Minutes of the Financial Stability Oversight Board Meeting
December 22, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 11:00 a.m. (EDT) on Thursday, December 22, 2011, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

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, Acting Chief, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

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

Mr. Ryan, Chief Risk Officer, Department of Housing and Urban Development

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

Mr. Nelson, Deputy Director, Division of Monetary Affairs, Federal Reserve Board

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 11:05 a.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on November 28, 2011, 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 Making Home Affordable ("MHA") program and related initiatives; the Term Asset-Backed Securities Lending Facility ("TALF"); the Legacy Securities Public-Private Investment Program ("PPIP"); and the Small Business Administration ("SBA") 7(a) Securities Purchase Program. 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. During 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 discussed with Members Treasury's daily TARP update report as of December 1, 2011, 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.

Using prepared materials, Treasury officials then provided an update on Treasury's effort to wind down the CPP. Officials noted that, as of November 30, Treasury held investments in 375 institutions, most of which are small, community banks, and some of which have been certified by Treasury as community development financial institutions. Officials reported that Treasury has retained Houlihan Lokey, Inc. as a financial advisor to help Treasury evaluate options for the management and ultimate recovery of the remaining CPP investments. As part of this discussion, officials discussed the general composition of Treasury's CPP holdings and the number of CPP institutions that had missed dividend or interest payments.

Using prepared materials, Treasury officials provided the Members with an update on the PPIP. Under this program, Treasury has committed $22.1 billion in equity and debt to public-private investment funds ("PPIFs") established by private sector fund managers for the purpose of purchasing certain legacy residential mortgage-backed securities and non-agency commercial mortgage-backed securities from banks, insurance companies, mutual funds, pension funds, and other eligible sellers. For their part, PPIF managers and private investors also have committed $7.4 billion in equity to these funds. Among the matters discussed by Members and officials were the composition and performance of the individual PPIFs.

Using prepared materials, officials from the Treasury and the Federal Reserve provided the Members with an update on recent developments with respect to the TALF. The TALF was closed for new loan extensions for the purchase of newly-issued CMBS collateral on June 30, 2010, and for new loans against all other types of collateral on March 31, 2010. As of October 31, 2011, approximately $10.8 billion of TALF loans remained outstanding. Officials noted that, as of November 30, 2011, the amount of TALF loans outstanding had declined marginally, and the number of borrowers had declined from their levels in October 2011. Officials also noted that Treasury had earlier funded approximately $100 million of the $4.3 billion subordinated loan commitment that Treasury made as part of the initial establishment of the program.

Treasury officials then provided Members with an update on the disposition of Treasury's SBA 7(a) securities portfolio as part of Treasury's ongoing efforts to wind-down its TARP investments. Officials reported that, as of October 31, 2011, Treasury had sold a total of 23 SBA 7(a) securities for approximately $271.7 million, representing overall income and gains of approximately $7.5 million. As of October 31, Treasury continued to hold eight SBA 7(a) securities under the program.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Officials also reported that during the month of October 2011 the cumulative number of permanent modifications started under the program rose to approximately 880,000. Officials also provided an update on Treasury's Principal Reduction Alternative ("PRA") initiative to address homeowners with a loan-to-value ratio exceeding 115 percent. Officials noted that Treasury had begun to provide additional details on the PRA as part of Treasury's MHA Performance Report. This information is now possible to present quarterly as a sufficient number of modifications have been made in the PRA program to present more detailed reporting.

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 Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 2011, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential content of the report.

The meeting was adjourned at approximately 12:00 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez,
General Counsel and Secretary