

Minutes of the Financial Stability Oversight Board Meeting July 23, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, July 23, 2012, 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

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

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

Ms. Nisanci, Chief of Staff, Securities
and Exchange Commission

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Mr. Ashton, Deputy General Counsel,
Federal Reserve Board

Ms. Thro, Assistant General Counsel,
Federal Reserve Board

Chairperson Bernanke called the meeting to order at approximately 2:10 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on June 25, 2012, 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 American International Group, Inc. (“AIG”); the Automotive Industry Financing Program (“AIFP”); and the Making Home Affordable (“MHA”) program and related initiatives. 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. Throughout the meeting, Members raised and discussed various matters with

respect to the effects of the policies and programs established under TARP.

Treasury officials first discussed the latest cost estimates for TARP. As part of this discussion, Treasury officials discussed with Members Treasury's daily TARP update report as of July 2, 2012, 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 through June 30, 2012.

Using prepared materials, Treasury officials then provided Members with an update on the CPP. Officials reviewed the current status of repayments and asset sales along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. Officials reported that Treasury commenced its fourth offering of certain CPP preferred stock and subordinated debt positions it holds, this time in 12 institutions (CBS Banc-Corp., Commonwealth Bancshares, Inc., Diamond Bancorp., Inc., Exchange Bank, Fidelity Financial Corp., First Community Financial, First Western Financial, Inc., Market Street Bancshares, Inc., Marquette National Corp., Premier Financial Bancorp., Inc., Park Bancorporation, and Trinity Capital Corp.). This is the first auction Treasury is conducting that includes securities of CPP institutions with no publicly traded common equity. The offerings are expected to price through a modified Dutch auction. As part of this discussion, officials also reviewed Treasury's plans for winding down the remaining CPP investments and maximizing overall

returns to the taxpayer. Treasury's plans include additional asset sales to third parties through auctions of individual CPP investments, as well as potentially combining smaller individual CPP investments into investment pools for auction. In the context of pooled auctions, the topics discussed included: the possible timing of Treasury's pooled securities auctions; efforts to develop specific procedures to provide potential alternatives for those institutions whose securities are proposed to be included in an auction pool; and the regulatory implications for certain types of investors should they prevail in these offerings.

Using prepared materials, Treasury officials then provided an update on the AIFP. During this discussion, Members and officials discussed the voluntary petition for relief under Chapter 11 of the U.S. bankruptcy code filed on May 14 by Residential Capital LLC ("ResCap"), a non-bank subsidiary of Ally Financial, Inc. ("Ally"). Officials noted certain recent developments, including that the U.S. Bankruptcy Court had granted the request of Berkshire Hathaway, Inc., to appoint an independent examiner in the Rescap bankruptcy proceeding. Officials also noted Ally's progress in selling its international auto finance and insurance operations to potentially repay part of the \$12.5 billion of current Treasury assistance under the AIFP. Officials then discussed recent developments involving General Motors ("GM"). Officials noted certain senior management changes that had recently occurred at GM's European operations.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Treasury continues to hold approximately

61 percent of the common stock outstanding of AIG. Officials noted that Treasury is presently subject to a 90 day lock-up period during which Treasury is restricted from selling any of the outstanding common shares of AIG held by Treasury.

Treasury officials then provided an update on the Term Asset-Backed Securities Loan Facility (“TALF”). Officials noted that on June 28th, the Federal Reserve Board announced that it agreed with Treasury to reduce from \$4.3 billion to \$1.4 billion the credit protection Treasury is providing for TALF.

Using prepared materials, Treasury officials then provided the Members with an update on the PPIP. Officials noted the relative performance of the Public-Private Investment Funds (“PPIFs”) established under the PPIP and the progress of certain PPIFs in completing their investment strategy.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program (“HAMP”) and the Housing Finance Agency (“HFA”) Hardest-Hit Fund (“HHF”). Treasury officials discussed recent transaction volumes under HAMP, the Second Lien Modification Program (“2MP”), and the Home Affordable Foreclosure Alternatives (“HAFA”) program. Officials also discussed the reports concerning TARP housing programs recently submitted to Congress by oversight bodies. As part of this discussion, Treasury officials also discussed the HHF. Officials described the recent progress of certain HFA’s in

increasing participation under their respective HHF-sponsored programs and Treasury’s efforts to provide oversight and assistance to HFAs.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending June 30, 2012, that will be issued by pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:55 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez,
General Counsel and Secretary