

Minutes of the Financial Stability Oversight Board Meeting August 27, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, August 27, 2012, via teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Ms. Schapiro
Mr. DeMarco

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

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. Silver, Senior Writer/ Editor, Office
of Financial Stability, Department of
the Treasury

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

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

Mr. Astrada, Senior Attorney,
Federal Reserve Board

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Mr. Ugoletti, Special Advisor to the
Office of the Director, 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
July 23, 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
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 August 1, 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 July 31, 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 sold preferred stock and subordinated debt positions in twelve institutions through a modified Dutch auction commenced in July 2012, generating the taxpayer approximately \$248.5 million in gross proceeds. In addition, Treasury launched offerings of its CPP investments in five additional institutions during August. These offerings priced through a modified Dutch auction. Treasury did not sell its positions in one institution because bids did not meet the Treasury's reserve price. The August auctions generated gross proceeds of \$62.4 million. Treasury also sold shares it owned in Sterling Financial Corporation for net proceeds of \$113.3 million and its preferred shares in M&T Bank Corporation for net proceeds of \$381.5 million. As part of this discussion, officials also reviewed

Treasury's plans for additional asset sales to third parties through auctions of individual CPP investments as well as investment pools of smaller individual CPP investments. Treasury has notified approximately 200 institutions that it is considering bundling the institution's CPP securities into one or more investment pools for auction, and has provided the institutions the right to "opt out" of the pooling if the institution bids on or designates a bidder for its own securities and the bid meets a minimum price established by Treasury. Of those institutions that were notified, a majority have indicated an interest in attempting to opt out. In that event, the institution or designated bidder would not be entitled to purchase the securities at that price; instead, Treasury would conduct a separate auction or other process. Treasury has provided interested institutions until October 9, 2012, to submit bids that meet these criteria. In addition, Treasury officials updated Members on the process of winding down Treasury's remaining CPP investments.

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. Officials reported that RLJ Western had terminated its Investment Period effective July 15, 2012, and therefore, had begun the wind-down of its fund.

Treasury officials then noted that, Treasury sold approximately 188.5 million shares in August for approximately \$5.75 billion and is now subject to a 30-day lock-up period during

which it is restricted from selling any of the outstanding common shares of AIG held by Treasury.

Using prepared materials, Treasury officials then provided an update on the AIFP. Officials noted that the Treasury appointed two directors to the board of directors of Ally Financial, Inc. (“Ally”) on August 16, 2012, in connection with the reelection of the current members of the board. Officials also discussed recent developments in the bankruptcy proceeding of Ally’s subsidiary, Residential Capital LLC. Officials also noted that Ally continues to make progress toward selling its international auto finance and insurance operations. Officials also discussed the status of Treasury’s investment in General Motors.

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 noted that they will be hosting an upcoming HHF summit with representatives from all 19 Housing Finance Agencies (HFAs), the nine largest servicers, the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”), and the Federal Housing Finance Agency. Officials also updated Members on the performance of HHF programs. Treasury officials then provided an update on changes to short sale programs to make standards consistent across Fannie Mae, Freddie Mac, and the TARP programs. Officials also discussed recent housing and other legislative proposals that could impact TARP housing initiatives.

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 pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:35 p.m. (EDT).

[signed electronically]

William F. Treacy,
Executive Director