Minutes of the Financial Stability Oversight Board Meeting
July 28, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held telephonically at 2:30 p.m. (EDT) on Tuesday, July 28, 2010.

MEMBERS PARTICIPATING BY TELEPHONE:

Mr. Bernanke, Chairperson
Mr. Donovan
Mr. DeMarco

STAFF PARTICIPATING BY TELEPHONE:

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

AGENCY OFFICIALS PARTICIPATING BY TELEPHONE:

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

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

Mr. Clair, Senior Advisor to the Counselor to the Secretary and Assistant Secretary for 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. Apgar, Senior Advisor to the Secretary, 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

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

Chairperson Bernanke called the meeting to order at approximately 2:35 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on June 28, 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 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 legislative changes to TARP authority following the

enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"); the Home Affordable Modification Program ("HAMP"); the Housing Finance Agency Innovation Funds for the Hardest Hit Housing Markets ("Hardest-Hit Funds"); the Public-Private Investment Program ("PPIP"); the Capital Purchase Program ("CPP"); and the Community Development Capital Initiative ("CDCI"). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the dividends received under the CPP; proceeds received from 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 certain recommendations by the Government Accountability Office ("GAO") and the Special Inspector General for the TARP; the Making Home Affordable Program Servicer Performance Report through June 2010; the joint Treasury-HUD monthly scorecard on the nation's housing market for July 2010; and the Legacy Securities Public-Private Investment Program update for the quarter ended June 30, 2010. 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 briefed Members on the changes Treasury has implemented to the TARP as a result of the Dodd-Frank Act. Treasury officials noted that the Dodd-Frank Act includes provisions that: (i) cap total disbursements under TARP at $475 billion; (ii) prohibit Treasury from using TARP investments that are repaid by financial institutions to increase TARP spending; and (iii) prohibit Treasury from incurring obligations under TARP for any program or initiative that was not initiated prior to June 25, 2010. Treasury officials then reviewed with Members the changes made to the funding allocation for certain TARP programs to bring the aggregate amount of allocations under TARP in line with the new $475 billion cap on TARP authority.

Using prepared materials, Treasury officials then provided the Members with an update on the HAMP. As part of this discussion, Treasury officials reviewed with Members the data from the Making Home Affordable Program Servicer Performance Report through June 2010, including data regarding the number of permanent modifications, canceled trial modifications, and new trials started, and the expected effect of full transition to verified income trial modifications on the rate of new trials. Treasury officials reported that, after the June 2010 report was released, Fannie Mae, which administers the Making Home Affordable program, reported to Treasury an issue in its implementation of the delinquency statistic methodology used to report performance of permanent modifications. Treasury officials and Members discussed the nature and scope of the problem with Fannie Mae's delinquency reporting methodology, the potential impact of the issue on the delinquency statistics for HAMP modifications, and the steps being taken by Fannie Mae and Treasury to resolve the matter expeditiously.

Treasury officials then provided the Members with an update on the

Hardest Hit Funds, which are designed to help address the housing problems facing those eligible states that have been particularly hard hit by unemployment or house price declines. Officials reviewed the progress being made by those states whose programs were approved by Treasury under the first $1.5 billion Hardest Hit Fund in building the infrastructure for their programs and preparing their readiness assessments and compliance plans; and Treasury's progress in preparing for the closings expected under the second $600 million Hardest Hit Fund, which are scheduled for early August 2010. Treasury officials and Members also discussed the potential for future expansions of the Hardest Hit Funds program.

Using prepared materials, Treasury officials then provided the Members with an update on the legacy securities PPIP. Officials noted that, as of June 30, 2010, the PPIFs had completed initial and subsequent closings on approximately $7.4 billion of private sector equity capital, which was matched 100 percent by Treasury, representing $14.7 billion of total equity capital. Treasury also has provided $14.7 billion of debt capital to the PPIFs. As of June 30, 2010, PPIFs had drawn-down approximately $16.2 billion in capital, which has been invested in eligible legacy securities and cash equivalents pending investment in legacy securities. Treasury officials also reviewed with Members the returns achieved to date by the PPIFs, while noting that the funds are in their early stages.

Treasury officials then reviewed the recent steps taken by Treasury to sell the common stock it holds in Citigroup, Inc. ("Citigroup"). Treasury officials noted that, as a result of the first two pre-arranged written trading plans entered into with Morgan Stanley, which is acting as the sales agent for Treasury in connection with the disposition of the Citigroup common stock, Treasury completed the sale of 2.6 billion of Citigroup common stock (approximately one-third of Treasury's holdings) through June 30, 2010, resulting in gross proceeds of approximately $10.5 billion. Treasury also indicated that it had entered into a third pre-arranged written trading plan with Morgan Stanley to sell an additional 1.5 billion shares of Citigroup common stock subject to certain parameters. Treasury officials also provided an update on other recent transactions under the CPP, including Treasury's exchange of $46.4 million of preferred stock in First Merchants Corporation for an equivalent amount of trust preferred securities on June 30, 2010, and Treasury's exchange in July 2010 of $400 million of preferred stock in First BankCorp for an equivalent amount plus capitalized accrued and unpaid dividends of mandatorily convertible preferred stock.

Treasury then provided an update on its plan to provide lower-cost capital under TARP to qualified Community Development Financial Institutions ("CDFIs") under the CDCI. During this discussion, Treasury officials discussed the number of applications Treasury has received under the program, the characteristics of institutions applying under the CDCI, and the potential timeline for processing the applications Treasury has received under the program.

The meeting was adjourned at approximately 3:15 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary