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

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Wednesday, October 29, 2010, by telephone.

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Goldstein, Under Secretary of the Treasury for Domestic Finance, Department of the Treasury

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

Mr. Miller, Acting 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. Weidman, Acting Chief Counsel, 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

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

Mr. Nix, Financial Analyst, Office of 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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Ms. Robertson, Assistant to the Board, Board of Governors of the Federal Reserve System

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

The Board first considered draft minutes for the meeting of the Board on September 29, 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") and existing initiatives that continue to be implemented under TARP. Discussion during the meeting focused on the American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); the Capital Purchase Program ("CPP"); the Public-Private Investment Program ("PPIP"); Making Home Affordable ("MHA") and related initiatives; and the Hardest Hit Funds 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.

Treasury officials first discussed the agreement-in-principle reached between AIG, Treasury, the Federal Reserve, and the AIG Credit Facility Trust that was announced on September 30. Under this agreement-in-principle, AIG will repay and terminate the revolving senior secured credit facility from the Federal Reserve Bank of New York ("FRBNY"), primarily using the proceeds from the sale of a subsidiary and the initial public offering of another subsidiary. AIG will use some portion of the remaining $22 billion of TARP funds available to it under the Series F preferred stock facility provided in April 2009 to purchase the FRBNY's remaining preferred interests in the two special purpose vehicles established to hold these subsidiaries, which interests will then be transferred to Treasury in exchange for the draw on the Series F preferred. In addition, the Series C preferred shares held by the AIG Credit Facility Trust will be exchanged for AIG common stock and distributed to Treasury.

Treasury officials then updated the Members on recent developments with respect to General Motors, Inc. ("GM") under the AIFP. Treasury officials noted that Treasury had accepted an offer by GM to repurchase the $2.1 billion of Series A preferred stock issued to Treasury under the TARP, conditioned on the closing of the proposed initial public offering of GM's common stock. After the repurchase is completed, Treasury's investment in GM will be limited to 60.8 percent of the company's primary common equity, before giving effect to any sale of shares associated with GM's planned initial public offering.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. Among the matters discussed were: recent sales of warrants received under the program; exchanges conducted by Treasury to protect the interest of taxpayers; and Treasury's progress in selling the common stock of Citigroup, Inc. ("Citigroup"), including Treasury's plans for selling additional common stock and securities of Citigroup in the future. As part of this discussion, officials also discussed Treasury's contractual right under the CPP to appoint up to two members to the board of directors of an institution upon the sixth missed dividend (or interest) payment. Officials explained that Treasury will determine whether to nominate directors based on Treasury's evaluation of the condition and health of the institution and the functioning of its board of directors, including the information provided by observers that Treasury may send to the institution's board of directors meetings. As of September 30, 2010, Treasury observers had attended board of directors meetings of 14 of the 22 CPP institutions that had missed five or more payments.

Using prepared materials, officials then provided the Members with an update on the PPIP. Treasury officials noted that, as of September 30, 2010, the Public-Private Investment Funds ("PPIFs") in the program have drawn-down approximately $18.6 billion of the total capital available under the program. These investments represent approximately 63 percent of the $29.4 billion in total purchasing power available under the program. As part of this discussion, Treasury officials reviewed with Members the returns achieved to date by the PPIFs, while noting that the funds are in their early stages. Treasury officials reported that Treasury had received approximately $159 million in cumulative gross equity distributions as of September 30, 2010.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives, including HAMP. Treasury officials noted that, as of October 1, 2010, more than 495,000 permanent modifications had been granted to homeowners under HAMP. While the number of trial modification cancellations has continued to rise, officials noted that, based on servicer reports, more than half of homeowners in cancelled trial modifications had received an alternative modification or become current, and fewer than 16 percent have moved into foreclosure. Treasury officials also reported that Treasury had recently begun auditing the internal policies and procedures of the ten largest servicers for completing pre-foreclosure certifications. 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 the publication of an electronic file of loan level information for all HAMP activity and the establishment of a web-portal that allows borrowers to run a net-present value 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 that have experienced an unemployment rate at or above the national average over the past 12 months. Treasury officials noted that, in late-September, Treasury had announced that $3.5 billion of additional assistance will be made available to 18 states and the District of Columbia currently in the HHF program to expand the reach of programs under the HHF.

Members and officials then discussed the recent report issued by the Congressional Oversight Panel with respect to Treasury's use of contracting authority under TARP. Members and officials discussed, among other things, the content and conclusions of the report.

Members and officials then engaged in a discussion regarding the

Board's quarterly report to Congress for the quarter ending September 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 2:55 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary