

Minutes of the Financial Stability Oversight Board Meeting October 29, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EST) on Monday, October 29, 2012, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

Ms. Miller, Under Secretary for Domestic Finance, Department of the Treasury

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

Chairperson Bernanke called the meeting to order at approximately 3:05p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on September 24, 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”); 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.

Using prepared materials, Treasury officials first provided Members with an update on the latest cost estimates for TARP. Officials discussed Treasury’s daily TARP update report as of October 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 as of September 30, 2012.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all 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. During this discussion, officials noted that Zions Bancorporation (“Zions”) recently repurchased in full its remaining \$700 million in outstanding CPP preferred stock. Following Zions’ repayment, the overall net return to taxpayers under the TARP bank programs now totals more than \$21 billion. As part of this discussion, officials discussed Treasury’s ongoing efforts to wind down and recover its remaining CPP investments. In particular, Treasury officials discussed the auctions of CPP investments in eleven institutions that

Treasury commenced on October 22. Officials also discussed Treasury’s plans for future auctions of additional CPP investments.

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. Officials noted that ResCap has given its preliminary approval of the bid by the team of Ocwen Loan servicing, LLC and Walter Investment Management Corp. of \$3 billion as the highest and best bid for ResCap’s mortgage servicing and origination platform assets. In addition, ResCap has given its approval of the bid by Berkshire Hathaway of \$1.5 billion as the highest and best bid for a whole loan portfolio. These sales are subject to approval by the bankruptcy court. Treasury officials also noted that Ally announced that it has reached an agreement to sell its Canadian auto finance operation to Royal Bank of Canada. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2013.

Using prepared materials, Treasury officials then provided Members with an update on the U.S. government’s investment in AIG. Treasury continues to be subject to a lock-up period during which Treasury is restricted from selling any of the outstanding common shares of AIG still held by Treasury.

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 that five PPIFs have ended their investment period and three funds remain with open investment periods under the program. Officials then discussed a recent recommendation from the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”) that the Office of Financial Stability (OFS) should cease using the London Interbank Offered Rate (LIBOR) in the Term-Asset Backed Securities Loan Facility (“TALF”) and the Legacy Securities PPIP. Officials noted that OFS responded to SIGTARP’s recommendation. Although SIGTARP did not publish the response in its quarterly report, OFS published its response on the OFS public website.

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 17,000 new permanent modifications and 15,000 trial modification reported in the August 2012 report. 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 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 3:35 p.m. (EDT).

[Signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary