

Minutes of the Financial Stability Oversight Board Meeting August 29, 2011

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, August 29, 2011, at the offices of the Federal Housing Finance Agency (“FHFA”).

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Massad, Assistant Secretary for Financial Stability, Department of the Treasury¹
Ms. Miller, Assistant Secretary for Financial Markets, Department of the Treasury
Ms. Caldwell, Chief, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury
Mr. Pendo, Chief Investment Officer, Office of Financial Stability, Department of the Treasury¹

Mr. Hopkins, Special Assistant to the Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

Chairperson Bernanke called the meeting to order at approximately 2:05 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on July 25, 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

¹ Participated by telephone.

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 August 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 reported that Treasury has contacted the remaining CPP participants to discuss their capital plans and, in that context, their thoughts on a timeline for future CPP repayments. During these discussions, officials and CPP participants also touched upon the terms of the CPP, under which the dividend rate that participating institutions pay to Treasury will increase from 5 percent to 9 percent after five years (though the dividend rate increase is different for Subchapter S corporations).

Following this discussion, Treasury officials provided an overview of the status of applications filed by CPP institutions to convert TARP’s CPP investment into an investment from

Treasury’s Small Business Lending Fund (“SBLF”), a non-TARP program that provides capital to smaller banking organizations for use in lending to small businesses. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance. Officials reported that as of July 30, 2011, eligible institutions had refinanced approximately \$280 million in CPP capital through the SBLF. 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 was continuing to interview potential candidates to serve as directors in such cases.

Using prepared materials, Treasury officials then provided an update on the AIFP. As part of this discussion, officials discussed Treasury’s investment in General Motors, Inc. and Ally Financial, Inc., and the public and private alternatives available to exit from these investments.

Using prepared materials, Treasury officials then provided the Members with an update on the U.S. government’s investment in AIG. Officials noted that on August 18, Treasury received an additional repayment of \$2.15 billion from AIG, the source of which was proceeds from the previously announced sale of AIG’s Nan Shan life insurance subsidiary. AIG in turn used these proceeds to redeem an equal portion of Treasury’s preferred equity interests in AIA Aurora LLC, a subsidiary of AIG. Treasury’s remaining outstanding investment in AIG following this

transaction was approximately \$51 billion.

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 (“UP”), and the Home Affordable Foreclosure Alternatives Program (“HAFA”). Officials noted that the number of new permanent modifications had averaged approximately 30,000 per month for each of the last twelve months. Officials also noted that the rate of HAMP modifications moving from trial to permanent modifications had increased to 74 percent. As part of this discussion, officials discussed challenges facing borrowers who were potentially eligible for the UP and HAFA programs. Officials also noted that Treasury soon expected to finalize and release the results of Treasury’s latest quarterly servicer assessments, which will summarize performance for the 10 largest MHA participating servicers based on reviews conducted during the first quarter of 2011.

Treasury officials then provided an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Officials noted that a total of approximately \$478 million has been disbursed under the TARP by eligible Housing Finance Agencies (“HFAs”) in 18 states and the District of Columbia. Under the HHF, each

participating HFA has a separate funding allocation and timeline for implementation of its programs and draws down its allocated funds from the TARP as needed. 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 a non-TARP program designed to assist unemployed borrowers in states not served by the HHF. Mr. Donovan noted that HUD has received approximately 85,000 applications for assistance under the program.

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 3:00 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
General Counsel and Secretary