

Minutes of the Financial Stability Oversight Board Meeting March 21, 2013

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EST) on Thursday, March 21, 2013, at the offices of the Department of Treasury (“Treasury”).

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Ms. Williams, Deputy Chief of Staff,
Securities and Exchange
Commission

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. Walter
Mr. DeMarco

Chairperson Bernanke called the meeting to order at approximately 3:00 p.m. (EDT).

The Board then considered draft minutes for the meeting of the Board on February 25, 2013, 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. Grom, Senior Advisor to the
Assistant Secretary for Financial
Stability, Department of the Treasury

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

Ms. Uy, Chief Investment Officer, Office
of Financial Stability, Department of
the Treasury

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

Treasury officials 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”); Automotive Industry Financing Program (“AIFP”); the Legacy Securities Public-Private Investment Program (“PPIP”); and the Making Home Affordable (“MHA”) 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 then provided Members with an update on the CPP. Officials discussed the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury had received thus far. As of February 28, 2013, Treasury held approximately \$6.9 billion in remaining CPP-related assets. Officials noted that Treasury held auctions in March for outstanding preferred stock and subordinated debt in seven CPP institutions that resulted in combined gross proceeds of approximately \$432.8 million. The offerings were priced through modified Dutch auctions. The transactions were expected to close on or about March 28, 2013, subject to customary closing conditions.

Treasury officials then provided Members with an update on the AIFP. Officials noted that Treasury was continuing to follow its pre-arranged written trading plan to sell its remaining shares of GM common stock. As part of the AIFP discussion, officials discussed recent developments in the bankruptcy proceeding of Ally's non-bank mortgage 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 noted that, pursuant to the Federal Reserve's authorization in January 2013, TALF LLC had begun distributions of excess accumulated fees and income earned by TALF LLC to the Treasury and

the Federal Reserve Bank of New York ("Reserve Bank"). Under terms of the Term Asset-Backed Securities Loan Facility ("TALF") program, Treasury receives 90 percent of any distributions and the Reserve Bank will receive 10 percent. Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. As of the meeting date, only one fund (Oaktree) still had debt and equity outstanding to Treasury. As of February 28, 2013, Treasury's remaining investment under the PPIP totaled approximately \$940 million.

Treasury officials then provided the Members with an update on the U.S. government's investment in AIG. On March 1, 2013, AIG completed the repurchase of warrants issued to Treasury for an agreed upon price of approximately \$25 million. The warrants held by Treasury provided the right to purchase approximately 2.7 million shares of AIG common stock. Officials noted that Treasury will no longer have any residual interest in AIG following the repurchase of these warrants.

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, as of January 31, 2013, more than 1.5 million borrower assistance actions had occurred under the MHA programs. Officials also reviewed the aggregate performance of the Second Lien Modification Program ("2MP") and the Home Affordable Assistance Program ("HAFA"). As part of this discussion, Messrs. Donovan and

Demarco commented that there could be potential benefits over time to studying the mortgage loss mitigation experience of Treasury, the Department of Housing and Urban Development and FHFA through the crisis. Members and officials then discussed the results of the quarterly servicer assessments Treasury had published with the January 2013 MHA Public Report, which summarize performance for the nine largest MHA participating servicers based on reviews conducted during the fourth quarter of 2012. Officials noted that two servicers were found to need only minor improvement on the areas reviewed for program performance, and seven servicers were found to need moderate improvement. All servicers will need to continue to demonstrate progress in areas identified in subsequent program reviews. Treasury officials also discussed the FHA short-refinancing program, which enables homeowners whose mortgages exceed the value of their homes to refinance into more affordable FHA mortgages. Among the matters discussed were the aggregate value of the letter of credit facility Treasury purchased under TARP to support the FHA short-refinancing program and the reserve account that has been pre-funded for completed loans under the program to absorb potential future losses that might be experienced by these loans. Treasury updated officials that in March 2013 it had extended the letter of credit facility to provide coverage for loans refinanced through December 2014, but reduced the facility to an amount likely to be sufficient to accommodate continued usage and any potential increase in program volume.

Treasury officials then provided the Members with an update on the HHF

initiative. As part of this discussion, officials reviewed the status of the programs approved under the HHF and provided an overview of certain revised approaches under consideration by the HFAs participating in the program.

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. As part of this discussion, officials from the Federal Housing Finance Agency (“FHFA”) briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and inventory. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending March 31, 2013, which 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 3:50 p.m. (EST).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary