Minutes of the Financial Stability Oversight Board Meeting
October 24, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, October 24, 2011, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

Ms. Caldwell, Chief, Homeownership Preservation Office, 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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:05 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on September 26, 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.

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 Treasury's daily TARP update report as of October 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. Treasury officials noted an increase in the overall cost of TARP primarily due to lower share prices for shares of AIG and General Motors, Inc. ("GM").

Using prepared materials, Treasury officials provided an update on the Small Business Lending Fund ("SBLF"), a non-TARP program that provides capital to smaller banking organizations to facilitate lending to small businesses. Officials noted that, as of September 30, 137 institutions had used approximately $2.2 billion in SBLF funds to repurchase their respective CPP obligations as contemplated by the law creating the SBLF.

Officials then discussed Treasury's progress in selling the portfolio of preferred shares and warrant positions Treasury received as consideration for investments made under the CPP. Officials noted that, as of September 30, Treasury still held investments in approximately 390 institutions, most of which are small, community banks, and some of which have been certified by Treasury as community development financial institutions. As part of this discussion, officials also noted that Treasury had recently converted its investment of $424.2 million of mandatory convertible preferred stock in First BanCorp to common stock following the institution's fulfillment of certain conditions, including those related to its capital plan.

Using prepared materials, Treasury officials provided the Members with an update on the PPIP. Under the program, Treasury has committed $22.1 billion in equity and debt to public-private investment funds ("PPIFs ") established by private sector fund managers for the purpose of purchasing certain legacy residential mortgage-backed securities and non-agency commercial mortgage-backed securities from banks, insurance companies, mutual funds, pension funds, and other eligible sellers. Fund managers and private investors also have committed $7.4 billion in equity to these funds. During this discussion, officials noted that Invesco Ltd. had voluntarily terminated its ability to draw funds from the PPIP.

Treasury officials then provided an update on Treasury's remaining AIFP investments, including investments in GM and Ally Financial, Inc. ("Ally"), and the alternatives available to exit from these investments. As of September 30, 2011, Treasury's current investment in GM consisted of approximately 500 million shares of common stock, representing a 32 percent stake in the company. Treasury's investment in Ally consisted of 74 percent of the firm's common shares and $5.9 billion in aggregate liquidation preference of mandatorily convertible preferred stock.

Using prepared materials, Treasury officials then provided the Members with 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.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Officials reported that, as of August 2011, the number of new permanent modifications under HAMP was more than approximately 25,000, bringing the total number of permanent modifications started under the program to approximately 816,000. Treasury officials then provided an update on the Housing Finance Agency ("HFA") Innovation Funds for the HHF initiative. As part of this discussion, officials reviewed the steps taken by each of the 19 HFAs to meet and discuss their respective experiences with the program and Treasury's requirement that the HFAs report publicly information related to the take-up and performance of their respective HHF-sponsored programs. Officials also briefed members on recent changes to the Home Affordable Refinance Program ("HARP"), a non-TARP program offered by Fannie Mae and Freddie Mac.

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 of the report.

The meeting was adjourned at approximately 2:45 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez,
General Counsel and Secretary