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

A meeting of the Financial Stability Oversight Board ("Board") was held at 4:00 p.m. (EDT) on Thursday, May 28, 2009, at the offices of the Board of Governors of the Federal Reserve System ("Federal Reserve").

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. Allison, Counselor to the Secretary and Nominee for Assistant Secretary of the Treasury for Financial Stability, Department of the Treasury

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

Mr. Wheeler, Deputy Assistant Secretary for Federal Finance, Department of the Treasury

Mr. Madison, Nominee for General Counsel, Department of the Treasury

Ms. Schaffer, Assistant General Counsel for Banking and Finance, Department of the Treasury

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

Mr. Rattner, Lead Advisor to the Secretary on the Automotive Industry and Member of the Presidential Task Force on the Automotive Industry, Department of the Treasury

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

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

Mr. Foley, Senior Advisor, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System

Mr. Clark, Senior Advisor, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System

Mr. Nelson, Associate Director, Division of Monetary Affairs, 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

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

Mr. Lawler, Chief Economist, 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 meeting of the Board held on April 6, 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 Supervisory Capital Assessment Program ("SCAP"), the Capital Assistance Program ("CAP"), the Term Asset-Backed Securities Loan Facility ("TALF"), the Home Affordable Modification Program ("HAMP"), and the Automotive Industry Financing Program ("AIFP") in light of recent developments with respect to each of these programs. Throughout the discussion, Members raised and discussed various matters with respect to these and other programs established by Treasury to implement and achieve the objectives of the TARP.

Treasury and Federal Reserve officials first reviewed and discussed with Members the results of the SCAP, a supervisory exercise conducted by the Federal Reserve and the other Federal banking agencies ("FBAs") in consultation with Treasury. The SCAP was designed to assess how much of an additional capital buffer, if any, each of the 19 largest U.S. bank holding companies ("BHCs") would need to establish now to ensure that the institutions could withstand losses and sustain lending even in a significantly more adverse economic environment than currently anticipated. According to the SCAP results, under the more adverse economic scenario, losses at the 19 largest BHCs could total approximately $600 billion during 2009 and 2010. After taking account of potential resources to absorb those losses and other factors, the SCAP results indicated that: (i) 9 of the 19 firms already had capital buffers sufficient to withstand the adverse scenario, and (ii) 10 of the 19 institutions needed to collectively raise additional common equity of approximately $75 billion.

Members and officials also discussed the process, timing and requirements of the capital plans each of the 10 institutions must submit to their primary FBA describing how the institution will increase or enhance the quality of their capital to meet the required capital buffer. Members also reviewed the status of the efforts of all institutions subject to the SCAP in raising capital from private sources, issuing non-governmental guaranteed debt, and taking other steps to improve their capital position. Federal Reserve officials noted that the 10 firms determined to be in need of additional capital as a result of the SCAP had already raised more than $36 billion of new common equity, with a number of these offerings of common shares being over-subscribed. In addition, it was noted that these firms had announced actions that would generate up to an additional $12 billon of common equity. Members noted that the substantial progress of firms in raising private capital suggested that investors were gaining greater confidence in the banking system and discussed the reactions of the market to the SCAP announcements and the robustness of the assessments undertaken as part of the SCAP.

As part of this discussion, Members also considered and discussed the potential for additional capital to be made available through the CAP, if needed, as well as the potential for institutions to repay the capital previously received under the TARP and the process and conditions for institutions to receive approval to do so.

Using written materials, Members and officials then discussed the status of, and recent developments concerning, the TALF. During this discussion, Federal Reserve officials explained that the amount of loans requested in May under the program increased to $10.6 billion and noted the potential for this trend to continue in the future. Members and officials also discussed the recent expansion of the TALF to include both recently issued and legacy commercial mortgage-backed securities as eligible collateral, as well as the potential for additional eligible asset classes to be included in the TALF, such as recently issued collateralized loan obligations and newly issued and legacy residential mortgage-backed securities. Members and officials also discussed the steps taken by Treasury and the Federal Reserve, working in conjunction with the Special Inspector General for the TARP, to establish internal controls for the TALF that would help prevent fraud and protect taxpayers. Members also discussed efforts to promote participation in the program by small, minority and women-owned businesses.

Treasury officials then provided the Members with an update regarding the HAMP announced by Treasury in February 2009, which is intended to bring relief to responsible homeowners struggling to make their mortgage payments. Members and officials discussed, among other things, the number of first-lien mortgage loans that had been or are expected to be modified under the program; recent improvements to the program to address second-lien mortgages and to encourage short sales or deeds-in-lieu in cases where borrowers are not eligible for, or default on, a HAMP-modified loan; and the amount of funds requested and disbursed from TARP in support of the program. Members and officials also discussed ways that Treasury, working in conjunction with HUD, FHFA and the FBAs could monitor and review lender participation in the program. As part of this discussion, officials from FHFA provided Members with an update on the separate refinancing initiative introduced by Fannie Mae and Freddie Mac for borrowers with high loan-to-value ratios.

Using written materials, Mr. Rattner and other Treasury officials then provided the Members with an update regarding the AIFP and the steps taken by Treasury and the Presidential Task Force on the Auto Industry ("Auto Task Force") to help General Motors Corp. ("GM") and Chrysler LLP ("Chrysler") restructure in order to become financially viable.

During this discussion, Members and officials discussed key aspects of the restructuring plans and processes for GM and Chrysler, as well as the potential impact of these restructurings on bondholders, pension funds and other stakeholders. For example, Members discussed the approximately $3.3 billion in debtor-in-possession financing Treasury will provide to support Chrysler through an expedited chapter 11 proceeding; the exit financing Treasury will provide to facilitate Chrysler's re-launch and alliance with Fiat S.p.A. ("Fiat"); and the 8 percent equity position Treasury will obtain in the new Chrysler. Members also discussed the status and progress of the restructuring process for GM and the potential for Treasury to provide GM with debtor-in-possession financing should GM file for bankruptcy protection.

Members and officials then reviewed and discussed the key terms and timing of Treasury's purchase of mandatory convertible preferred stock of GMAC LLC ("GMAC") following release of the SCAP results, including the $7.5 billion investment made on May 21, 2009, to help address the company's capital needs, stabilize the auto financing market, and contribute to the overall economic recovery of the automotive industry. Members also discussed the exchange of Treasury's pre-existing $884 million loan to GM for common shares of GMAC, as contemplated by the initial loan agreement, and Treasury's ownership position in GMAC following this exchange.

The meeting was adjourned at approximately 5:25 p.m. (EDT).

[Electronically Signed]

Jason A. Gonzalez
Secretary