

Minutes of the Financial Stability Oversight Board Meeting July 25, 2011

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:30 p.m. (EDT) on Monday, July 25, 2011, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

Mr. Wolin, Deputy Secretary,
Department of the Treasury

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

Mr. Kingsley, Deputy Chief,
Homeownership Preservation Office,
Office of Financial Stability,
Department of the Treasury

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

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

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

Mr. Ryan, Chief Risk Officer,
Department of Housing
and Urban Development

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

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Chairperson Bernanke called the
meeting to order at approximately
2:35 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on June 16, 2011, 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.

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 Capital Purchase Program (“CPP”); the Automotive Industry Financing Program (“AIFP”); the American International Group, Inc. (“AIG”); the Making Home Affordable (“MHA”) program and related initiatives; and the Hardest Hit Fund Initiative (“HHF”). Among the materials distributed in advance of the meeting was the monthly report issued by Treasury

under Section 105(a) of the Emergency Economic Stabilization Act (“EESA”), which contains information concerning the 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.

Using prepared materials, Treasury officials provided an update on the CPP. Treasury officials discussed with Members the results of Treasury’s daily TARP update as of July 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. Officials also discussed the status of missed dividend or interest payments by institutions participating in the CPP, along with Treasury’s contractual right to appoint up to two directors to the board of directors of any institution that has missed six payments. Officials noted that Treasury had exercised its right to nominate two directors to the board of First Bank, Inc., and one director to the board of Royal Bancshares of Pennsylvania, Inc., in accordance with the terms of the securities purchase agreements between these institutions and Treasury. Members and officials then discussed the likely pace of future CPP repayment from the largest institutions participating in the program and its influence on the return to Taxpayers. As part of this discussion, Treasury officials also discussed the funding Treasury has provided under the Small Business Lending Fund (“SBLF”). The SBLF is a non-TARP program that provides capital

to any successful small bank applicant. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance.

Using prepared materials, Treasury officials then provided Members with an update on Treasury’s program to purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration (“SBA”). Treasury had originally purchased securities with a value of approximately \$368 million under the SBA 7(a) purchase program. As part of this discussion, Treasury officials discussed the potential timing of future dispositions of securities held in Treasury’s SBA 7(a) portfolio as part of Treasury’s ongoing efforts to wind-down TARP.

Using materials distributed at the meeting, Treasury officials then provided an update on the AIFP. As part of this discussion, Treasury reviewed the status of Treasury’s investments under the AIFP. Officials noted that Treasury recently had received approximately \$560 million in proceeds from the sale of Treasury’s remaining six percent fully diluted equity interest in Chrysler Group LLC (“Chrysler”) and Treasury’s interest in an agreement with the UAW retirement trust to Fiat S.p.A. (“Fiat”). Treasury has fully exited from its investment in Chrysler under the AIFP, receiving a total of \$11.2 billion, which results in an overall loss of \$1.3 billion in the Chrysler investment.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on the U.S. government’s investment in AIG. Officials noted that Treasury was

presently subject to a 120 day lock-up period during which Treasury is restricted from selling any of the outstanding common shares of AIG held by Treasury.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program, and the Home Affordable Foreclosure Alternatives Program. Officials also provided an update on the Principal Reduction Alternative initiative, under which servicers of non-GSE loans are required to evaluate the benefit of principal reduction for mortgages with a loan-to-value ratio of 115 percent or greater when evaluating a homeowner for a HAMP first lien modification. Officials also discussed the Second Lien Modification Program (“2MP”), which provides assistance to homeowners in a first lien permanent modification who have an eligible second lien with a participating servicer. Officials noted that more than 28,800 homeowners have received assistance under the 2MP.

Members and officials then provided an update on the Home Affordable Unemployment Program (“UP”). As part of this discussion, officials discussed the recent supplemental directive issued by Treasury to expand the eligibility and duration of the relief afforded under the UP and clarify the interaction of UP and other unemployment assistance programs. Officials noted that the issuance of this

supplemental directive was designed to conform to a similar directive issued by the FHA. Officials further noted that borrowers eligible under the UP no longer are required to make a request for assistance before their first mortgage lien is seriously delinquent. In addition, Treasury has extended the minimum initial forbearance period under the program from the lesser of three months, or notification of re-employment, to the lesser of twelve months or notification of re-employment. Officials noted that the extension of the forbearance period remains subject to investor and regulatory guidelines.

Treasury officials then provided an update on the HHF. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Officials and Members also discussed the timeline for implementation of the plans each state submitted to Treasury outlining how they would use the funds received under the HHF. Following this discussion, Secretary Donovan provided an update of HUD’s Emergency Homeowner Loan Program, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is designed to assist unemployed borrowers in states not served by the HHF.

Members and officials then engaged in a discussion regarding the Board’s quarterly report to Congress for the quarter ending June 30, 2011, 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 content of the report.

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

[Signed Electronically]

Jason A. Gonzalez
General Counsel and Secretary