

Minutes of the Financial Stability Oversight Board Meeting June 29, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:30 p.m. (EDT) on Tuesday, June 29, 2010, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PRESENT:

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

Ms. Ochs, 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

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

STAFF PRESENT:

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

Mr. Lawler, Chief Economist,
Federal Housing Finance Agency

Mr. Gallin, Assistant Director,
Division of Research & Statistics,
Board of Governors of the Federal Reserve System

AGENCY OFFICIALS PRESENT:

Mr. Massad, Chief Counsel, Office of Financial Stability, Department of the Treasury

Chairperson Bernanke called the meeting to order at approximately 2:35 p.m. (EDT).

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

The Board first considered draft minutes for the meeting of the Board on May 17, 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.

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

Mr. Bass, Program Director, Public Private Investment Partnership, Office of Financial Stability, Department of the Treasury

Using prepared materials, officials from the Treasury then provided an update on the programs established or proposed to be established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Community

Ms. Celosse, Office of Financial Stability, Department of the Treasury

Development Capital Initiative (“CDCI”); the Term Asset-Backed Securities Loan Facility (“TALF”); the Automotive Industry Financing Program (“AIFP”); the Home Affordable Modification Program (“HAMP”); and the Housing Finance Agency Innovation Funds for the Hardest Hit Housing Markets (“Hardest-Hit Funds”). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the recent dividends received under the Capital Purchase Program (“CPP”); proceeds received from recent public auctions held by Treasury to sell the warrants it had received under the TARP; aggregate information of allocated and disbursed amounts under TARP; information concerning actions taken by Treasury in response to recommendations by the Government Accountability Office (“GAO”) and the Special Inspector General for the TARP; the most recent data gathered as part of Treasury’s monthly HAMP report; and a new monthly scorecard on the nation’s housing market. 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.

Treasury officials first provided Members with an update on Treasury’s plan to provide lower-cost capital under TARP to qualified Community Development Financial Institutions (“CDFIs”) under the CDCI. During this discussion, Treasury officials noted that the application deadline to participate in the CDCI was April 30, 2010, and initial investments are expected to be made in the following months. Members also discussed the characteristics of institutions applying under the CDCI and

the review process for applications received.

Treasury officials then discussed recent developments under the TALF. The final subscription for newly-issued CMBS occurred on June 18, 2010. Treasury officials noted that no TALF loans were extended in connection with this subscription, and that the TALF was closed to all new lending (as the final subscription for loans supported by non-CMBS collateral occurred on March 31, 2010). Of the \$70 billion in TALF loans that were requested or extended, approximately \$43 billion remains outstanding. Treasury officials noted that virtually all the repayments that had been received were borrower prepayments rather than scheduled payments of principal. Officials also noted that no securities had been put to the TALF LLC, and reviewed recent private sector activity in the CMBS market.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. During this discussion, Treasury officials discussed the aggregate amount of quarterly dividend and interest payments Treasury received in May 2010, and the number of institutions that have accumulated, but not paid, dividends to Treasury under the program, including the number of institutions that had missed multiple dividend payments, as well as Treasury’s approach to selecting directors to the board of institutions that have missed six dividends.

Treasury officials then discussed recent developments under the AIFP. On June 10, Treasury provided guidance on its role in a possible initial public offering

of the common stock of General Motors (“GM”). Treasury owns 60.8 percent of the common stock of GM, which was acquired under the TARP in connection with the restructuring of GM in mid-2009. As explained in the guidance issued by Treasury, the initial public offering is expected to include the sale of shares by Treasury, other shareholders who wish to participate, and GM. The overall size of the offering and relative amounts of primary and secondary shares will be determined at a later date. The exact timing of the offering will be determined by GM in light of market conditions and other factors, but is not expected to occur before the fourth quarter of this year. Treasury will retain the right, at all times, to decide whether and at what level to participate in the offering, should it occur, and will determine the fees paid to the underwriters selected by GM (subject to review by Treasury).

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 for HAMP through May 31, 2010, including data showing an increase in the number of permanent modifications under the program between April 30 and May 31, 2010. As of May 31, 2010, more than 346,000 borrowers had entered permanent modifications under the program. Treasury officials noted that the survey data published by Treasury now includes the disposition of trial cancelations, which showed that nearly half of homeowners unable to enter a HAMP permanent modification entered an alternative modification with their servicer, and fewer than 10 percent of canceled trials resulted in foreclosure

sales. Officials also noted that the principal reasons for trials being cancelled in May 2010 were incomplete documentation, the borrower’s debt-to-income ratio was below the 31 percent eligibility threshold, or the borrower failed to make the trial period payments. As part of this discussion, officials reviewed the new monthly scorecard on the nation’s housing market, which was released by Treasury and HUD on June 21, 2010. The scorecard incorporates key housing market indicators and highlights the impact of the Administration’s housing recovery efforts, including the assistance provided to homeowners through HAMP and by the Federal Housing Administration (“FHA”), and includes newly reported servicer data on the disposition path of canceled trials. Mr. DeMarco also briefed members on the Home Affordable Refinance Program (“HARP”) offered by Fannie Mae and Freddie Mac.

Treasury officials then provided the Members with an update on the Hardest Hit Funds to help address the housing problems facing those eligible states that have been particularly hard hit by house price declines or unemployment. Officials noted that, on June 23, Treasury announced the approval of specialized foreclosure prevention and mitigation proposals under the first \$1.5 billion Hardest Hit Fund. The proposals were submitted by HFAs in California, Florida, Arizona, Michigan, and Nevada – the five states eligible under the first Hardest Hit Fund because they had each experienced a 20 percent or greater decline in average house prices. The approved proposals include programs to assist struggling homeowners with negative equity through principal reduction; assist the

unemployed or under-employed make their mortgage payments; facilitate the settlement of second liens; facilitate short sales and/or deeds-in-lieu of foreclosure; and assist in the payment of mortgage arrearages. As part of this discussion, Treasury officials also discussed the information that will be reported quarterly by the programs under the first Hardest Hit Fund, and noted that foreclosure prevention and mitigation proposals under the second \$600 million Hardest Hit Fund were received from HFAs in North Carolina, Ohio, Oregon, Rhode Island, and South Carolina — the five states eligible for the second \$600 million Hardest Hit Fund. Treasury expects to approve proposals for the second Hardest Hit Fund in August 2010.

Members and officials then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets and the effect of the programs established under the TARP in stabilizing the financial system, promoting the flow of credit to households and businesses, and promoting homeownership. As part of this discussion, staff from the Federal Reserve briefed Members concerning recent financial market developments and officials from the Federal Housing Finance Agency (“FHFA”) briefed members on developments in the housing and housing finance markets. The data reviewed included corporate stock prices, credit default swap spreads for bank holding companies, corporate bond spreads, debt growth among household and nonfinancial businesses, growth of loans at depository institutions, and data related to credit demand and standards drawn from the Federal Reserve’s Senior Loan Officer Opinion Survey consumer credit. Members also reviewed data

related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well information on housing prices, sales, starts, and supply. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the GSEs.

Members and officials then engaged in a discussion regarding the Board’s quarterly report to Congress for the quarter ending June 30, 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 contents of the report.

The meeting was adjourned at approximately 3:40 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary