

Minutes of the Financial Stability Oversight Board Meeting November 26, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Monday, November 26, 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:

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 2:05 p.m. (EST). At the outset of the meeting the Board members noted Ms. Schapiro’s expected departure from the Securities and Exchange Commission and thanked her for her years of service and contributions to the Oversight Board.

The Board then considered draft minutes for the meeting of the Board on October 29, 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”); the Making Home Affordable (“MHA”) program and related initiatives; and the annual financial statements for the Office of Financial Stability (“OFS”). 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 reviewed and discussed the OFS Agency Financial Report for Fiscal Year 2012, which describes the activities and financial results for the TARP since its inception in October 2008 through the fiscal year ending September 30, 2012 (“Financial Report FY2012”). The Government Accountability Office audited the FY2012 financial statements prepared by OFS for the TARP and found that OFS presented them, in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, GAO found no material weaknesses or significant deficiencies in its internal controls over financial reporting. In addition, OFS successfully resolved its one fiscal year 2011 significant deficiency relating to internal control surrounding financial reporting.

Using prepared materials, Treasury officials then provided Members with an update on the latest cost estimates for TARP. Officials discussed Treasury’s daily TARP update report as of November 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 investments as of October 31, 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. Officials noted the results of auctions Treasury commenced in October of preferred stock in 15 institutions that participated in the CPP. Treasury expects to receive aggregate gross proceeds from the auctions of approximately \$62.0 million. As part of this discussion, officials discussed Treasury’s plans for future auctions of additional CPP investments.

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 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 had wound down their funds. Of the remaining four PPIFs, only one PPIF can continue to make investments until its investment period ends on December 18, 2012. The PPIFs then have up to five additional years, which may be extended, subject to Treasury’s approval, for up to two more years, to manage these investments and return the proceeds to Treasury and other PPIF investors. Officials then reviewed the current status of the TALF, noting that, in June 2012, Treasury’s commitment under the TALF was set at \$1.4 billion.

Using prepared materials, Treasury officials then provided Members with an

update on the U.S. government's investment in AIG. Treasury continues to hold 15.9 percent of the common stock outstanding of AIG.

Treasury officials then provided Members with an update on the AIFP. Among the matters discussed were the status of Treasury's investment in General Motors and Ally, as well as recent developments in the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC. Officials noted that Ally had reached an agreement to sell its operations in Europe and Latin America, as well as its share in a joint venture in China, to General Motors Financial Company, Inc., a wholly-owned subsidiary of General Motors, which itself is an AIFP recipient. The transaction is subject to regulatory approvals and is expected to close in stages during 2013. Ally expects to receive approximately \$4.2 billion in proceeds from this transaction bringing to \$9.2 billion in expected proceeds from sales of all its international operations.

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 discussed the results of Treasury's MHA Program Performance Report as of September 2012, a monthly summary of recent MHA-related activity. Officials noted that MHA servicers had initiated approximately 14,000 new permanent modifications and 15,000 trial modification since the August 2012 report. Officials noted that Treasury provided guidance to mortgage servicers

participating in HAMP about options available to homeowners affected by Hurricane Sandy. Under the program's guidelines, servicers should offer a minimum of three months forbearance to any homeowner who requests forbearance as a result of a federally declared disaster ("FDD") as designated by the Federal Emergency Management Agency ("FEMA") and meets the eligibility criteria specified by Treasury for FDD forbearance. For eligible homeowners who are being considered or have received assistance under MHA, the servicer cannot, for 90 days following the FDD designation, take any action that would adversely affect the borrower's eligibility, or good standing, under MHA until and unless there is contact with the borrower to establish whether the borrower requires FDD forbearance. As part of this discussion, Treasury officials also discussed the HHF. Officials described the recent progress of certain HFAs 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 2:30 p.m. (EDT).

[Signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary