit for Small Businesses (“UCSB”) program; and the Automotive Industry Financing Program (“AIFP”). Materials and updates concerning the other programs established by Treasury under the TARP, including the most recent data gathered as part of the Treasury’s Monthly Lending and Intermediation Snapshots and Reports, were included in the materials prepared for the meeting. During the meeting, Members also raised and discussed various matters with respect to the development and ongoing implementation of other policies and programs under the TARP.

Treasury officials first provided the Members with an update on the SCAP, a comprehensive capital

assessment exercise conducted by the Federal Reserve and the other Federal banking agencies, in consultation with Treasury, which is designed to ensure that the largest domestic bank holding companies have a capital buffer sufficient to withstand losses and sustain lending even in a significantly more adverse economic environment than is currently anticipated. As part of this discussion, Members and officials reviewed the status of the efforts of institutions subject to the SCAP in raising capital from private sources, issuing nongovernmental guaranteed debt, and taking other steps to improve their capital position.

Mr. Bloom and other Treasury officials then reviewed and discussed the AIFP and the recent actions taken under the program to assist the domestic automotive industry in becoming financially viable. During this discussion, Treasury officials provided an update on developments relating to the recent emergence of the new General Motors (“New GM”) and the new Chrysler (“New Chrysler”) from bankruptcy and each company’s continued progress in meeting the goals and conditions for restructuring set by the Presidential Task Force on the Auto Industry. For example, Members and officials discussed the status of the financing previously provided by Treasury to General Motors and Chrysler; the recent meeting of New GM’s board of directors; the status of Chrysler Financial and the loan previously provided to Chrysler Financial; the recent actions taken by Treasury under the Auto Supplier Support Program; and Treasury’s termination of the Warranty Commitment Program.

Using prepared materials, Treasury officials then provided the

Members with an update on the legacy securities component of the PPIP program. As part of this discussion, Members and officials reviewed and discussed Treasury's recent pre-qualification of 9 fund managers to raise private capital under the program; the 10 unique partnerships established by these fund managers to encourage participation in the program by small-, veteran-, minority-, and women-owned financial services businesses; the manner in which capital would be allocated to each pre-qualified fund manager under the program; and the potential form and structure of the public-private investment funds to be formed by each fund manager. During this discussion, officials also discussed the efforts being made by Treasury to develop conflict of interest and ethical standards and a reporting and compliance 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 and Members reviewed and discussed the process used by Treasury to value the warrants that Treasury has acquired under the program in the event a CPP recipient exercises its right to repurchase the warrants, including the steps taken by Treasury to estimate the fair market value for these warrants using models and other data, including input from market participants. Officials also discussed Treasury's plans for selling the warrants in the event a recipient does not repurchase them. Officials also reviewed and discussed the number of applications received, approved and withdrawn under the CPP, and the amount of funds requested, disbursed and repaid to Treasury.

During the meeting, officials and Members also discussed the steps being taken or proposed to be taken by certain participating financial institutions to further strengthen their financial positions by raising private capital or otherwise restructuring their business.

Using prepared materials, Treasury officials then provided the Members with an update on Treasury's continued efforts to implement the UCSB program in order to help restore the flow of credit to small businesses through the purchase of securities backed by loans guaranteed and originated under certain Small Business Administration programs.

Following this discussion, Treasury officials provided an update regarding the HAMP. As part of this discussion, Members and officials reviewed and discussed the number of first-lien mortgage loans that had been or may be modified under the program; the amount of funds requested and disbursed from TARP in support of the program; and the progress Treasury has made in establishing formal guidelines under the program to facilitate the modification or extinguishment of second-lien mortgages. Members and officials also discussed potential ways the program could be further enhanced or expanded. Mr. Geithner and Mr. Donovan briefed the Members on the meeting held on July 28, 2009, with participating servicers in the program. During this discussion, officials from the Housing and Urban Development ("HUD") also provided an update on the work by HUD, in consultation with Treasury, to integrate the HOPE for Homeowners program into the HAMP framework and to implement additional changes to the HOPE for Homeowners program.

Treasury officials then provided the Members with an update regarding the recent share exchange conducted by Citigroup, Inc. (“Citigroup”) under which Treasury exchanged \$25 billion of the Citigroup preferred stock Treasury acquired under the CPP into mandatorily convertible preferred shares that will convert into common stock upon receipt of certain shareholder approvals. As part of the exchange offer, Treasury will also exchange the Citigroup preferred shares received under the Targeted Investment Program and the Asset Guarantee Program for trust preferred shares of greater structural seniority with the same 8 percent dividend rates as the existing preferred shares. During this discussion, Members and officials reviewed, among other things, the timeline for completion of the exchange offer.

Members and officials then reviewed and discussed the Board’s quarterly report for the period ending June 30, 2009, which was released on July 20, 2009, and briefings related thereto. Members and officials also discussed potential topics for future meetings.

The meeting was adjourned at approximately 4:20 p.m. (EDT).

[Electronically Signed]

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Kieran J. Fallon  
General Counsel