# Minutes of the Financial Stability Oversight Board Meeting
# April 6, 2009

A meeting of the Financial Stability Oversight Board ("Board") was held at 4:00 p.m. (EDT) on Monday, April 6, 2009, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

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

Ms. Abdelrazek, Senior Advisor to the Interim Assistant Secretary of the Treasury for Financial Stability and Assistant Secretary of the Treasury for International Economics and Development

Mr. Lambright, Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Mr. Knight, Assistant General Counsel, Department of the Treasury

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

Ms. Aveil, Special Assistant to the Secretary, Department of the Treasury

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

Mr. Oliner, Senior Advisor, 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. Daly, Assistant General Counsel, Department of Housing and Urban Development

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

Mr. Becker, General Counsel and Senior Policy Director, Securities and Exchange Commission

Mr. Sirri, Director, Division of Trading and Markets, Securities and Exchange Commission

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

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

Chairperson Bernanke called the meeting to order at approximately 4:05 p.m. (EDT).

The Board first considered draft minutes for the meetings of the Board held on February 25, March 1, and March 19, 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 such meetings, 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 the Board with a briefing on recent initiatives and actions taken by Treasury under the Troubled Asset Relief Program ("TARP"), the current level of funding of TARP programs, and the administrative activities of the Office of Financial Stability.

Using prepared materials, Treasury officials first reviewed and discussed with the Members the terms, conditions and timing of the key components of the Public-Private Investment Partnership ("PPIP") program announced by Treasury on March 23, 2009. The PPIP program is designed to draw new private capital into the market for legacy assets through the provision of government equity co-investment and public-supported financing and thereby help repair the balance sheets of financial institutions that hold legacy assets and restore liquidity to the market for such assets. This discussion initially focused on the legacy securities component of the PPIP program, through which public-private investment funds ("PPIFs") may acquire legacy securities, such as residential or commercial mortgage-backed securities, from U.S. financial institutions. Such PPIFs would be capitalized through equal equity investments by private investors and Treasury, and would have the ability to obtain debt financing from Treasury or potentially the Term Asset-Backed Securities Loan Facility ("TALF"). Members and officials discussed, among other things, the applications process and selection criteria for prospective PPIF managers, the types of legacy securities that may be acquired by PPIFs, the anticipated timeline for implementation of the legacy securities program, and the terms and conditions (including warrant requirements) that may be applied to fund managers and PPIFs.

The briefing and discussion then turned to the terms, conditions and timing of the legacy loans component of the PPIP program, which will be operated by the Treasury and the Federal Deposit Insurance Corporation ("FDIC"). Under this component of the PPIP program, individual PPIFs will be formed to acquire legacy loans from banking organizations. Such PPIFs would be capitalized by private investors and potentially Treasury, and would have the ability to issue debt backed by FDIC-provided guarantees. Members and officials discussed, among other things, the nature and scope of involvement of Treasury and the FDIC in the legacy loan program, the process for identifying pools of loans for purchase, the potential timing of implementation of the program, and the status of the FDIC's notice and comment rulemaking with respect to the legacy loan program. Members also discussed the potential impact of recently implemented changes to accounting standards on the PPIP program.

Members and officials then discussed the status of, and recent developments concerning, the TALF. For example, officials noted that the first subscription under the TALF was funded on March 25, 2009, with approximately $4.7 billion in loans being provided in support of the issuance of approximately $8.3 billion in consumer-related asset-backed securities ("ABS"), and that the second monthly subscription period was scheduled for April 7, 2009. Members also reviewed and discussed, among other things, the expansion of ABS asset classes eligible for financing under the TALF announced on March 19, 2009, and the potential for the TALF to be expanded both in terms of maximum dollar volume and eligible asset classes, such as recently issued or legacy residential and commercial mortgage-backed securities.

Using written materials, Treasury officials and Members also reviewed and discussed the Automotive Industry Financing Program ("AIFP") and the recent actions taken under the program to assist the domestic automotive industry in becoming financially viable. For example, Members and officials discussed the findings of the Presidential Task Force on the Auto Industry ("Auto Task Force") with respect to the restructuring plans submitted by General Motors Corp. ("GM") and Chrysler Holding LLC ("Chrysler") on February 19, 2009, and the potential for additional financing to be provided to these companies under the existing loan agreements while they pursue restructuring plans consistent with the goals and conditions set by the Auto Task Force.

Treasury officials then briefed the Members regarding the Auto Supplier Support Program ("ASSP") announced on March 19, 2009, which is designed to provide qualified automotive supply companies with financial protection on the receivables owed to these companies by domestic auto manufactures, and to provide auto supply companies with immediate access to liquidity. Treasury officials reviewed with the Members the key terms under which Treasury would make up to $5 billion in loans to special purpose vehicles ("SPVs") established by GM and Chrysler. The SPVs would then use the proceeds of these loans to purchase receivables from participating auto suppliers identified by GM and Chrysler. As part of this discussion, Members discussed ways that Treasury might be able to monitor which auto suppliers are selected by GM and Chrysler to participate in the program.

Treasury officials also briefed the Members concerning the Warranty Commitment Program announced by Treasury on March 30, 2009, which is designed to give consumers who are considering new car purchases from GM and Chrysler confidence that the warranties offered by these manufacturers will be honored during the finite period during which GM and Chrysler are pursuing restructurings that are consistent with the goals and conditions set by the Auto Task Force.

Treasury officials then provided the Members with an update concerning the Unlocking Credit for Small Businesses program announced by Treasury on March 16, 2009. Members and officials discussed, among other things, the terms under which Treasury may purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration ("SBA"), and first-lien mortgage securities made by private-sector lenders in connection with SBA's 504 community development loan program. As part of this discussion, Members also discussed the potential for using the TALF to help support the markets for these types of loans.

Treasury officials then provided the Members with an update regarding the Home Affordable Modification Program ("HAMP") announced by Treasury in February 2009. As part of this discussion, Treasury officials noted the progress being made by Treasury, in conjunction with HUD, FHFA and the Federal banking agencies, among others, in developing the HAMP and related guidelines, protocols and procedures.

Using prepared materials, Treasury officials then provided the Members with an update on the capital purchase program ("CPP"). Members and officials discussed, among other things, the number of applications received and approved by Treasury under the CPP, as well as the amount of funds requested, disbursed, and received or expected to be received by Treasury under the program. Members and officials also discussed the steps taken by Treasury to monitor the lending and intermediation activities of recipients of TARP funds; the results of Treasury's monthly lending and financial intermediation snapshots; and the work being conducted by Treasury, the Federal Reserve and other Federal banking agencies to develop a more in-depth report and analysis of the lending and intermediation activities of recipients of TARP capital using the comprehensive loan and other data reported quarterly by banks and bank holding companies.

Members and officials then reviewed and discussed Treasury's progress in hiring staff, establishing a system of internal controls, and monitoring contractors and agents for the Office of Financial Stability. In addition, Members discussed the recent legislative changes to executive compensation restrictions applicable to TARP recipients, which resulted from the passage of the American Recovery and Reinvestment Act of 2009 ("ARRA"), and the steps being taken by Treasury to develop new guidelines that would implement these restrictions and harmonize these restrictions to the extent possible with the executive compensation guidance previously proposed by Treasury.

Treasury officials then provided the Members with a briefing and update regarding the financial commitments entered into by the Treasury under the TARP, including the aggregate amount of commitments and disbursements under the each TARP program and the resources that remain available under the TARP.

Using written materials prepared by various agencies represented on the Board, the Members then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets. Members and officials discussed, among other things, the difficulty of isolating the beneficial effects of Treasury's actions under the TARP in light of the presence of other government programs, the broader weakness in U.S. and global economic activity, and the normal effects of this economic weakness on lending markets. As part of this discussion, Members and officials reviewed and discussed a variety of financial market data, including data related to short-term borrowing costs, conditions in the commercial paper and ABS markets, credit default swap spreads for selected financial institutions, as well as data related to credit demand and standards drawn from the Federal Reserve's Senior Loan Officer Opinion Survey. In considering the state of the housing and housing finance markets, Members and officials reviewed, among other things, data related to mortgage rates, housing prices, home starts and sales, housing inventory, and delinquency rates. During this discussion, Members also considered and discussed liquidity issues in the market for mortgage lending.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending March 31, 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 5:25 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary