

Minutes of the Financial Stability Oversight Board Meeting October 22, 2008

A meeting of the Financial Stability Oversight Board (“Board”) was held at the offices of the United States Department of the Treasury (“Treasury”) on Wednesday, October 22, 2008, at 11:00 a.m. (EDT).

Mr. Cartwright, General Counsel,
Securities and Exchange Commission

Mr. Sirri, Director, Division of Trading
and Markets, Securities and
Exchange Commission

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Paulson
Mr. Cox
Mr. Preston
Mr. Lockhart

Mr. Kroeker, Deputy Chief Accountant
for Accounting, Office of the Chief
Accountant, Securities and Exchange
Commission

Mr. Montgomery, Assistant Secretary for
Housing and Commissioner of the
Federal Housing Administration,
Department of Housing and Urban
Development

STAFF PRESENT:

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

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

AGENCY OFFICIALS PRESENT:

Mr. Kashkari, Interim Assistant
Secretary of the Treasury for
Financial Stability and
Assistant Secretary of the
Treasury for International
Economics and Development

Mr. DeMarco, Chief Operating Officer
and Deputy Director for Housing
Mission and Goals, Federal Housing
Finance Agency

GUESTS PRESENT FOR A PORTION OF THE MEETING:

Mr. Hoyt, General Counsel,
Department of the Treasury

Ms. Bair, Chairperson, Federal Deposit
Insurance Corporation

Mr. Swagel, Assistant Secretary for
Economic Policy, Department of the
Treasury

Ms. McInerney, Deputy General Counsel,
Federal Deposit Insurance
Corporation

Mr. Wilcox, Deputy Director,
Division of Research and
Statistics, Board of Governors
of the Federal Reserve System

Mr. Brown, Associate Director, Division
of Insurance and Research, Federal
Deposit Insurance Corporation

Chairperson Bernanke called the meeting to order at 11:05 am (EDT).

The Board first considered draft minutes for the meetings of the Board on October 7, and October 13, 2008, which had been circulated in advance of the meeting. Following a discussion of the minutes, and upon a motion duly made and seconded, the Members unanimously voted to approve the minutes of the meetings held on October 7, and October 13, 2008, subject to such technical amendments as may be received from the Members.

Using written materials provided in advance of the meeting, Chairperson Bernanke then discussed the proposal to adopt amended and restated bylaws for the Board. Chairperson Bernanke indicated that the only change proposed to the bylaws would allow appointment of an Executive Director and a General Counsel of the Board, in addition to the currently authorized position of Secretary, to assist the Board in fulfilling its responsibilities. Following a discussion of the proposed bylaws, the Members unanimously adopted the following resolution:

RESOLUTION TO ADOPT AMENDED AND RESTATED BYLAWS

“Whereas, there is presented to the Board, Amended and Restated Bylaws that describe the organizational structure of the Board and establish the general operational procedures by which the Board will carry out its oversight functions and duties,

Therefore, after discussion among the Board Members and on motion duly

made, seconded and unanimously carried, it was:

Resolved, that the Board approve and adopt the Amended and Restated Bylaws as presented to the Board.”

Chairperson Bernanke then discussed his intention to appoint William J. Treacy, Kieran J. Fallon and Jason A. Gonzalez to fill the positions of Executive Director, General Counsel and Secretary of the Board, respectively. Information concerning the proposed individuals had been circulated in advance of the meeting. At the Chairperson’s request and without objection, the following statement was entered into the record:

STATEMENT BY THE CHAIRPERSON TO APPOINT STAFF OF THE FINANCIAL STABILITY OVERSIGHT BOARD

“I hereby appoint the following individuals to the staff positions of the Financial Stability Oversight Board, as authorized by the Amended and Restated Bylaws of the Oversight Board:

William F. Treacy, as Executive Director of the Board;

Kieran J. Fallon, as General Counsel of the Board; and

Jason A. Gonzalez, as Secretary of the Board.”

Mr. Paulson and other Treasury officials, using materials circulated at the meeting, then provided a briefing concerning recent and proposed actions by Treasury under the Troubled Asset Relief Program (“TARP”) and related

provisions of the Emergency Economic Stabilization Act of 2008 (“EESA”) to help promote stability in the U.S. financial system. Throughout this briefing, Members discussed various aspects of the TARP and Treasury’s progress in implementing the TARP.

The briefing and discussion initially focused on the capital purchase program established by Treasury under the TARP to provide financial stability and increase the flow of financing to U.S. businesses and consumers. Treasury officials described the status and likely timing of the capital purchases under the program, recent vendor hirings to assist in the implementation of the program, and the efforts by Treasury to establish the terms under which privately held financial institutions and institutions organized as S-corporations or in mutual form could participate in the program. Treasury officials also described the manner in which the executive compensation provisions of the EESA were being applied to institutions participating in the capital purchase program. In addition, Members discussed the potential for widening the classes of financial institutions eligible to participate in the capital purchase program.

The briefing and discussion then turned to the purchase programs under development for mortgage-backed securities (“MBS”) and whole loans, including the types of assets that would be the most effective for the TARP to purchase and the methods for purchasing such assets. Members also discussed the consultants and advisers that Treasury had retained to assist in the development of auction-based procedures for the purchase of MBS and whole loans, as well as the

status of proposals to hire auction and asset managers.

Members and Treasury officials also discussed the status of potential programs to insure troubled assets under section 102 of EESA. Treasury officials and Members of the Board also discussed the timeline for funding TARP programs, including the timing and process for requesting an increase in the amount of authorized purchases in accordance with section 115 of EESA.

Treasury officials then briefed the Members concerning the procurement process being used by Treasury to request bids from, screen and retain private firms to assist in the implementation of the TARP. Treasury officials informed the Board that the procurement process involved permanent procurement staff and ethics counsel from Treasury, as well as an on-site review of each vendor once a contract is signed. Members and Treasury officials also discussed the roles of the Special Inspector General and Government Accountability Office in overseeing the TARP and the potential for the Oversight Board to coordinate its activities with the activities of these organizations.

Treasury officials and Members also discussed the process for identifying and retaining permanent officials of the TARP to replace the interim officials currently in place.

At the invitation of the Board, Ms. Bair and the other guests from the Federal Deposit Insurance Corporation (FDIC) then joined the meeting. A discussion occurred concerning potential ways for the U.S. government to assist at-risk mortgage borrowers and reduce

avoidable foreclosures. Ms. Bair described one method under which the U.S. government could encourage the modification of troubled mortgages modeled on a loan modification process currently being employed by the FDIC at IndyMac Bancorp. A discussion ensued concerning the details of that process, including the manner in which loans would be modified, the criteria used in assessing borrower eligibility, the potential costs of such a program under differing assumptions, and methods of controlling such costs. Members and others also discussed the current obstacles to private-sector loan modifications, the importance of targeting government assistance towards loan modifications that otherwise would not be made by servicers or investors, and the potential to use asset purchases by TARP to speed price discovery and aid troubled markets.

Members concurred that it was important for the government to help reduce avoidable foreclosures and to analyze alternatives to identify the best and most effective ways for doing so. Mr. Paulson and Ms. Bair indicated that the Administration had a process

underway to review and consider potential policies for preventing avoidable foreclosures and that the Treasury and the FDIC were working through this process. Mr. Preston also stated that the Department of Housing and Urban Development was hosting an inter-agency forum later in the day to identify and coordinate methods for helping at-risk borrowers. Ms. Bair and the other guests from the FDIC then departed.

A discussion then occurred concerning the designation of one or more staff liaisons from each agency represented on the Board to serve as points of contacts on administrative and other issues related to the Board. Members unanimously supported this proposal, and it was agreed that the names of such liaisons would be forwarded to the Secretary of the Board.

The meeting was adjourned at approximately 12:28 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary