

Minutes of the Financial Stability Oversight Board Meeting December 20, 2010

A meeting of the Financial Stability Oversight Board (“Board”) was held at 4:30 p.m. (EST) on Monday, December 20, 2010, 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. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Ms. Florman, Acting Chief Reporting Officer, Office of Financial Stability, Department of the Treasury

Mr. Clair, Senior Advisor to the Acting Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Mr. Jennings, Senior Associate Director, Division of Banking Supervision & Regulation, Board of Governors of the Federal Reserve System

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 4:40 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on November 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 Treasury’s investment in Citigroup, Inc. (“Citigroup”) and other investments made under the Capital Purchase Program (“CPP”); the Making Home Affordable (“MHA”) program and related initiatives; and the actions taken by Treasury in response to certain recommendations by the Government Accountability Office (“GAO”) and the Special Inspector General for the TARP (“SIGTARP”). 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.

Treasury officials first reviewed the status of its common stock investment in Citigroup. Treasury officials noted that, on December 10, Treasury completed the sale of the final approximately 2.4 billion common shares of Citigroup held by Treasury for proceeds of approximately \$10.5 billion. As of December 10, Treasury had received approximately \$57 billion in repayments, interest, dividends and sale proceeds from the investments made or received in Citigroup under the CPP, the Targeted Investment Program and the Asset Guarantee Program, representing a \$12 billion realized profit over the \$45 billion that Treasury invested in Citigroup under TARP.

Treasury officials then discussed the number of institutions that have not paid dividends or interest on their CPP securities obligations, and reviewed

Treasury’s response to CPP institutions that have missed five or more dividend (or interest) payments, including Treasury’s progress in selecting observers and identifying director-candidates to attend the board of directors’ meetings. As part of this discussion, Federal Reserve officials reviewed the supervisory process and criteria for considering requests by CPP institutions to redeem the capital issued to Treasury or increase their dividends or other capital distributions. Members and officials also discussed the likely pace of future CPP repayments and its effect on the return to taxpayers under TARP.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives. Among the matters discussed were the numbers of temporary and permanent modifications made under HAMP; implementation progress, including public reporting of data for the Second-Lien Modification Program, the Home Affordable Foreclosure Alternatives Program, the Principal Reduction Alternatives Program, the Unemployment Program and the FHA Short Refinance program; and recent developments with respect to the Hardest Hit Fund program. As part of this discussion, Treasury officials also reviewed the timetable for completing additional refinements to the web-portal that would allow borrowers to run a net-present value (“NPV”) analysis, and provide borrowers who are turned down for a HAMP modification with the input data used to evaluate their application. Treasury officials also discussed certain privacy considerations with respect to the data used to create the model.

Using prepared materials, Treasury officials then provided an update on Treasury's progress in implementing the recommendations made by GAO and SIGTARP regarding the TARP. In particular, Treasury reviewed the number and nature of such recommendations that Treasury has implemented, is in the process of implementing, or that Treasury did not plan on implementing because Treasury did not believe the recommendation would further the purposes of the TARP or advance the interests of taxpayers.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The data reviewed included data related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and supply. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 2010, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential contents of the report.

The meeting was adjourned at approximately 5:30 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary