

Minutes of the Financial Stability Oversight Board Meeting December 10, 2008

A meeting of the Financial Stability Oversight Board (“Board”) was held telephonically on Wednesday, December 10, 2008, at 5:00 p.m. (EST).

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

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Paulson
Mr. Cox
Mr. Preston
Mr. Lockhart

Mr. Cartwright, General Counsel,
Securities and Exchange Commission

Mr. Scott, Senior Advisor to the
Chairman, Securities and Exchange
Commission

STAFF PARTICIPATING:

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

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

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

AGENCY OFFICIALS PARTICIPATING:

Mr. Kashkari, Interim Assistant
Secretary of the Treasury for
Financial Stability and
Assistant Secretary of the
Treasury for International
Economics and Development

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

Mr. Hoyt, General Counsel,
Department of the Treasury

Mr. Wolfeich, Deputy Compliance
Officer, Office of Financial Stability,
Department of the Treasury

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

Chairperson Bernanke called the
meeting to order at 5:03 p.m. (EST).

The Oversight Board first
considered the proposed minutes for the
meeting of the Oversight Board held on
November 9, 2008, 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 held
on November 9, 2008, subject to such
technical amendments as may be received
from the Members.

The Oversight Board also considered proposed procedures governing requests by the public for access to records of the Oversight Board. In order to promote transparency, the procedures provide that the Oversight Board will provide access to its records using the procedures set out in the Freedom of Information Act and establish a process for the public to request access to the Oversight Board's records. After discussion, it was unanimously:

“Resolved, that the Financial Stability Oversight Board (Oversight Board) hereby adopts the Statement and Procedures Regarding Public Access to Records of the Financial Stability Oversight Board; and further

Resolved, that the Secretary of the Department of Housing and Urban Development is hereby designated and authorized to make appellate determinations with respect to requests for public access to records of the Financial Stability Oversight Board, as provided in the procedures for requesting records of the Oversight Board.”

Members and officials then engaged in a discussion regarding the policies and programs established by the Department of the Treasury (“Treasury”) under the TARP, the current level of funding committed to these programs, and the reports concerning the TARP recently submitted to Congress by the General Accountability Office (“GAO”) and the Congressional Oversight Panel (“COP”). As part of this discussion, officials from the Treasury provided the Oversight Board with an update on the capital purchase program (“CPP”). Treasury officials reviewed, among other things, the number of applications received and

approved by Treasury, recently closed transactions, the amount of funds requested and disbursed, and the status of efforts to develop workable program criteria for banking organizations that are mutually owned or established as S corporations.

Members and officials then discussed the Term Asset-Backed Securities Lending Facility (“TALF”) established by the Treasury and the Federal Reserve to help market participants meet the credit needs of households and small businesses. Members and officials discussed, among other things, the purpose, terms and structure of the TALF, the expected start date for the program, and the types of asset-backed securities that could potentially be offered to the TALF, including auto loans, student loans, credit card loans and small business loans. Treasury officials noted that additional work to finalize the details of the TALF were ongoing.

Members and officials then discussed the package of governmental supports provided to Citigroup, Inc. by the Treasury, the Federal Deposit Insurance Corporation, and the Federal Reserve to promote financial stability and announced on November 23, 2008. Members and officials discussed the terms and structure of the additional preferred stock in Citigroup to be acquired or received by the TARP as part of these transactions, and the terms governing the loss protection and residual financing to be provided by Treasury, the FDIC and Federal Reserve to Citigroup on a designated pool of up to \$306 billion assets. Members and officials also discussed the manner in which the

investment and guarantee by Treasury would be structured under the TARP.

Treasury officials then provided an update concerning the program established under the TARP for systemically significant failing institutions (“SSFI”). Members and officials discussed, among other things, the current financial health of large financial institutions.

Members and officials also discussed the progress being made by Treasury in hiring staff, establishing a system of internal controls, and monitoring contractors and agents for the Office of Financial Stability, as well as the steps that Treasury was taking in coordination with the federal banking agencies to monitor and ensure compliance with the executive compensation restrictions applicable to institutions that receive TARP funding. Members and officials also discussed the efforts being made to provide for a smooth transition to the next Administration.

Using written materials prepared by various agencies represented on the Board, the Members then engaged in a discussion regarding the current state of the U.S. housing and financial markets. As part of this discussion, the Members discussed the types of metrics that might be useful in assessing the effectiveness of the TARP in restoring stability and liquidity to the U.S. financial system and, in doing so, protect home values, college funds, retirement accounts, and life savings; preserve homeownership and promote jobs and economic growth; maximize overall returns to the taxpayers of the United States; and provide public accountability. Members discussed,

among other things, the importance of assessing the effectiveness of the TARP in light of the very difficult market conditions extant at the time the TARP was established and implemented and the broader decline in economic activity in recent months. Members also discussed the difficulty of isolating the effects of the TARP given the variety of policy actions taken by the U.S. government to support financial stability and promote economic growth and the short time that has elapsed since the TARP was first implemented, and the difficulties associated with monitoring the use of specific funds by individual institutions.

Members also discussed a variety of housing-related data provided by the Members, including data related to housing prices, home sales, housing inventory, and delinquency and foreclosure rates. Members also discussed recent actions taken by the Administration, the government-sponsored enterprises, and the private sector to help reduce preventable foreclosures and restore greater stability to the housing and housing finance markets. Members also discussed potential methods of using the TARP to supplement these efforts and the potential timing of such actions directed towards foreclosure mitigation.

Members also discussed the importance of developing a strategy for the eventual sale or other disposition of the assets acquired by the TARP and the actions taken to provide for such sales or dispositions to occur in a timely and orderly fashion.

The meeting was adjourned at approximately 6:05 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary