

## Minutes of the Financial Stability Oversight Board Meeting June 16, 2011

A meeting of the Financial Stability Oversight Board (“Board”) was held at 4:30 p.m. (EDT) on Thursday, June 16, 2011, at the offices of the Department of the Treasury (“Treasury”).

### MEMBERS PRESENT:

Mr. Bernanke, Chairperson  
Mr. Donovan  
Ms. Schapiro<sup>1</sup>  
Mr. DeMarco

### STAFF PRESENT:

Mr. Treacy, Executive Director  
Mr. Gonzalez, General Counsel  
and 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. Pendo, Director of Investments,  
Office of Financial Stability,  
Department of the Treasury

Mr. Hopkins, Special Assistant 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. Delfin, Special Counsel to the  
Chairman, Securities and Exchange  
Commission<sup>1</sup>

Mr. Lawler, Chief Economist,  
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  
May 23, 2011, 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.

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 Automotive  
Industry Financing Program (“AIFP”);  
the American International Group, Inc.  
 (“AIG”); the Capital Purchase Program  
 (“CPP”); the Making Home Affordable  
 (“MHA”) program and related initiatives;  
and the Hardest Hit Fund Initiative  
 (“HHF”). Among the materials  
distributed in advance of the meeting was  
the monthly report issued by Treasury  
under Section 105(a) of the Emergency  
Economic Stabilization Act (“EESA”),  
which contains information concerning  
the programs established by Treasury

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<sup>1</sup> Participated by telephone.

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 materials distributed at the meeting, Treasury officials then provided an update on the AIFP. As part of this discussion, Treasury officials reviewed the status of Treasury's investments under the program, including Treasury's recent exit from its investment in Chrysler Group LLC ("Chrysler"). Officials noted that, on May 24, 2011, Chrysler had repaid \$5.1 billion in TARP loans to Treasury and terminated its ability to draw on the \$2.1 billion loan commitment that remained available to Chrysler under the AIFP. Officials also discussed the agreement Treasury reached on June 2, 2011, to sell Treasury's remaining 6 percent fully diluted equity interest in Chrysler and Treasury's interest in an agreement with the UAW retirement trust to Fiat S.p.A. ("Fiat"), and distribution of the proceeds stemming from the transaction. Officials noted that Chrysler has returned more than \$11.2 billion of the \$12.5 billion Treasury committed to Chrysler under the AIFP through principal repayments, interest, and cancelled commitments. Treasury is unlikely to fully recover its remaining outstanding investment of approximately \$1.3 billion in Chrysler. Officials also discussed Treasury's investment in General Motors, Inc. ("GM") and Ally Financial, Inc. ("Ally"), and the public and private options available to exit from these investments.

Using materials distributed at the meeting, Treasury officials then provided

the Members with an update on the U.S. government's investment in AIG. Officials discussed AIG's public equity offering on May 27, 2011, under which Treasury completed the sale of 200 million common shares of AIG for approximately \$5.8 billion. Following the transaction, Treasury continued to hold approximately 77 percent of the outstanding common shares of AIG.

Using prepared materials, Treasury officials provided an update on the CPP. Treasury officials discussed with the Members the results of Treasury's daily TARP update for June 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. As part of this discussion, Treasury officials also discussed the concentration of CPP investments remaining in smaller institutions and the likely pace of future repayments from these institutions. Officials also updated the Members on the status of missed dividend or interest payments by institutions participating in the CPP and Treasury's progress in identifying candidates to serve as directors for institutions that have missed at least six payments.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on Treasury's program to purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration ("SBA"), under which Treasury had originally purchased securities with a value of approximately \$368 million. During this discussion, Treasury officials noted that, on June 3,

2011, Treasury announced its intention to begin the disposition of the SBA 7(a) securities portfolio over time, as part of ongoing efforts to wind-down TARP. Specifically, on June 7, 2011, Treasury sold six SBA 7(a) securities for approximately \$75 million, which represents overall gains and income of approximately \$2.8 million.

Using materials distributed at the meeting, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program, and the Home Affordable Foreclosure Alternatives Program. Members and officials also discussed the results of the quarterly servicer assessments Treasury had published with the April 2011 MHA Public Report, which summarize performance for the 10 largest MHA participating servicers from reviews conducted during the first quarter of 2011. Treasury officials discussed the approaches taken: to evaluate program implementation for each servicer; identify servicers needing improvement; and to ensure that servicers address all instances of non-compliance identified by Treasury.

Treasury officials then provided the Members with an update on the HHF. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Treasury officials noted that 17 states and the District of Columbia have begun operating HHF programs statewide.

Illinois, which is currently operating a pilot, is expected to begin operating its statewide program in the coming months. Following this discussion, Secretary Donovan provided a brief update of HUD’s Emergency Homeowner Loan Program (“EHLP”), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is designed to assist unemployed borrowers in states not served by the HHF. Mr. Donovan noted that the EHLP is operational in several states.

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, mortgage originations, foreclosures, housing prices, and sales. 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 June 30, 2011, 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 content of the report.

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

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Jason A. Gonzalez  
General Counsel and Secretary