

Minutes of the Financial Stability Oversight Board Meeting December 17, 2012

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EST) on Tuesday, December 17, 2012, at the offices of the Department of the Treasury (“Treasury”).

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

Ms. Miller, Under Secretary for Domestic Finance, Department of the Treasury

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

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

Mr. Kingsley, Chief, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

Chairperson Bernanke called the meeting to order at approximately 2:05 p.m. (EST).

The Board then considered draft minutes for the meeting of the Board on November 26, 2012, 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 Public-Private Investment Program (“PPIP”); the American International Group, Inc. (“AIG”); the Automotive Industry Financing Program (“AIFP”); 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 reviewed and discussed with Members the overall reduction in Treasury’s TARP investments in 2012. Treasury officials noted that an amount equal to approximately 90 percent of the \$418 billion disbursed under the TARP has been collected through repayments, dividends and other income, as of December 14, 2012.

Treasury officials then provided Members with an update on the U.S. government’s investment in AIG. Officials noted that on December 14, 2012, Treasury sold all of its remaining shares of AIG common stock in an underwritten public offering. The aggregate proceeds to Treasury from the common stock offering totaled approximately \$7.6 billion.

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. Officials discussed the relative performance of the Public-Private Investment Funds (“PPIFs”) established under the PPIP and the progress of certain PPIFs in completing their investment strategy. As of December 14, 2012, Treasury investment under the PPIP totals approximately \$4.65 billion. Officials noted that five PPIFs had wound down their funds. Of the remaining four PPIFs,

only one PPIF can continue to make new investments, and its investment period ends on December 18, 2012. Officials then reviewed the current status of the TALF, noting that, as of December 12, 2012, the TALF loan balance was approximately \$899 million and Treasury’s commitment under the TALF was \$1.4 billion.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury had received thus far. As of December 14, 2012, Treasury had outstanding CPP investments in 218 banks totaling approximately \$7.5 billion. As part of this discussion, officials discussed Treasury’s plans for future auctions of additional CPP investments. Officials also updated Members on the status of missed dividend or interest payments by institutions participating in the CPP and Treasury’s progress in identifying candidates to serve as directors for institutions that have missed at least six payments.

Treasury officials then provided the Members with an update on CDCI, which provided lower-cost capital under TARP to qualified Community Development Financial Institutions (“CDFIs”), including an update on several repayments of CDCI investments. As of December 14, 2012, Treasury had outstanding investments totaling approximately \$540 million in 78 CDFIs.

Treasury officials then provided Members with an update on the AIFP. Among the matters discussed were the

status of Treasury's investment in General Motors and Ally, as well as the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Officials discussed the results of Treasury's MHA Program Performance Report as of October 2012, a monthly summary of recent MHA-related activity. During this discussion, officials noted that Treasury expected to begin public reporting of HAMP Tier 2 data in January 2013. Officials also discussed Treasury's assessment of the nine largest servicers for the third quarter of 2012. Officials noted that two servicers were found to need only minor improvement on the areas reviewed for program performance, while seven servicers were found to need moderate improvement. As part of this discussion, Treasury officials also discussed the HHF and Treasury's efforts to provide oversight and assistance to HFAs.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates and delinquencies, Federal

Home Loan Bank advances, mortgage originations, as well as 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 Government Sponsored Enterprises.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending September 30, 2012, that will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:00 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary