

## Minutes of the Financial Stability Oversight Board Meeting September 26, 2011

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, September 26, 2011, at the offices of the Department of the Treasury.

Mr. Lawler, Chief Economist,  
Federal Housing Finance Agency

Mr. Astrada, Senior Attorney,  
Board of Governors of the Federal  
Reserve System

### MEMBERS PRESENT:

Mr. Bernanke, Chairperson  
Mr. Donovan  
Ms. Schapiro  
Mr. DeMarco

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

### STAFF PRESENT:

Mr. Treacy, Executive Director

The Board first considered draft minutes for the meeting of the Board on August 29, 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.

### AGENCY OFFICIALS PRESENT:

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

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

Mr. Kingsley, Deputy Chief,  
Homeownership Preservation Office,  
Office of Financial Stability,  
Department of the Treasury

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

Mr. Ryan, Chief Risk Officer,  
Department of Housing  
and Urban Development

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

Officials from the Department of the Treasury (“Treasury”) then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the Capital Purchase Program (“CPP”); the Public-Private Investment Program (“PPIP”); the American International Group, Inc. (“AIG”); the Automotive Industry Financing Program (“AIFP”); 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 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 discussed with Members the Treasury's daily TARP update report as of September 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual TARP investments.

Using prepared materials, Treasury officials provided an update on the CPP. Officials discussed Treasury's progress in selling the portfolio of warrant positions Treasury received as consideration for investments Treasury made under the CPP. Officials noted that Treasury had recently commenced two secondary public offerings of approximately 17.8 million warrants to purchase the common stock of SunTrust Banks, Inc. ("SunTrust"). The aggregate net proceeds Treasury expects to receive from these offerings will provide an additional return to the taxpayer from Treasury's investment in SunTrust beyond the dividend payments it received on the related preferred stock. As part of this discussion, Treasury officials provided an update on the Small Business Lending Fund ("SBLF"), a non-TARP program that provides capital to smaller banking organizations for use in lending to small businesses. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance. Officials discussed the status of the funding Treasury has provided under the program, noting that, as of August 31, 2011, eligible institutions had replaced

approximately \$857 million in CPP investment with funds provided by the SBLF. Officials then discussed the status of missed dividend or interest payments by institutions participating in the CPP and described Treasury's progress in identifying candidates to serve as directors for these institutions.

Using prepared materials, Treasury officials provided the Members with an update on the PPIP. Officials noted the relative performance of the funds established under the PPIP.

Using prepared materials, Treasury officials then provided the Members an update on the U.S. government's investment in AIG. Officials noted the composition of the investment and the valuation of AIG shares, and discussed with Members the strategic options for winding down its investment in AIG.

Treasury officials then provided an update on the AIFP, which included an update on Treasury's investment in General Motors, Inc. and Ally Financial, Inc., and the alternatives available to exit from these investments.

Using prepared materials, 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 ("UP"), and the Home Affordable Foreclosure Alternatives Program ("HAFA"). Officials noted that the number of new permanent modifications was

approximately 30,000 for July, bringing the total number of permanent modifications begun under the program to approximately 790,000. Officials also noted that the realized aggregate savings in monthly mortgage payments to homeowners in permanent modifications under the program had reached approximately \$7.8 billion. As part of this discussion, officials reviewed the results of Treasury's quarterly assessment for the 10 largest MHA participating servicers for the second quarter of 2011. Based on this latest assessment, two servicers, Bank of America, N.A. and J.P. Morgan Chase Bank, N.A., were determined to need substantial improvement. Officials noted that these servicers were also in need of substantial improvement in the servicer assessment for the first quarter of 2011 and Treasury will continue to withhold servicer incentive payments under the program that otherwise would be made. Five servicers were found to need moderate improvement, including two firms that had been identified in the first quarter as needing substantial improvement. The remaining three servicers required only minor improvement.

Treasury officials then provided an update on the HHF initiative. As part of this discussion, officials noted that a total of approximately \$541 million had been disbursed under the TARP by Housing Finance Agencies ("HFAs") in the 18 states and the District of Columbia that are eligible for the program. Under the HHF, each participating HFA has a separate funding allocation and timeline for implementation of its programs and draws down its allocated funds from the TARP as needed. Officials and members also discussed the operation of those HFA programs that purchase non-

performing loans directly from sellers to facilitate modifications of those loans. Officials noted that a meeting between Treasury and all participating HFAs is scheduled for early November 2011, during which participants will discuss their experiences with the program with the goal of advancing best practices.

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 and refinancing activity of the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending September 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 2:45 p.m. (EST).

[Signed Electronically]

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William F. Treacy  
Executive Director