

Minutes of the Financial Stability Oversight Board Meeting September 24, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Monday, September 24, 2012, via teleconference.

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

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

MEMBERS PARTICIPATING:

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

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

The Board first considered draft minutes for the meeting of the Board on August 27, 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.

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. Kingsley, Chief, Homeownership
Preservation Office, 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

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”); the Term Asset-backed Securities Loan Facility (“TALF”); the Public-Private Investment Program (“PPIP”); 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 September 21, 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. Officials noted that the report reflects Treasury's sale in August of approximately 188.5 million shares of AIG for approximately \$5.75 billion, but not the subsequent September sales of AIG shares.

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 discussed Treasury's ongoing efforts to wind-down and recover its remaining CPP investments. In particular, officials highlighted the relative performance of recent auctions Treasury has conducted of individual CPP investments as well as its progress in considering auctions of investment pools made up of smaller individual CPP investments.

Using prepared materials, Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Officials noted that

the sale of AIG common stock in September as part of an underwritten public offering resulted in proceeds to Treasury of approximately \$20.7 billion and reduced Treasury's percentage of ownership in the AIG's common stock outstanding from approximately 53.4 to 15.9 percent. As a result of the sale, Treasury became subject to a 60 day lock-up period during which Treasury would be restricted from selling any of the outstanding common shares of AIG still held by Treasury.

Treasury officials then provided an update on the AIFP. Officials provided Members with the status of Treasury's investment in General Motors and discussed recent developments in the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC.

Using prepared materials, Treasury officials then provided the Members with an update on the credit market programs established under TARP, including the TALF and PPIP. Officials first discussed 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 noted the efforts of three PPIFs (RLJ Western, Alliance Bernstein, and Invesco) in completing a wind-down of their funds. As part of this discussion, officials discussed Treasury's remaining commitment under the TALF, noting that in June 2012 the Federal Reserve and Treasury agreed to further reduce the credit protection Treasury provides the TALF, LLC to \$1.4 billion.

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”). Officials noted that MHA servicers had initiated approximately 14,000 new trial modifications and 17,000 new permanent modifications under HAMP during the month of July 2012. Treasury officials also discussed recent activity under the HAMP Second Lien Modification Program (“2MP”) and Principal Reduction Alternative (“HAMP-PRA”). Officials noted that, based on Treasury survey data as reported by MHA servicers through August 31, 2012, approximately 77 percent of eligible second liens had received a modification under 2MP. Officials also noted that the terms of the \$25 billion settlement of mortgage servicing deficiencies between the five largest mortgage servicers, the Federal government, and 49 state attorneys general, had resulted in an increase in the use of non-PRA principal-reduction modifications under HAMP. As part of this discussion, Treasury officials reviewed the results of Treasury’s latest quarterly servicer assessment, which summarizes the performance of the nine largest MHA servicers based on reviews conducted during the second quarter of 2012. Treasury officials discussed the approach taken to identify servicers needing improvement and of measures taken to ensure that servicers address all instances of non-compliance identified by Treasury. Officials noted that two servicers were found to need only minor improvement on the areas reviewed for program performance, while seven servicers were found to need moderate improvement.

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. Using prepared materials, 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 Fannie Mae and Freddie Mac.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending September 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 2:45p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary