

## Minutes of the Financial Stability Oversight Board Meeting September 28, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:30 p.m. (EDT) on Monday, September 28, 2009, at the offices of the Department of the Treasury (“Treasury”).

### MEMBERS PRESENT:

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

### 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, Senior Advisor to the Secretary, Department of the Treasury

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

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

Mr. Morse, Chief Risk and Compliance Officer, Office of Financial Stability, Department of the Treasury

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

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

Mr. Gallin, Section Chief, Division of Research & Statistics, Board of Governors of the Federal Reserve System

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

Mr. Herold, Deputy General Counsel, Department of Housing and Urban Development

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

Ms. Nasanci, 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. (EDT).

The Board first considered draft minutes for the meeting of the Board on August 31, 2009, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members unanimously voted to approve the minutes of the meeting,

subject to such technical revisions as may be received from the Members.

Using prepared materials, 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 Legacy Securities Public-Private Investment Partnership (“S-PPIP”) Program; the Asset Guarantee Program (“AGP”); the Small Business and Community Lending Initiative; the Home Affordable Modification Program (“HAMP”); and the Automotive Industry Financing Program (“AIFP”). Also included in materials prepared for the meeting were: updates concerning the other programs established by Treasury under the TARP, including the Capital Purchase Program (“CPP”); the Term Asset-Backed Securities Loan Facility (“TALF”); the most recent data gathered as part of Treasury’s Monthly Lending and Intermediation Snapshots and Report; an update on Treasury’s progress in responding to the recommendations made by the U.S. Government Accountability Office (“GAO”) and the Special Inspector General for the TARP (“SIGTARP”); and the aggregate level and distribution of commitments and disbursements under TARP, repayments of TARP funds, and the level of resources that remain available under TARP. During the meeting, Members raised and discussed various matters with respect to the development and ongoing implementation of the policies and programs under TARP.

Treasury officials first provided the Members with an update on the S-PPIP. As part of this discussion, Members and officials reviewed and discussed Treasury’s recent selection of a

compliance agent for the program and Treasury’s progress in establishing internal controls and an external reporting framework for the program. Members and officials also reviewed the expected date and capital allocation amounts for the initial closing of the Public-Private Investment Funds (“PPIFs”) under the program.

Using prepared materials, Treasury officials then reviewed with the Members the agreement entered into with Bank of America on September 21, 2009, under which the term sheet previously entered into between Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation (“FDIC”) and Bank of America in January 2009, with respect to a designated pool of up to \$118 billion in assets, was terminated. As part of this discussion, officials and Members reviewed and discussed the methodology used to calculate the \$425 million termination fee that Bank of America paid to Treasury, the FDIC and the Federal Reserve, on September 21, 2009, in connection with the termination of the term sheet and the allocation of this fee amongst the government parties.

Treasury officials then provided the Members with an update on the Small Business and Community Lending Initiative, which is designed to help restore the flow of credit to small businesses. As part of this discussion, Members and officials reviewed and discussed Treasury’s progress in establishing a pilot program under which Treasury would purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration.

Using prepared materials, Treasury officials then provided the Members with an update regarding HAMP. As part of this discussion, Members and officials reviewed and discussed the rising number of trial modifications initiated under the program and the number of servicers participating in the program. Officials and Members also discussed the challenges to the successful conversion of trial modifications to permanent modifications, potential ways of addressing these challenges, and the current and potential use of counselors to assist borrowers in successfully completing the modification process. Members and officials also discussed the relative performance of servicers under the program and estimates of the number of borrowers potentially eligible for loan modifications under HAMP.

Using prepared materials, Mr. Tae and other Treasury officials provided the Members with an update on the AIFP and the steps taken under the program by Treasury and the Presidential Task Force on the Auto Industry (“Auto Task Force”). As part of this discussion, officials reviewed the recent repayment made by Chrysler Financial LLC (“Chrysler Financial”), in full, of the \$1.5 billion loan made by Treasury in January 2009 and the recent termination of the Warranty Commitment Program following the repayments made, in full, by General Motors Corp. (“GM”) and Chrysler Holding LLC (“Chrysler”) of the loans made by Treasury under the program. Officials also reviewed with the Members significant restructuring and business developments at GM, Chrysler and GMAC.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. As part of this discussion, Treasury officials reviewed the number of applications received, approved and withdrawn under the CPP, and the amount of funds requested from, disbursed by, and repaid to Treasury. Members and officials also discussed the process Treasury has established for the repurchase or disposal of the warrants Treasury has received under the program.

Following briefings from officials of the Federal Reserve and the Federal Housing Finance Agency, Members and officials then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets. Information presented and discussed included data related to corporate bond spreads, stock prices, credit default swap spreads for selected financial institutions, debt growth among household and nonfinancial businesses, conditions in the commercial paper and asset-backed securities markets, issues financed under the TALF, and data related to credit demand and standards drawn from the Federal Reserve’s Senior Loan Officer Opinion Survey. As part of this discussion, Members discussed the extent to which TARP has been a key stabilizing factor for the financial system, noting, among other things, apparent improvements across many financial markets. In considering the state of the housing and housing finance markets, Members and officials reviewed, among other things, data related to mortgage rates, delinquencies and housing prices. During this discussion, Mr. DeMarco provided an update on the Making Home Affordable Refinance Program, a component of the Financial Stability Plan,

which is designed to assist homeowners who have difficulty refinancing due to declining house prices. As part of this update, Members discussed the recent increase in the potential number of homeowners eligible for this refinancing program resulting from the expansion of the program announced by the Federal Housing Finance Agency in July 2009, which increased the loan-to-value ceiling under the program from 105 percent to 125 percent.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending September 30, 2009, 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 contents of the report.

The meeting was adjourned at approximately 3:05 p.m. (EDT).

[Signed Electronically]

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Jason A. Gonzalez  
Secretary