

## Minutes of the Financial Stability Oversight Board Meeting January 30, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, January 30, 2012, via teleconference.

### MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson  
Mr. Geithner  
Mr. Donovan  
Ms. Schapiro  
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  
Mr. Pendo, Chief Investment Officer, Office of Financial Stability, Department of the Treasury  
Mr. Kingsley, Chief, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury  
Mr. Grom, Acting Senior Advisor 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

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

The Board first considered draft minutes for the meeting of the Board on December 21, 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 American International Group, Inc. (“AIG”); the Automotive Industry Financing Program (“AIFP”); the Small Business Administration (“SBA”) 7(a) Securities Purchase Program; and the Making Home Affordable (“MHA”) program and related initiatives. 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 (“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. 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 discussed with Members Treasury's daily TARP update report as of January 1, 2012, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual TARP investments.

Using prepared materials, Treasury officials then provided an update on Treasury's effort to wind down the CPP. Officials noted that, as of December 31, 2011, Treasury held investments in 371 institutions, most of which were small, community banks, and some of which had been certified by Treasury as community development financial institutions. Officials reported that in December 2011, a total of 10 institutions repurchased all or part of their outstanding CPP preferred shares or subordinated debentures from Treasury, for total proceeds of approximately \$279 million. In addition, one CPP participant institution failed. Officials also noted that in December Treasury exercised its right to elect members to the board of directors of one additional institution participating in CPP bringing Treasury's total appointments to 12 directors across seven institutions.

Treasury officials then provided an update on the AIFP, which included an update on Treasury's investment in General Motors, Inc. ("GM"). On December 16 and December 23, 2011, Treasury received payments of \$144.4 thousand and \$18.9 million

respectively, from Motors Liquidation Company ("Old GM"). These payments were made in connection with the dissolution of Old GM on December 15, 2011, as required by the Plan of Liquidation.

Using prepared materials, Treasury officials then provided the Members an update on the U.S. government's investment in AIG.

Using prepared materials, Treasury officials then provided the 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"), under which Treasury had originally purchased securities with a value of approximately \$368 million. On January 24, 2012, Treasury sold the eight remaining securities in the portfolio for approximately \$63.2 million in proceeds, concluding the program. Over its period of operation Treasury's SBA 7(a) program recouped a total of \$376 million through sales of the securities along with principal and interest payments received on those securities, with a net return for the taxpayer of approximately \$8 million.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Officials reported that by the end of November 2011 the cumulative number of permanent modifications that had been initiated under the program rose to nearly 910,000. Officials also provided an overview of enhancements to MHA that Treasury had announced on January 27, 2012. These enhancements

were designed to better help prevent avoidable foreclosures and strengthen hard-hit communities. These enhancements extend the final date for which servicers may accept applications for MHA to December 31, 2013. The enhancements also expand eligibility to include borrowers who cannot be successfully modified to a fixed 31 percent debt-to-income ratio, but who need a modification at a higher or lower debt-to-income ratio, and to include properties that are already occupied by a tenant and vacant properties that the borrower intends to rent. As part of this discussion, officials discussed enhancements to the HAMP program designed to further encourage principal reduction for underwater borrowers with a hardship, including increased incentive payments for investors who agree to reduce principal under the HAMP Principal Reduction Alternative. Members also discussed developments in the second lien modification program and the expected impact of second lien modifications on the overall MHA program. In this context, Members also discussed the status of the non-TARP Home Affordable Refinance Program offered by Fannie Mae and Freddie Mac.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 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. (EDT).

[Signed Electronically]

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Jason A. Gonzalez,  
General Counsel and Secretary