

Minutes of the Financial Stability Oversight Board Meeting November 28, 2011

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, November 28, 2011, at the offices of the Federal Housing Finance Agency (“FHFA”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Schapiro¹
Mr. DeMarco

STAFF PRESENT:

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

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. Rasetti, Chief Financial 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 Commission¹

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 October 24, 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 annual financial statements for the Office of Financial Stability (“OFS”); the Capital Purchase Program (“CPP”); the American

¹ Participated by telephone.

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 (“105(a) report”), 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 November 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. As part of this discussion, Treasury officials discussed the OFS financial statements for TARP for fiscal year 2011 (“FY 2011”). Officials noted that the Government Accountability Office (“GAO”) audited the FY 2011 financial statements prepared by OFS for 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 as of September 30, 2011. Treasury officials also discussed the steps being taken by Treasury to address the one significant deficiency identified by GAO in OFS’s internal controls surrounding accounting and financial reporting processes as well

as the improvements made by OFS relative to FY 2010.

Officials then provided an update on Treasury’s effort to wind down the CPP while maximizing overall returns to the taxpayers. Officials noted that Treasury intends to retain a financial advisor to help Treasury evaluate options for the continued management and ultimate recovery of the remaining investments. Officials then provided an overview of Treasury’s largest CPP investments by geographic region and noted that Treasury has begun to provide more detailed information regarding the geographic distribution of its investments as part of Treasury’s monthly 105(a) report. As part of this discussion, Treasury officials provided an update on the number of CPP recipients that refinanced TARP investments through the Small Business Lending Fund (“SBLF”), a non-TARP program that provides capital to smaller banking organizations to facilitate lending to small businesses. Officials also reported on Treasury’s progress in identifying candidates to serve as directors for institutions that have missed at least six dividend or interest payments on CPP investments. As of October 31, Treasury still held investments in 375 institutions, most of which are small, community banks, and some of which have been certified by Treasury as community development financial institutions.

Treasury officials then provided Members with an update on the disposition of Treasury’s SBA 7(a) securities portfolio as part of Treasury’s ongoing efforts to wind-down TARP investments where possible. Officials reported that, as of October 31, 2011, Treasury had sold a total of 23 SBA 7(a)

securities for approximately \$271.7 million, representing overall income and gains of approximately \$7.5 million. As of October 31, Treasury continued to hold eight SBA 7(a) securities under the program.

Using prepared materials, Treasury officials then provided an update on Treasury's remaining investments under the AIFP, including its investments in General Motors Corp. ("GM") and Ally Financial, Inc. ("Ally"), and potential approaches available to ultimately exit from these investments. As of October 31, 2011, Treasury's investment in GM consisted of approximately 500 million shares of common stock, representing a 32 percent ownership 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 that, on November 1, 2011, Treasury received an additional repayment from AIG of approximately \$972 million, which was funded through the scheduled release of escrow proceeds from AIG's previously announced sale of its American Life Insurance Co. to MetLife, Inc. Officials noted that the proceeds were used to further redeem Treasury's preferred equity interest in AIA Aurora LLC, a subsidiary of 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"). Members and officials expressed their appreciation to Ms. Caldwell for her years of distinguished service as Chief of the OFS Homeownership Preservation Office. Officials reported that Mr. Kingsley would be assuming that position. Officials also reported that during the month of September 2011 the number of new permanent modifications under HAMP were more than approximately 40,000, bringing the cumulative number of permanent modifications started under the program to approximately 850,000. Officials noted that the larger magnitude of the September increase was attributed, in part, to technical enhancements made to its internal system of records for HAMP and was not expected to be sustained in future reporting periods.

Treasury officials then provided an update on the Housing Finance Agency ("HFA") Innovation Funds under the HHF initiative. Treasury officials reported that, as of October 31, there were 55 programs in operation across the 19 HFAs involved in the HHF. Officials reported that the HFAs were working to refine their operational processes and improve participation in these programs. Officials also discussed the steps taken by Treasury to identify best practices observed among the HFAs, share lessons learned between participating states, and develop other ways to provide technical assistance to states to improve of the performance of their respective HHF-sponsored programs.

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