Minutes of the Financial Stability Oversight Board Meeting
May 17, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Monday, May 17, 2010, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Schapiro[1]
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. Bloom, Senior Advisor, Department of the Treasury

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

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

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Bass, Program Director, Public Private Investment Partnership, Office of Financial Stability, Department of the Treasury

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

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

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission[1]

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Special Advisor to the Office of the Director, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 3:00 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on April 15, 2010, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical

[1] Participated by telephone.

revisions as may be received from the Members.

Using prepared materials, officials from the Treasury then provided an update on the programs established or proposed to be 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 Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); the Home Affordable Modification Program ("HAMP"); and the Housing Finance Agency Innovation Funds for the Hardest-Hit Housing Markets ("HFA Hardest-Hit Funds"). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the recent dividends received under the Capital Purchase Program ("CPP"); proceeds received from recent public auctions held by Treasury to sell the warrants it had received under the TARP; aggregate information of allocated and disbursed amounts under TARP; information concerning actions taken by Treasury in response to recommendations by the Government Accountability Office ("GAO") and the Special Inspector General for the TARP; and the most recent data gathered as part of Treasury's monthly HAMP report. During the meeting, Members raised and discussed various matters with respect to the development, ongoing implementation, and effects of the policies and programs under TARP.

Treasury officials first discussed recent developments under the AIFP. Treasury's officials described the outlook for the domestic automobile industry operating performance and financial position of General Motors ("GM") and Chrysler LLC ("Chrysler"), and discussed recent developments concerning Treasury's holdings in GM and Chrysler, including GM's recent $4.7 billion repayment of debt owed to Treasury, which was five years ahead of the loan maturity date and ahead of the accelerated repayment schedule the company announced last year. Treasury officials also discussed the expected $1.9 billion repayment by Chrysler Holding, the parent company of Chrysler, and the impact of this repayment on the financial statements of the Office of Financial Stability.

Treasury officials then reviewed 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 this discussion, Treasury officials and Members discussed the new valuations of TARP's investments and commitments as of March 31, 2010. Based on these valuations, the projected cost of the TARP had decreased by approximately $11.4 billion to $105.4 billion since the President's FY 2011 Budget was announced.

Treasury officials then reviewed and discussed actions taken by Treasury to sell additional shares of common stock of Citigroup Inc. Treasury also provided an update on other recent or expected public auctions to sell warrants. Treasury officials also informed Members that a bank subsidiary of Midwest Bank Holdings ("MBH"), a recipient of approximately $89 million in preferred stock under the CPP, had failed following

MBH's inability to secure additional capital.

Treasury officials then provided the Members with an update on Treasury's pilot program under the CBLI to purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration ("SBA"). During this discussion, Treasury officials reviewed the aggregate level of participation under the program.

Treasury officials then provided the Members with an update on the S-PPIP. As part of this discussion, Members and officials discussed the amount of equity capital and debt funding provided to, and invested by, fund managers under the S-PPIP, the progress by fund managers in raising private capital, and returns to date on S-PPIP investments. Officials noted that as of March 31, 2010, the PPIFs had completed initial and subsequent closings on approximately $6.3 billion of private sector equity capital, which was matched 100 percent by Treasury, representing $12.5 billion of total equity capital. Treasury also has provided $12.5 billion of debt capital. As of March 31, 2010, PPIFs had drawn-down approximately $10.5 billion in capital, which has been invested in eligible assets and cash equivalents pending investment.

Treasury officials then provided Members with an update on Treasury's plan to provide lower-cost capital under TARP to qualified Community Development Financial Institutions ("CDFIs") under the CDCI. As part of this discussion, Members and officials discussed the number of potentially eligible institutions that may participate in the program, the number of CDFIs participating in the CPP that have sought to exchange the capital received under the CPP for capital under the CDCI, subject to the maximum size limits established for the program, and the process established by Treasury for funding approved CDFIs under the program.

Treasury officials then provided the Members with an update on the HAMP. As part of this discussion, Treasury officials reviewed with Members recent data for HAMP, including data showing an increase in the number of permanent modifications under the program between March 31 and April 30, 2010. Treasury officials noted that, as of April 30, 2010, more than 1.48 million homeowners had received offers for temporary modifications and nearly 300,000 homeowners had been granted permanent modifications. Members and officials also reviewed and discussed the aggregate number of temporary modifications initiated at least six months ago, the pace of conversions from temporary to permanent modifications by servicers, the performance of borrowers under temporary and permanent modifications made under the program, and the utilization of foreclosure alternatives available under the Home Affordable Foreclosure Alternatives Program ("HAFA") to borrowers unable to complete or perform under a modification. As part of this discussion, Mr. Donovan provided an update on the recent summit meeting hosted by the Administration with representatives from participating mortgage servicing companies to discuss ways to move qualified homeowners into permanent modifications, improve homeowners' HAMP experience, quickly implement

the Second Lien Modification Program and HAFA, and continue progress on new trial modification starts. Treasury officials noted that the Administration recently outlined its plans to begin reporting more detailed performance measures for servicers by July 2010.

Treasury officials then provided the Members with an update on the HFA Hardest-Hit Funds to help address the housing problems facing those eligible states that have been particularly hard hit by house price declines or unemployment. As part of this discussion, Treasury officials provided an overview of the types of specialized foreclosure prevention and mitigation proposals submitted by Housing Finance Agencies ("HFAs") under the program, which include measures to address unemployment, loan-to-value ratios in excess of 100 percent, or second mortgages. Members and officials also discussed the potential for participating HFAs to achieve additional leverage through private investment.

The meeting was adjourned at approximately 4:05 p.m. (EDT).

[Signed Electronically]

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Jason A. Gonzalez
Secretary