Minutes of the Financial Stability Oversight Board Meeting
January 20, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 4:30 p.m. (EST) on Thursday, January 20, 2011, via teleconference.

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Miller, Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Pendo, Director of Investments, Office of Financial Stability, Department of the Treasury

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

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

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

Mr. Wilcox, Deputy Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 4:30 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on December 20, 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.

Using prepared materials, 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 restructuring of the assistance provided to Ally Financial, Inc. ("Ally"); the American International

Group, Inc. (“AIG”); the Capital Purchase Program (“CPP”); the Making Home Affordable (“MHA”) program and related initiatives; and the Hardest Hit Fund Initiative (“HHF”). Also included in the materials prepared for the meeting were updates concerning the other 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 first provided the Members with an update on Ally. Treasury officials noted that, on December 30, 2010, Treasury had converted approximately $5.5 billion of its approximately $11.4 billion investment in Ally mandatorily convertible preferred stock into Ally common stock. The conversion increased Treasury’s common equity stake in Ally from 56 percent to 74 percent of total common shares outstanding. As part of this discussion, Treasury officials also reviewed the potential for future sale of its holdings of Ally trust preferred shares (“TruPs”) and certain protection Treasury received from Ally with respect to the remaining Ally mandatory convertible preferred stock held by Treasury.

Treasury officials then updated the Members on AIG. As part of this discussion, Treasury officials reviewed the recent closing of the comprehensive recapitalization plan of AIG (the “Recapitalization”) designed to restructure the assistance provided by the U.S. government to the company. At the closing of the Recapitalization, on January 14, 2011, AIG repaid in full the amount then outstanding under the revolving credit facility established by the Federal Reserve Bank of New York (“FRBNY”), including all accrued interest and fees, with cash proceeds from asset dispositions. The FRBNY also received the full amount, including all accrued dividends, of the preferred interests (the “SPV Preferred Interests”) in AIA Aurora LLC and ALICO Holdings LLC, which the FRBNY received as part of the March 2009 restructuring in exchange for an equivalent reduction of the amount of debt then outstanding on the revolving credit facility. AIG redeemed a portion of the FRBNY’s SPV Preferred Interests with cash proceeds from asset dispositions, and purchased the remaining SPV Preferred Interests, valued at approximately $20 billion, from the FRBNY through a draw on the Treasury’s Series F preferred stock commitment and transferred the SPV Preferred Interests purchased from the FRBNY to the Treasury as consideration for the draw on the available Series F funds. At the time of the closing, the collateral backing the remaining SPV Preferred Interests received by the Treasury had an estimated value of more than $25 billion. In addition, Treasury converted its Series E and Series F preferred stock in AIA, as well as the Series C preferred stock held by the Revolving Credit Facility Trust, into common stock of AIG. Officials noted that, as a result of the Recapitalization, Treasury owned approximately 1.65 billion shares of AIG common stock (approximately 92 percent of the common stock outstanding). Treasury officials also discussed the potential timing of a “re-IPO” of AIG and Treasury’s rights with respect to such an offering.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury's recent sales of the warrants received under the CPP and exchanges of Treasury's CPP investments in certain institutions. Officials noted that, as of December 31, 2010, Treasury had received a total of approximately $167.93 billion in repayments from CPP recipients. As part of this discussion, Members and officials also discussed the twenty-five largest remaining CPP investments, the likely pace of future repayments, and the influence of such repayments on the ultimate return to taxpayers. Treasury also reviewed the status of Treasury's CPP investments in two participating institutions that recently undertook business combinations with other financial firms.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Unemployment Forbearance Program and the Home Affordable Foreclosure Alternatives ("HAFA") program. As part of this discussion, officials discussed recent program improvements to the HAFA short-sale and deed-in-lieu programs. Treasury officials then discussed Treasury's progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act, including Treasury's progress in establishing a web-portal that allows borrowers to run a net-present value ("NPV") analysis, and provides borrowers who are turned down for a HAMP modification with the input data used to evaluate their application.

Using prepared materials, 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 each of the Hardest Hit Funds and Treasury's progress in expanding the HHF initiative to support programs sponsored by Housing Finance Agencies ("HFAs") in eligible states. Treasury officials noted that, as of December 31, 2010, programs in twelve states had drawn approximately $104 million in support of approved programs, and provided Members an update on the expected roll-out of programs in other states. Treasury officials also discussed the projected timeline for publicly reporting data on activity under the Second Lien Modification program, HAFA, the Principal Reduction Alternatives program, the Unemployment Forbearance program, the FHA Short-Refinance program, and the Hardest Hit Fund program.

Using prepared materials, Treasury officials then provided the Members with an update on the expected cost of TARP programs. Officials noted that, according to Treasury's re-estimate in December 2010, the expected overall cost of TARP would be approximately $48 billion. Treasury officials noted that this estimate gives effect to the completion of the AIG restructuring and was based on the November 30, 2010, market price of AIG common stock (less an adjustment for the estimated value of additional AIG warrants to be distributed to shareholders other than Treasury). Taking account of the AIG shares held for the benefit of Treasury or as a result of the Revolving

Credit Facility Trust, Treasury estimated that the combined cost of TARP programs and other Treasury interests in AIG would be about $28 billion. Treasury officials indicated that the costs are expected primarily to derive from losses related to TARP investments in auto companies and outlays made for foreclosure mitigation efforts.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 2010, 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 5:30 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary