

Minutes of the Financial Stability Oversight Board Meeting October 28, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 4:45 p.m. (EDT) on Wednesday, October 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. Millstein, Senior Restructuring Officer, Office of Financial Stability, Department of the Treasury

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

Ms. Liang, Senior Associate Director, 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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 4:45 p.m. (EDT).

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 Small Bank and Community Development Financial Institutions (“CDFI”) initiative; the Small Business and Community Lending

Initiative; executive compensation; American International Group, Inc. (“AIG”); the Legacy Securities Public-Private Investment Partnership (“S-PPIP”) Program; and the Home Affordable Modification Program (“HAMP”). Also included in materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the Capital Purchase Program (“CPP”), the Term Asset-Backed Securities Loan Facility (“TALF”), and the Automotive Industry Financing Program (“AIFP”); the most recent data gathered as part of Treasury’s Monthly Lending and Intermediation Snapshots and Report; 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 provided the Members with an overview of the Small Bank and CDFI initiative announced on October 21, 2009, to help increase small business lending by providing lower-cost capital to small banks and regulated CDFIs. Officials and Members discussed, among other things, the terms under which capital would be provided to small banks and CDFIs under the initiative, including the requirement that participating banks develop and submit a plan indicating how the additional capital would help the bank increase its small business lending efforts. For example, Members discussed the amount of capital that would be available to institutions under the initiative (either in the form of preferred stock or, in the case of CDFI

credit unions, subordinated debt), and the dividend or interest rate on such capital or debt. Members also discussed the steps being taken by Treasury to implement the initiative.

Members and officials then discussed the Small Business and Community Lending Initiative and the actions taken by Treasury under this initiative to help restore the flow of credit to small businesses. As part of this discussion, Treasury officials provided an update on 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. Members and officials discussed Treasury’s recent selection of a pool assembler to participate in the pilot program and reviewed the potential timeline for the pilot program to become operational.

Using prepared materials, Treasury officials provided the Members with an update regarding the recent decisions made by the Special Master for Executive Compensation. As part of this discussion, Members and officials reviewed and discussed the determinations issued by the Special Master on October 22, 2009, regarding the compensation for the Senior Executive Officers and other highly-compensated employees of TARP recipients that have received exceptional assistance, and the general characteristics of the compensation structures approved by the Special Master. Members and officials also discussed the Special Master’s ongoing review of the compensation structures for the remaining

executive officers and other highly-compensated employees at these firms.

Using prepared materials, Treasury officials then provided the Members with an update on AIG, which included a review of AIG's capital position, earnings and major sources of risk, as well as the status of the supports provided by the U.S. government to help stabilize the company and facilitate its ongoing global divestiture program. As part of this discussion, Members and officials also reviewed the company's recent progress in selling several of its businesses and portfolios and in reducing risk exposures at AIG Financial Products.

Treasury officials then provided the Members with an update on the S-PPIP. As part of this discussion, Members and officials discussed the capital allocation amounts Treasury has issued in connection with the initial closings of the initial Public-Private Investment Funds ("PPIFs") established under the program and the potential timing of future closings. Members and officials also reviewed Treasury's progress in establishing internal controls and an external reporting framework for the program.

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, the number of servicers participating in the program, and potential challenges to the conversion of trial modifications into permanent modifications and the steps being taken to address these challenges. Officials also discussed the meeting held

by Treasury on October 8, 2009, with participating servicers in the program. During this discussion, Mr. Donovan provided an update on the Department of Housing and Urban Development's progress in implementing additional changes to the HOPE for Homeowners program, including the recent issuance of an updated and revised mortgage letter for the program. Mr. Donovan also discussed the ongoing actuarial review of the Federal Housing Administration's Mutual Mortgage Insurance Fund.

Members and officials then reviewed and discussed Treasury's investment in GMAC LLC ("GMAC"), including the \$7.5 billion investment made on May 21, 2009, following release of the SCAP results, to help address the company's capital needs, stabilize the auto financing market, and contribute to the overall economic recovery of the automotive industry. As part of this discussion, Members also considered and discussed the potential for additional capital to be made available to GMAC consistent with the previously announced SCAP process.

Following these briefings, Members then engaged in a general discussion regarding the current status of and potential future actions under TARP. As part of this discussion, Members discussed the actions taken by Treasury under TARP to help relieve strains in the credit markets and support the housing market and responsible mortgage borrowers; the potential for additional actions that might be taken by Treasury to complement the policies and programs already in place; the authority of the Secretary of the Treasury to extend TARP in accordance with the Emergency Economic Stabilization Act of 2008; and

potential exit strategies for TARP programs.

The meeting was adjourned at approximately 5:50 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary