Minutes of the Financial Stability Oversight Board Meeting
July 22, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Thursday, July 22, 2013, by teleconference.

MEMBERS PARTICIPATING:

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

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. McArdle, Acting Chief Homeownership Preservation Officer, 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

Mr. Nixon, Senior Housing Policy Advisor, Department of Housing and Urban Development

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

Ms. Carter, Senior Supervisory Financial Analyst, Federal Reserve Board

Chairperson Bernanke called the meeting to order at approximately 2:00 p.m. (EDT).

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

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"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-Backed Securities Loan Facility ("TALF"); 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 TARP programs. As of June 30, 2013, Treasury had disbursed $411.7 billion and recovered $420.4 billion related to non-housing investment programs under TARP. Treasury's outstanding investment balance in these investment programs was $26.2 billion. With regard to housing-related programs, $8.9 billion had been disbursed to assist homeowners and prevent avoidable foreclosures, from the total obligated funds of $38.5 billion.

Treasury officials then provided the Members with an update on the CPP, including 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. In early July, Treasury sold to private investors its preferred stock and subordinated debentures in eight financial institutions for aggregate gross proceeds of approximately $57.4 million. As of June 30, Treasury held CPP investment in 142 institutions with only seven investments greater than $100 million. As part of this discussion, Members and officials discussed prospects for additional near-term recoveries under the program.

Treasury officials then provided Members with an update on the AIFP. Officials noted that in May, Treasury commenced its second pre-arranged written trading plan to sell a portion of its remaining common shares of General Motors ("GM"). In July, Treasury continued its sale of GM stock pursuant to this trading plan.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial ("Ally"), including recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC (ResCap). On June 26, the bankruptcy court in the ResCap proceedings approved the Plan Support Agreement between Ally, ResCap, and ResCap's major creditors to settle certain claims against Ally. Consistent with the terms of the agreement, on June 13, ResCap paid Ally approximately $1.13 billion to satisfy Ally's claims against ResCap on account of its secured credit facilities provided to ResCap. Ally also has agreed to contribute $1.95 billion to the ResCap estate, as well as the first $150 million from insurance proceeds Ally is pursuing related to insurable losses, in exchange for broad releases under the plan from potential mortgage-related claims against Ally related to ResCap's businesses. Ally will make the payment to ResCap on the effective date of the Plan, which Ally expects to occur in the fourth quarter of this year.

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. As of June 30, 2013, all Public-Private Investment Funds ("PPIFs") had been effectively wound down, that is, either the fund held no eligible assets or the fund had been closed after distributing all proceeds. As a result, Treasury had fully recovered its original PPIP investment of $18.6 billion along with a positive return of nearly $3.8 billion under the PPIP. Officials noted that Treasury will continue to receive distributions of excess accumulated fees and income earned by TALF LLC and by PPIFs.

Treasury officials then provided an update on the CDCI, which was established to provide lower-cost capital to community development financial institutions. Through CDCI, Treasury originally invested approximately $570 million in 84 such institutions. Seventy-three institutions remained in the CDCI program with outstanding investments of approximately $512 million, with roughly one-half of that amount attributable to institutions located in Mississippi. Treasury officials indicated they would continue to monitor the performance of CDCI and make decisions regarding the program's wind-down at a later date.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Treasury officials reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through May 2013. Treasury officials noted that Treasury had posted an analysis of HAMP delinquency and default rates on its blog, and had recently outlined some of the steps taken to keep re-default rates as low as possible in a letter to the Special Inspector General for the Troubled Asset Relief Program on this topic.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF.

Treasury officials then discussed a pilot program under which Michigan, with Treasury's approval, reallocated a portion of its HHF funds to blight elimination. Under this program, the Michigan State Housing Development Authority (MSHDA) partners with local land banks. MSHDA loans funds to these land banks for use in acquisition, demolition, and "greening" of abandoned and blighted properties that meet the program criteria. Upon completion of these activities, HHF funds will be provided to a subsidiary of MSHDA to extinguish any existing lien, reimburse demolition costs, and offset maintenance expenses for a term of five years in return for a new forgivable lien. By doing so, the Blight Elimination program will help to support the values of neighboring homes and thereby reduce foreclosures among these neighboring properties. Michigan is in the process of finalizing its program guidelines and plans to launch the acquisition phase of this program in the third quarter of 2013.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:25 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary