

Minutes of the Financial Stability Oversight Board Meeting

November 29, 2010

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Monday, November 29, 2010, at the offices of the Federal Housing Finance Agency (“FHFA”).

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. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

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

Mr. Millstein, Senior Restructuring Advisor, 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. 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

Mr. Ugolleti, Senior Advisor to the Office of the Director, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:00 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on October 29, 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, Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the American International Group, Inc. (“AIG”); the Capital Purchase Program (“CPP”); the

Automotive Industry Financing Program (“AIFP”); the Making Home Affordable (“MHA”) program and related initiatives; the Hardest Hit Funds Initiative (“HHF”); and the annual financial statements for the Office of Financial Stability (“OFS”). Also included in the materials prepared for the meeting were updates concerning the other programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials first provided the Members with an update on AIG, which included a review of the operating results and earnings announced by AIG for the third quarter of 2010, the current status of U.S. Government support for AIG, and the status and significant closing conditions of the previously announced comprehensive restructuring plan entered into with Treasury, the Federal Reserve Bank of New York, and the trustees of the AIG Credit Facility Trust that is designed to repay all of the company’s obligations to American taxpayers. As part of this discussion, Treasury officials also discussed AIG’s process in winding down the company’s financial products business unit.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury’s progress in selling the common stock of Citigroup, Inc. (“Citigroup”) and Treasury’s plans for selling additional common stock and securities of Citigroup in the future. Treasury officials also provided an update on recent sales of warrants received under

the CPP and exchanges of Treasury’s CPP investments in certain institutions. As part of this discussion, Members and officials also discussed the likely pace of future CPP repayment and its influence on the return to taxpayers. Treasury officials also provided an update on the number of CPP institutions that have not paid dividends or interest on their CPP obligations and on Treasury’s progress in selecting observers and identifying director-candidates to attend the board of directors of CPP institutions that have missed five or more dividend (or interest) payments. Treasury also reviewed the status of Treasury’s CPP investments in two institutions whose subsidiary banks recently failed.

Treasury officials then updated the Members on recent developments involving General Motors, Inc. (“GM”) under the AIFP. Treasury officials noted that, on November 17, Treasury sold 358.5 million shares of GM common stock held under the AIFP for approximately \$11.7 billion in net proceeds. Officials noted that the offering was priced at the high end of the revised pricing range and the underwriters of the offering have a 30-day option from the date of the original pricing on November 17 to purchase up to an additional 53.8 million shares of GM common stock from Treasury. If fully exercised, the option would result in further net proceeds of \$1.9 billion to Treasury. In addition, Treasury officials reported that GM had agreed to repurchase Treasury’s preferred shares in the company for approximately \$2.1 billion, which transaction was expected to close in December 2010.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives, including the Home

Affordable Modification Program (“HAMP”). Among the matters discussed were: numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Unemployment Forbearance Program and the Home Affordable Foreclosure Alternatives program. Treasury officials then discussed Treasury’s progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), including the development of a web-portal that allows borrowers to run a net-present value (“NPV”) analysis, and provides borrowers who are turned down for a HAMP modification with the input data used to evaluate their application. Treasury officials also reviewed the primary reasons why proposed loan modifications under HAMP may fail to meet the NPV test governing modifications.

Using prepared materials, Treasury officials then provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each of the Hardest Hit Funds and Treasury’s progress in expanding the HHF initiative to support programs sponsored by Housing Finance Agencies (“HFAs”) in eligible states that have experienced an unemployment rate at or above the national average over the past 12 months. Treasury officials noted that, as of November 29, 2010, 11 HFAs have drawn more than \$95 million from the \$7.6 billion allocated to the HHF initiative under the TARP. Secretary Donovan also provided a brief up date of HUD’s Emergency Homeowner Loan Program (“EHLR”), which has been authorized by

Dodd-Frank Act and is designed to assist unemployed borrowers in states not served by the Treasury’s Hardest Hit Initiative. Mr. Donovan noted HUD’s goal to have the EHLR operational by early 2011.

Treasury officials then reviewed the OFS Agency Financial Report for Fiscal Year 2010, which describes the activities and financial results for the TARP for the fiscal year beginning October 1, 2009, ending on September 30, 2010 (“Financial Report FY2010”). The Government Accountability Office audited the FY 2010 financial statements prepared by OFS for the TARP and found that the OFS maintained, in all material respects, effective internal control over financial reporting and found no material weaknesses in OFS internal controls. Following this discussion, Mr. Donovan provided an update on the ongoing actuarial review of the Federal Housing Administration’s Mutual Mortgage Insurance Fund.

The meeting was adjourned at approximately 3:00 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary