Minutes of the Financial Stability Oversight Board Meeting
August 16, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Monday, August 16, 2010, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Schapiro[1]
Mr. DeMarco

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Allison, Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Bloom, Senior Advisor, Department of the Treasury

Mr. Millstein, Senior Restructuring Officer, Office of Financial Stability, Department of the Treasury

Mr. Casarella, Deputy Chief Restructuring Officer, Office of Financial Stability, Department of the Treasury

Mr. Spurry, Financial Economist, Office of Financial Stability, Department of the Treasury

Mr. Clair, Senior Advisor to the Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development ("HUD")

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Ms. Liang, Senior Associate Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Ugoletti, Special Advisor to the Office of the Director, Federal Housing Finance Agency

Mr. Seiler, Manager for Policy Research, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 3:10 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on July 28, 2010, 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.

[1] Participated by Telephone

Using prepared materials, officials from the Treasury then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP") and existing initiatives that continue to be implemented under TARP. Discussion during the meeting focused on the Automotive Industry Financing Program ("AIFP"); the American International Group, Inc. ("AIG"); the Home Affordable Modification Program ("HAMP") and related initiatives; the Housing Finance Agency Innovation Funds for the Hardest Hit Housing Markets ("Hardest-Hit Funds"); the Capital Purchase Program ("CPP"); and the Community Development Capital Initiative ("CDCI"). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the dividends received under the CPP; data on the proceeds received from public auctions held by Treasury to sell the warrants it had received under the TARP; aggregate information regarding the allocated and disbursed amounts under TARP; information concerning the actions taken by Treasury in response to certain recommendations by the Government Accountability Office ("GAO") and the Special Inspector General for the TARP; the Making Home Affordable Program Servicer Performance Report through July 2010; the joint Treasury-HUD monthly scorecard on the nation's housing market for July 2010; and the Legacy Securities Public-Private Investment Program update for the quarter ended June 30, 2010. During the meeting, Members raised and discussed various matters with respect to the development, ongoing implementation, and effects of the policies and programs under TARP.

Using prepared materials, Treasury officials then briefed Members on the AIFP. Treasury officials first reviewed the financial performance of GM and Chrysler during the second quarter of 2010; the relative cash positions of each company; and the strategies implemented to promote future sales growth. As part of this discussion, Treasury officials also reviewed key aspects of the definitive agreement between GM and AmeriCredit Corp. ("AmeriCredit") announced on July 22, 2010, under which GM will acquire AmeriCredit in an all-cash transaction valued at approximately $3.5 billion. According to Treasury officials, AmeriCredit will form the core of GM's captive financing arm and enable GM to provide its customers with a broader range of financing options. Officials also discussed the expected departure of Edward Whitaker as the CEO of GM. Officials reported that Mr. Whitaker's duties as CEO would be assumed by Daniel Ackerson, a member of GM's board of directors, and reviewed Mr. Ackerson's qualifications.

Using prepared materials, Treasury officials then reported on the status of AIG's ongoing efforts to restructure the company and repay the assistance provided under the TARP or by the Federal Reserve. As part of this discussion, officials reviewed among other things the amounts of capital or capital commitments provided to AIG under TARP, the amount of advances provided to AIG under the Federal Reserve's Revolving Credit Facility, and the amount of preferred stock outstanding in the special purpose vehicles established to hold AIA Group, Limited ("AIA") and American Life Insurance Company ("ALICO"). Officials also reviewed and discussed the operating results and earnings announced by AIG during the second quarter of 2010 and the status of AIG's efforts to divest various of the company's subsidiaries or business units.

Using prepared materials, Treasury officials then provided the Members with an update on the HAMP. As part of this discussion, Treasury officials reviewed with Members the data from the Making Home Affordable Program Servicer Performance Report ("Servicer Report") through July 2010, including data regarding the number of permanent modifications, canceled trial modifications and new trials started. Treasury officials noted that, in June 2010, the number of active permanent modifications increased to 389,198, maintaining an average conversion rate of trial modifications to permanent modifications of more than 50,000 modifications per month over the past six months. Of the new canceled trials recorded in June, more than 60 percent had been in trial for a period of six months or longer. Treasury officials then described the process used to correct errors in the statistics used to track the delinquency performance of permanent modifications. Treasury issued a revised version of the July Servicer Report with corrected delinquency data. Also as part of this discussion, Treasury officials provided an update on the Second Lien Modification Program established under HAMP, including the steps taken by Treasury to increase servicer participation in the program. Mr. Donovan then reviewed the progress being made by HUD, in conjunction with Treasury, in implementing the FHA refinancing program for borrowers with negative equity positions.

Treasury officials then provided the Members with an update on the Hardest Hit Funds initiative, which is designed to help address the housing problems facing those eligible states that have been particularly hard hit by unemployment or house price declines. Officials reviewed the composition and development of the housing programs that are receiving, or have applied to receive, assistance under the first $1.5 billion Hardest Hit Fund and under the second $600 million Hardest Hit Fund. Treasury officials also discussed Treasury's plan to establish a third Hardest Hit Fund under this initiative. This additional fund would support programs sponsored by state Housing Finance Agencies ("HFAs") in eligible states that have experienced an unemployment rate at or above the national average over the past 12 months. Officials explained that, under this newest Hardest Hit Fund, Treasury will make up to $2 billion of additional assistance available for HFA-sponsored programs for homeowners struggling to make their mortgage payments due to unemployment, and that proposals must be submitted to Treasury by September 1, 2010. Treasury officials also noted that HUD soon will launch a complementary $1 billion Emergency Homeowners Loan Program (a non-TARP program) to provide assistance – for up to 24 months – to homeowners who are at risk of foreclosure and have experienced a substantial reduction in income due to involuntary unemployment, underemployment, or medical expenses.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury's exchange, on July 26, 2010, of $181 million of preferred stock in Pacific Capital Bancorp

("Pacific Capital") for mandatorily convertible preferred stock ("MCP") of an equivalent amount plus accrued and unpaid dividends. Subject to the fulfillment by Pacific Capital of certain conditions, including the receipt of regulatory and shareholder approvals, the MCP may be converted to common stock. Completion of the exchange for MCP is subject to certain closing conditions, including the satisfactory completion of a capital plan.

Treasury officials then provided the Members with an update on Treasury's ongoing efforts to provide lower-cost capital under TARP to qualified Community Development Financial Institutions ("CDFIs") under the CDCI. During this discussion, Treasury officials noted that three institutions have been funded under the program for a total of approximately $70 million.

The meeting was adjourned at approximately 4:00 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary