

Minutes of the Financial Stability Oversight Board Meeting November 23, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:30 p.m. (EST) on Monday, November 23, 2009, at the offices of the Federal Housing Finance Agency (“FHFA”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan¹
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Allison, Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Ms. Ochs, Senior Advisor to the Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

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

Ms. Liang, Senior Associate Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development¹

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

Mr. Ugoletti, Special Advisor to the Office of the Director, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 3:35 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on October 28, 2009, 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, 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 Small Bank and

¹ Due to unanticipated scheduling constraints, Mr. Donovan and Mr. Apgar only participated in a portion of the meeting.

Community Development Financial Institutions (“CDFI”) initiative; the Legacy Securities Public-Private Investment Partnership (“S-PPIP”) Program; and the Home Affordable Modification Program (“HAMP”). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP, including the Term Asset-Backed Securities Loan Facility (“TALF”); the most recent data gathered as part of Treasury’s Monthly Lending and Intermediation Snapshots and Report; and the aggregate level and distribution of commitments and disbursements under TARP, repayments of TARP funds, and the level of resources remaining available under TARP. During the meeting, Members raised and discussed various matters with respect to the development and ongoing implementation of the policies and programs under TARP.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. As part of this discussion, Treasury officials and Members reviewed and discussed the timing and format of the public auction process to be used by Treasury to sell the warrants issued by certain financial institutions to Treasury under the program. Treasury officials explained that Treasury intends to sell the warrants for these institutions through registered public offerings and described the principal terms and conditions under which these auctions would be conducted. Treasury officials noted that these terms and conditions were developed based on advice from the asset manager and auction agent hired by Treasury to facilitate the sales, as well as input from academic auction experts and market participants. Member and officials also

reviewed and discussed the amount of funds requested, disbursed and repaid to Treasury under the CPP, dividends received and outstanding on CPP investments, the status and outlook for CPP investments in certain troubled institutions, including CIT, and Treasury’s program for monitoring the credit quality of CPP participants.

Members and officials then reviewed and discussed recent developments involving GMAC LLC (“GMAC”), including the recent changes to GMAC’s management team and the potential for additional capital to be made available to GMAC consistent with the previously announced Supervisory Capital Assessment Program.

Treasury officials then provided the Members with an overview and update on the Small Bank and CDFI initiative announced on October 21, 2009. As part of this discussion, Treasury officials briefed the Members on the terms under which capital would be made available to small banks and CDFIs under the initiative and the response of small banks and CDFIs to the initiative. Treasury officials and Members also discussed potential alternative ways of using TARP funds to increase lending to small businesses and the challenges to obtaining financial institution participation in such programs. Officials also briefed the Members concerning the input received by Treasury during the Small Business Financing Forum hosted on November 18, 2009, by Treasury and the Small Business Administration (“SBA”); Treasury’s progress in establishing a pilot program under which Treasury would purchase securities backed by guaranteed portions of loans made under the 7(a) loan program

established by SBA and the potential timeline for the pilot program to become operational.

Treasury officials then provided the Members with an update on the S-PPIP. As part of this discussion, Members and officials discussed the amount of capital already provided to fund managers under the S-PPIP, the status of additional private capital raised by fund managers, and the potential timing of future closings. Members and officials also discussed the potential for participating fund managers to begin offering products for retail investors in connection with the program, Treasury's progress in hiring a fund consultant to assist with the program, and the expected release date of a comprehensive public report on S-PPIP activities.

Members and officials then discussed the status of, and recent developments concerning, the TALF. For example, officials noted that the first newly-issued CMBS transaction was financed under the TALF during the November 2009 subscription.

Using prepared materials, Treasury officials then provided the Members with an update regarding the HAMP. As part of this discussion, Members and officials reviewed and discussed the rising number of trial modifications initiated under the program, the number of servicers participating in the program, and challenges to the conversion of trial modifications into permanent modifications and the steps being taken to address these challenges. For example, officials and Members discussed the estimated number of trial modifications eligible for conversion to permanent modifications by

December 31, 2009, and the number of borrowers in the trial stage that have submitted to their servicers all of the documentation needed for conversion to a permanent modification. Members and official also discussed Treasury's effort to hold servicers accountable for making material progress in converting trial modification to permanent modifications. Treasury officials also provided an update on Treasury's progress in developing: additional programs under the HAMP to address second-lien mortgages and encourage short sales or deeds-in-lieu in cases where borrowers are not eligible for, or default on, a HAMP-modified loan; and guidelines to permit HAMP incentives to be paid to servicers under the HOPE for Homeowner's program established by the Department of Housing and Urban Development and the loan modification program established by the Federal Housing Administration.

Mr. DeMarco briefed the Members concerning the Deed for Lease program established by Fannie Mae under which qualifying homeowners facing foreclosure will be able to remain in their homes by signing a lease in connection with the voluntary transfer of the property deed back to the lender. Mr. DeMarco indicated that FHFA is working with Fannie Mae and Freddie Mac to develop and pursue loss mitigation strategies for borrowers that are unable to complete, or default on, a HAMP loan modification. Mr. Donovan provided the Members with an update concerning the HOPE for Homeowners Program, including efforts to encourage a secondary market for securities backed by loans issued under the program.

Treasury officials then provided the Members with an update on the

preparation of the annual financial statement for the Office of Financial Stability, legislative developments related to TARP, and consideration related to the potential extension of TARP under section 120 of the Emergency Economic Stabilization Act of 2008.

The meeting was adjourned at approximately 4:05 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary