FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
September 30, 2011

Submitted pursuant to section 104(g) of the
Emergency Economic Stabilization Act of 2008

Ben S. Bernanke, Chairperson
Chairman
Board of Governors of the Federal Reserve System

Timothy F. Geithner
Secretary
Department of the Treasury

Shaun Donovan
Secretary
Department of Housing
and Urban Development

Mary L. Schapiro
Chairman
Securities and Exchange Commission

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency

Table of Contents

I. INTRODUCTION

This report constitutes the latest quarterly report of the Financial Stability Oversight Board ("Oversight Board"), pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covering the period from July 1 to September 30, 2011 (the "quarterly period").

The Oversight Board was established by section 104 of the EESA to help oversee the Troubled Asset Relief Program ("TARP") and other emergency authorities and facilities granted to the Secretary of the Treasury ("Secretary") under the EESA. The Oversight Board is composed of the Secretary, the Chairman of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Director of the Federal Housing Finance Agency ("FHFA"), the Chairman of the Securities and Exchange Commission ("SEC"), and the Secretary of the Department of Housing and Urban Development ("HUD"). Through Oversight Board meetings and other activities, the Oversight Board reviews and monitors the development, implementation, and effect of the policies and programs established under the TARP to restore liquidity and stability to the U.S. financial system.

II. OVERSIGHT ACTIVITIES OF THE FINANCIAL STABILITY OVERSIGHT BOARD

The Oversight Board met three times during the quarterly period, specifically on July 25, August 29, and September 26, 2011. The minutes of the Oversight Board's meetings[1] reflect that the Oversight Board received presentations and briefings from Treasury officials to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

a. Update on Key Initiatives and Developments During the Quarterly Period

The following highlights some important developments occurring during the quarterly period with respect to the key initiatives established under TARP and the Financial Stability Plan, subject to review and oversight by the Oversight Board. Additional details concerning these developments and programs are included in Part IV below.

The Capital and Guarantee Programs for Banking Organizations

- The Capital Purchase Program ("CPP"). As of September 30, Treasury had received approximately $210.6 billion in repayments, dividends, interest, warrant sales, gains from the sale of common stock and fee income from the banking organizations who participated in the CPP. That amount exceeds the original $204.9 billion Treasury invested under the program. As of September 30, Treasury still held investments in approximately 390 institutions. Many of these institutions are small, community banks or certified community development financial institutions ("CDFIs").

[1] Approved minutes of the Oversight Board's meetings are located at: http://www.treasury.gov/initiatives/financial-stability/about/Oversight/FSOB/Pages/finsob.aspx.

- Treasury received a total of approximately $2.2 billion from 137 institutions who repurchased Treasury's CPP investment through participation in the Small Business Lending Fund ("SBLF").

American International Group, Inc. ("AIG")

- As of September 30, the government's remaining investment in AIG consisted of $51 billion of common stock and preferred investments held by Treasury. In addition, $18.8 billion was owed to Maiden Lane II and III, two limited liability corporations established by the Federal Reserve Bank of New York during 2008 as part of the package of assistance AIG received from the U.S. Government.

Automotive Industry Financing Program ("AIFP")

- <u>Update on Chrysler Group LLC ("Chrysler")</u>. During the quarterly period, Treasury received approximately $560 million in proceeds from the sale of Treasury's remaining six percent fully diluted equity interest in Chrysler Group LLC ("Chrysler") and Treasury's interest in an agreement with the UAW retirement trust to Fiat S.p.A. ("Fiat"). Treasury will have fully exited its TARP investment in Chrysler with Chrysler having returned more than $11.2 billion of the originally committed $12.5 billion to Chrysler and old Chrysler under AIFP. Treasury is unlikely to fully recover its remaining outstanding investment of $1.3 billion in the bankruptcy proceeding related to old Chrysler.

- <u>Update on General Motors ("GM")</u>. Treasury's current investment in GM consisted of approximately 500 million shares of common stock, representing a 32 percent stake in the company.

Small Business Administration ("SBA") 7(a) Securities

- In June 2011, Treasury announced its intention to begin the disposition of the SBA 7(a) securities portfolio over time, as part of broader ongoing efforts to wind-down TARP. As of September 30, Treasury had sold a total of 16 securities for approximately $213.6 million including gains and income for the program of approximately $6.3 million. Treasury continued to hold 15 securities under this program.

Housing Stabilization and Foreclosure Mitigation

- Making Home Affordable ("MHA") Program. As of September 30, 2011, Treasury had disbursed approximately $1.77 billion of incentive payments for MHA against estimated lifetime program costs of $29.9 billion.

- Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("Hardest Hit Fund" or "HHF"). As of September 30, 2011, there were 56 active Housing Finance Agency ("HFA") programs across the 19 eligible jurisdictions (18 states and the District of Columbia). To date, these HFA have drawn a total of approximately $655 million of the $7.6 billion Treasury has allocated under the HHF.

b. Projected Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs four times per year, and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The ultimate cost of TARP remains subject to uncertainty, and will depend on how financial markets and the economy perform in the future. If financial and economic conditions were to deteriorate, for example, prospects for TARP investments will also deteriorate.

According to Treasury's estimates, the expected overall cost of TARP will be approximately $70.2 billion, using market prices as of September 30, 2011 (figure 1). Using the same assumptions, Treasury has estimated that the combined net cost of TARP and other Treasury interests in AIG will be about $57.3 billion. The costs are expected primarily from the cost of TARP housing programs and losses related to TARP investments in auto companies and AIG.

Figure 1

Treasury Estimates of the Impact of TARP Programs and Other Treasury Investments in AIG on the Federal Budget (as of September 30, 2011)[1]

Programs as of September 30, 2011 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of September 30	Outstanding Investment Balance as of September 30	Estimated Lifetime Cost as of June 30	Estimated Lifetime Cost as of September 30[1,2]
Bank Support Programs:					
Capital Purchase Program (CPP):					
Citigroup	$ 25.00	$ 25.00	$ 0.00	$ (6.46)	$ (6.46)
Other banks with assets $10 billion or greater	165.33	165.33	8.87	(10.89)	(10.16)
Banks with assets less than $10 billion[3]	14.57	14.57	8.43	3.20	3.63
Total	$ 204.89	$ 204.89	$ 17.30	$ (14.15)	$ (13.00)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00	$ (4.00)	$ (4.00)
Asset Guarantee Program (AGP)[4]	$ 5.00	$ 0.00	$ 0.00	$ (3.75)	$ (3.68)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.57	$ 0.19	$ 0.18
Credit Market Programs:					
Public-Private Investment Program (PPIP):					
Equity	$ 7.51	$ 6.00	$ 5.85	$ (2.48)	$ (2.71)
Debt	14.35	11.57	10.44	0.47	0.27
Total	$ 21.86	$ 17.58	$ 16.28	$ (2.01)	$ (2.44)
Term Asset Backed Securities Lending Facility (TALF)	$ 4.30	$ 0.10	$ 0.10	$ (0.34)	$ (0.42)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ 0.13	$ 0.00	$ (0.00)
Other Programs:					
American International Group (AIG):					
Preferred Stock	$ 20.29	$ 20.29	$ 9.09	$ -	$ -
Common Stock	47.54	47.54	41.80	17.30	24.31
Total	$ 67.84	$ 67.84	$ 50.88	$ 17.30	$ 24.31
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	37.17	$ 14.33	$ 23.60
Sub-total for Investment Programs	**$ 424.51**	**$ 410.67**	**$ 122.43**	**$ 7.57**	**$ 24.56**
Treasury Housing Programs Under TARP	$ 45.60	$ 2.48	$ -	$ 45.60	$ 45.60
Total for TARP Programs	**$ 470.12**	**$ 413.15**	**$ 122.43**	**$ 53.17**	**$ 70.16**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	(16.48)	(12.83)
Total for TARP Programs and Additional AIG Shares	**$ 470.12**	**$ 413.15**	**$ 122.43**	**$ 36.70**	**$ 57.33**

Notes:

[1] Lifetime cost information is as of September 30, 2011.

[2] Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. The value of outstanding investments in publicly-traded securities is calculated by using the aggregate value of the investments at market prices as of September 30, 2011.

[3] The law creating the Small Business Lending Fund (SBLF) provided that banks could refinance securities issued under the CPP and CDCI programs with securities issued under SBLF. A total of 137 CPP recipients refinanced under the SBLF, resulting in repayment of $2.21 billion in CPP investments.

[4] Estimated lifetime costs for AGP includes $276 million for the termination fee Bank of America paid Treasury-OFS for the value received from the announcement of the negotiations on the guarantee and share losses on a pool of assets.

[5] Represents additional 563 million shares of AIG common stock that was received from the trust created by the Federal Reserve Bank of New York for the benefit of the Treasury, including $1.97 billion received from a sale of stock in May 2011.

III. EVALUATING THE EFFECTS OF EESA PROGRAMS

Utilizing the authority provided by EESA, Treasury has implemented a range of programs to stabilize the financial markets and financial institutions, support the flow of credit to consumers and businesses, and help at-risk homeowners remain in their homes and avoid foreclosure. These programs are described in detail in Part IV of this report and in the previous quarterly reports of the Oversight Board.

Under section 104 of EESA, the Oversight Board is charged with reviewing Treasury's efforts under EESA and the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.

In past quarterly reports, the Oversight Board has indicated that financial-market shocks from the crisis have been lessened by Treasury's actions under EESA, and that TARP and other government programs have contributed to preventing the adverse effects of the crisis from becoming significantly more severe. The accumulated effects of Treasury's actions under TARP continued to contribute significantly and positively to conditions in many financial markets during subsequent quarters. Treasury has received significant repayments of financial-sector investments, and TARP financial-sector programs have been winding down or have been closed. Accordingly, the Oversight Board evaluation of the effects of Treasury's financial-sector programs under TARP places greater emphasis on Treasury's administration of the financial-sector assets it still owns and, in particular, the management of those assets over time toward exit strategies that protect taxpayers and safeguard the public interest in the stability of financial markets. These evaluations are being integrated with broader discussion of program developments in section IV.

TARP housing-sector programs, in contrast, remain open to new applications from eligible borrowers and some operate at a relatively early phase in their respective program life-cycles. The housing-sector programs will provide assistance to additional mortgage borrowers, including by means of new trial first-lien modifications under HAMP through December 2012.[2] The TARP housing-sector programs thus retain the potential to influence housing market conditions going forward. Accordingly, the Oversight Board will continue to evaluate the effects of TARP housing-sector programs from that perspective.

The Oversight Board believes that Treasury's accumulated actions under TARP, together with other federal programs, continued to provide support to the housing market and assistance to at-risk mortgage borrowers during the third quarter. These actions have helped to promote more stable conditions for housing finance and to reduce avoidable foreclosures.

[2] By the terms of MHA servicer participation agreements, a borrower may be accepted into the HAMP program if the borrower has made the first trial period payment on or before December 31, 2012, under a Trial Period Plan Notice delivered to a borrower. Incentive payments will continue to be paid out for five years following the effective date of the modification.

a. Brief review of financial market developments

During the third quarter, conditions in financial markets generally deteriorated, reflecting concerns about the pace of the U.S. recovery as well as sovereign debt problems in Europe. The S&P 500 stock price index decreased about 14 percent in the third quarter of 2011, with stock prices of financial firms dropping even faster. In addition, credit default swap spreads for large bank holding companies, generally considered to be a key indicator of investors' views about the health and prospect of these institutions, rose significantly over the quarter, reaching levels not seen since the spring of 2009 while remaining well below fall 2008 levels.

Data from the flow of funds accounts published by the Federal Reserve showed that debt for households continued to decline through the end of the second quarter (the latest data available). Debt for nonfinancial businesses grew moderately during the period, owing mostly to robust expansion in corporate bond issuance and commercial and industrial ("C&I") loans. Despite the strength in C&I lending, total loans at depository institutions expanded only modestly in the second quarter of 2011, reflecting a continued decline in residential and commercial mortgages outstanding. Charge-offs of problem loans have been a significant element of declines in the level of business and household debt over the past year.

Results from the July Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve showed that, on net, banks continued to ease lending standards and most credit terms during the foregoing three months on nearly all types of loans. Only standards on commercial and residential real estate loans were little changed over that period. In response to a special question in the Survey, banks reported that standards for real estate loans remained tight relative to the range that has prevailed since 2005. Banks also reported an increase in the demand for C&I loans and a slight pickup in demand for some commercial mortgages.

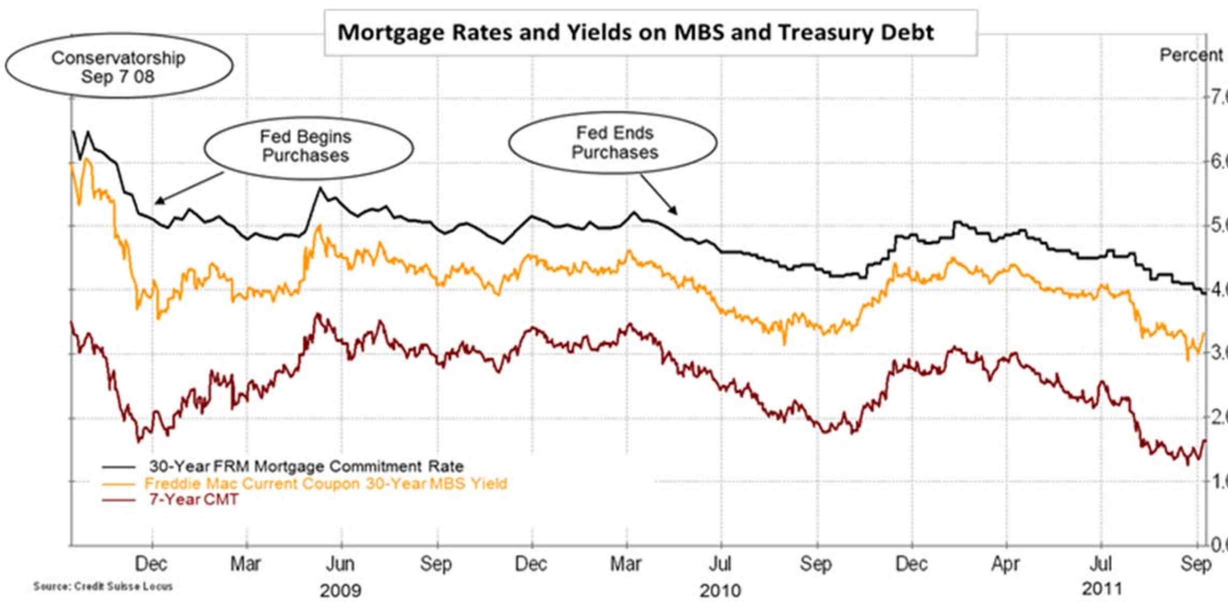
Securitization of consumer credit in the third quarter continued at about the same pace seen in the previous quarter. Unlike auto or credit card asset-backed securities ("ABS"), however, spreads on commercial mortgage-backed securities ("CMBS") remained substantially above pre-crisis levels, and issuance of new CMBS remained very low. Overall, commercial real estate markets continued to exhibit considerable stress. Gross issuance of investment grade bonds for nonfinancial corporations was robust in the third quarter; however, nonfinancial speculative grade issuance dropped relative to the robust pace of issuance seen in recent quarters.

b. Effects of TARP on housing market conditions

Actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act and actions taken by the Federal Reserve, HUD, and FHFA continued to support housing markets and provide assistance to mortgage borrowers during the third quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, but those markets have generally shown little improvement over the past two years because of stagnant wages and slow growth in employment, coupled with the large volume of unsold inventory and unresolved mortgage delinquencies. Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit, which also appeared to be damping demand.

Long-term mortgage interest rates generally have been stable over the last two years, remaining near or below 5 percent (figure 2). By the end of the third quarter, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, fell to 4.01 percent, their lowest level in 50 years. Yields on 10 year Treasuries moved below 2 percent early in the quarter and remained well below that threshold for the remainder of the quarter. Spreads between mortgage rates and yields on reference Treasury securities widened somewhat, consistent with the historical tendency of mortgage rates to move more sluggishly than Treasury yields. Nonetheless, these spreads remained close to their average over the last two years and well below the crisis levels of late 2008 and early 2009.

Figure 2



Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During June, July, and August new permanent modifications averaged just over 28,000 per month, below the 32,000 per month average of the preceding three months. Total active permanent modifications increased from 630,000 at the end of May to 691,000 at the end of August. The Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second lien where the first lien mortgage has already been modified under HAMP, recorded noteworthy growth. By the end of August, some 36,000 2MP modifications were active, up from 4,000 at the end of December and 28,000 at the end of May. Also through August, the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu as lower-cost alternatives to foreclosure, had completed more than 15,000 short sales, and 420 Deed-in-Lieu transactions, up from 8,300 and 230 respectively as of May. The Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP. Hope Now reported an average of 54,000 non-HAMP modifications had been initiated during June, July, and August, which–in parallel to HAMP–represented a decline from the 62,000 per month of the foregoing three months. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

Data reported by Treasury indicated that, through the end of August, some 15.2 percent of all HAMP permanent modifications had re-defaulted, that is, had been cancelled for missing three or more payments.[3] Delinquency data across standardized intervals, a more conventional metric for assessing payment performance, provided some positive indications. Data reported during the quarter indicated that 8.6 percent of HAMP modifications made permanent in the fourth quarter of 2010 had become delinquent by 60 days or more. This was the best performance for any quarterly origination cohort at a comparable point in time, and is substantially below the 15 percent rate for loan modifications begun in the third quarter of 2009, the first quarter of the HAMP program. For loan modifications made permanent in the second quarter of 2010, 19.4 percent had become delinquent by 60 or more days within 12 months of the modification, which is also a substantial improvement from the performance of modifications made in the third quarter of 2009, when 25.4 percent had gone 60 or more days delinquent within 12 months of the date of the modification. In contrast, 31.4 percent of non-HAMP modifications made permanent in the second quarter of 2010 at a select group of national banks and thrifts had become 60 or more days delinquent within 12 months of the modification.[4] The lower rate of delinquency for HAMP permanent modifications has likely been influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

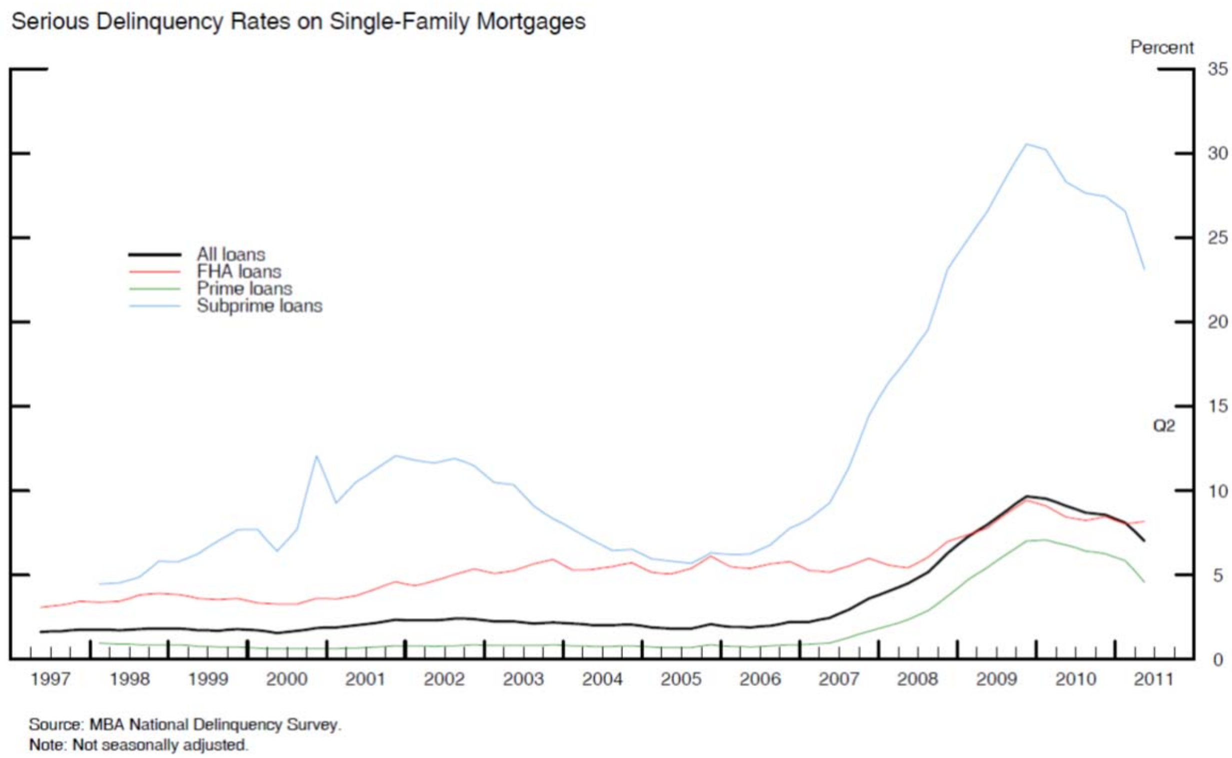
These efforts contributed to the slow but steady decline in the number of seriously delinquent loans (single family mortgage loans 90 or more days past due or in the process of foreclosure, figure 3) that began at the end of 2009. Rates of serious delinquency are back down to the rates seen at the end of 2008. Both reductions in newly delinquent loans and a high number of foreclosures during 2010 have contributed to the decline in serious delinquency, although the pace of foreclosure resolutions was much slower at the end of 2010 and beginning

[3] Comparing cumulative re-defaults to the cumulative number of permanent modifications provides a single rough indication of portfolio-wide re-default frequency at this early stage in the life of these modified loans. The cost of this simplicity is that the single re-default metric does not take account of analytically useful distinctions within the portfolio of permanent modifications, for example, the different periods of time that have passed since the modifications were put into place. For granular analysis of delinquency patterns in HAMP permanent modifications, interested parties should consult the most recent monthly Servicer Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/results/MHAReports/Pages/default.aspx.

[4] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") and the Office of Thrift Supervision ("OTS") Mortgage Metrics Report for the second quarter of 2011 (Table 32), and pertain to non-HAMP modifications of mortgages serviced by a selected group of national banks and federal savings associations. For this same group of financial institutions, the OCC and OTS Mortgage Metrics Report indicated that 17.3 percent of HAMP permanent modifications finalized in the second quarter of 2010 had fallen 60 days delinquent within 12 months.

of 2011 due to recent issues in loan servicing. Loans originated in 2009 and 2010 are experiencing much lower rates of early delinquency, compared to loans originated in the middle of the decade. New FHA 90-day delinquencies for the third quarter were 7.13 percent, somewhat higher than the previous quarter but well below the year-earlier period.

Figure 3



Despite continued low interest rates, the pace of mortgage refinancing slowed in 2011. Refinanced loans help lower borrowing costs for many borrowers. The non-TARP Home Affordable Refinance Program (HARP) is designed to help borrowers whose loans were purchased or guaranteed by Fannie Mae or Freddie Mac and who are located in areas suffering from house price declines. HARP allows borrowers with high loan-to-value ratios to refinance their mortgages to take advantage of lower interest rates, if their loan-to-value ratios are no more than 125 percent. If the original loan had private mortgage insurance the insurer must agree to transfer that insurance to the new loan, and if the property has a junior lien(s) the other lenders must agree to re-subordination. The policy rationale for HARP is straightforward because Fannie Mae or Freddie Mac already had the credit risk on the original loan. HARP refinancing does not materially increase the GSEs' risk exposure, and can be expected to lower the risk of default by reducing the borrower's monthly payment. During the second quarter of 2011, Fannie Mae and Freddie Mac refinanced almost 29,000 mortgages per month on average through the HARP program. In contrast, the HARP program refinanced a record 57,000 borrowers in December 2010, which largely reflected the borrowing rate declines last summer and fall that were reversed as the year ended. FHFA and the Enterprises are actively working to remove frictions in the refinancing process to enable more borrowers to take advantage of record low mortgage rates.

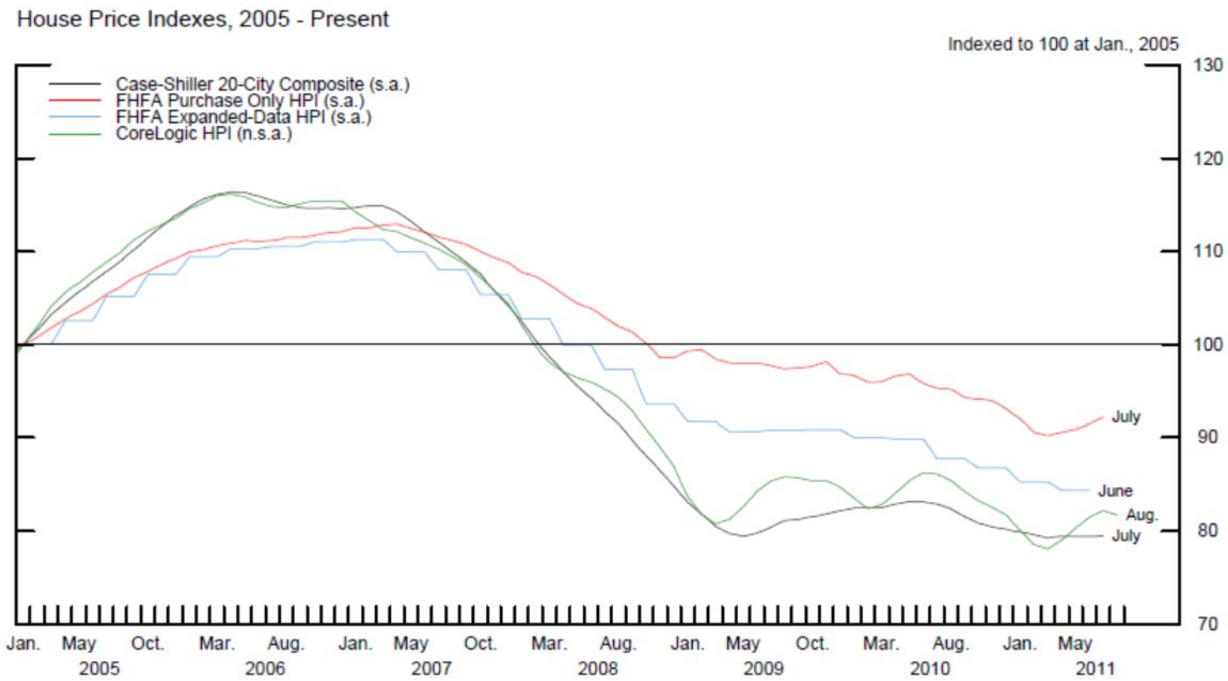
Based on early estimates of market-origination volumes for this quarter by the Mortgage Bankers Association, FHA's market share positions held fairly constant from the previous quarter, at 33 percent for purchase loans and six percent for refinance loans, and its share of overall dollar volumes of single-family mortgage originations was close to 15 percent.[5] The dollar volume of FHA single-family insurance endorsements in the quarter was close to that of the previous quarter, declining just 3.7 percent. The quarterly decline occurred as increases in purchase-loan activity were exceeded by a slowing in refinancing activity. The decline in mortgage interest rates during the quarter led to a significant increase in applications for FHA-to-FHA refinance loans (up 44 percent), but applications for the larger conventional-to-FHA refinance group declined slightly (down 1.5 percent), and applications for purchase loans were measurably lower than in the previous quarter (down 14 percent). Overall, historically-low mortgage interest rates in the quarter spurred less growth in applications than occurred in the same period last year, when interest rates had fallen to comparable levels.

Seasonally adjusted house sale volume rose over the summer. As measured by the National Association of Realtors and the Census Bureau, combined existing and new single-family home sales were at a 5.3 million annual rate in August, up from a 5.1 million rate in May (seasonally adjusted). Sales were still below the 5.7 million annual rate (seasonally adjusted) that prevailed in January. Large inventories of houses for sale and potential additions to those inventories from future foreclosures have continued to depress house prices. Although the flow of new foreclosures was much slower than in prior years of the crisis, in part due to issues with servicer documentation and practices, it is reasonable to expect that slowdown will be reversed. As of the end of July, Corelogic estimated that there were over 3.8 million properties for sale and a further 1.6 million either had been turned over to lenders (that is, were "real estate owned" by lenders or REO), were in the foreclosure process, or for which borrowers were seriously delinquent on their mortgage. The seasonally adjusted price index from FHFA and the Case-Shiller S&P 20-city index were up over the 3 month period of May, June, and July, with the FHFA index up almost 2 percent and the S&P index up one tenth of a percent. The CoreLogic index, which is not seasonally adjusted, showed a sharp increase of almost 4 percent (figure 4).[6]

[5] Mortgage Bankers Association Mortgage Finance Forecast, October 10, 2011. Market shares are based on FHA loan originations and not insurance endorsements. Originations precede endorsements by up to two months.

[6] This chart includes the FHFA's recently-released Expanded Data Home Price Index, which uses a data sample that has been augmented with sales price information for homes with mortgages endorsed by the Federal Housing Administration ("FHA") and real property county recorder information licensed from a private vendor. Further information on the Expanded Data index can be found in the FHFA's second quarter 2011 house price index release (August 24, 2011) at http://www.fhfa.gov/webfiles/22558/2q2011HPI.pdf.

Figure 4



IV. DISCUSSION OF THE ACTIONS TAKEN BY TREASURY UNDER THE EESA DURING THE QUARTERLY PERIOD

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under the EESA during the quarterly period, from July 1, 2011, to September 30, 2011, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Banking Organizations

i. Update on Repayments under CPP

As of September 30, 2011, Treasury had received a total of approximately $184.9 billion in repayments under the CPP, equivalent to more than 90 percent of the total funds initially invested. During the quarterly period, 148 financial institutions delivered a total of $4.38 billion in repayments, including the following most significant transactions:

- Treasury received a total of approximately $2.2 billion from 137 institutions who repurchased Treasury's investment through participation in the **Small Business Lending Fund ("SBLF").**

- **Associated Banc-Corp ("Associated") (Green Bay, WI):** During the quarterly period, Treasury received repayments from Associated of approximately $264.0 million. In September, Associated repurchased its remaining CPP preferred shares totaling more than $262.0 million and paid accrued dividends totaling $1.1 million.

- **Home Bancshares, Inc. ("Home") (Conway, AR):** During the quarterly period, Treasury received total proceeds from Home of approximately $50.4 million. In July, Home repurchased all of its CPP preferred shares totaling $50.0 million and paid accrued dividends totaling $354,167.

As of September 30, 2011, the combined total amount of bank organization repayments, dividends, and other income received from banking-related programs (the CPP, Targeted Investment Program ("TIP"), Asset Guarantee Program ("AGP"), and Community Development Capital Initiative) exceeded by over $12.5 billion Treasury's total original investment in these programs of $245.0 billion.

The chart below shows the top 25 CPP remaining investments by institution as of September 30, 2011 (figure 5).

Figure 5

Top 25 remaining CPP investments by institution as of September 30, 2011

	Institution	City, State	Investment Amount ($millions)
1	Regions Financial Corp.	Birmingham, AL	$ 3,500.0
2	Zions Bancorporation	Salt Lake City, UT	$ 1,400.0
3	Synovus Financial Corp.	Columbus, GA	$ 967.9
4	Popular, Inc.	Hato Rey, PR	$ 935.0
5	First Bancorp[a]	San Juan, PR	$ 424.2
6	M&T Bank Corporation	Buffalo, NY	$ 381.5
7	Sterling Financial Corporation[b]	Spokane, WA	$ 303.0
8	Citizens Republic Bancorp, Inc.	Flint, MI	$ 300.0
9	First Banks, Inc.	Clayton, MO	$ 295.4
10	New York Private Bank & Trust Corp.	New York, NY	$ 267.3
11	Flagstar Bancorp, Inc.	Troy, MI	$ 266.7
12	Cathay General Bancorp	El Monte, CA	$ 258.0
13	PrivateBancorp, Inc.	Chicago, IL	$ 243.8

	Institution	City, State	Investment Amount ($ millions)
14	International Bancshares Corporation	Laredo, TX	$ 216.0
15	MB Financial Inc.	Chicago, IL	$ 196.0
16	First Midwest Bancorp, Inc.	Itasca, IL	$ 193.0
17	Pacific Capital Bancorp[c]	Santa Barbara, CA	$ 180.6
18	United Community Banks, Inc.	Blairsville, GA	$ 180.0
19	Dickinson Financial Corporation II	Kansas City, MO	$ 146.1
20	Central Pacific Financial Corp.[d]	Honolulu, HI	$ 135.0
21	Banner Corporation	Walla Walla, WA	$ 124.0
22	Anchor BanCorp Wisconsin, Inc.	Madison, WI	$ 110.0
23	S&T Bancorp	Indiana, PA	$ 108.7
24	Taylor Capital Group	Rosemont, IL	$ 104.8
25	Park National Corporation	Newark, OH	$ 100.0
	Total		**$11.3 billion**

a/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock (MCP) with capitalized dividends. Subject to the fulfillment by First BanCorp of certain conditions, including those related to its capital plan, the MCP may be converted to common stock.

b/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock (MCP). Sterling fulfilled the conversion conditions, including those related to its capital plan, and Treasury's MCP was converted into 378,750,000 shares of common stock.

c/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock (MCP) with capitalized dividends. Pacific Capital fulfilled the conversion conditions and Treasury's MCP was converted into 360,833,250 shares of common stock.

d/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock (MCP) with capitalized dividends. Central Pacific fulfilled the conversion conditions and Treasury's MCP was converted into 5,620,117 shares of common stock of which 2,850,000 has been sold.

ii. *Update on Warrant Dispositions*

All public auctions to date have been conducted as modified "Dutch" auctions registered under the Securities Act of 1933 in a format where qualified bidders may submit one or more independent bids at different price-quantity combinations and the warrants are sold at a uniform price that clears the market.

As of September 30, 2011, Treasury had disposed of warrants from 226 banking organizations and had received approximately $9.15 billion in gross proceeds.[7] During the quarterly period, 121 banking organizations repurchased warrants from Treasury for proceeds of approximately $100.8 million, including the following most significant transactions:

- On September 23, 2011, Treasury completed a public auction of its warrant that entitled it to purchase approximately 17.9 million shares of SunTrust Banks, Inc. common stock. Treasury's total gross proceeds under this transaction were approximately $30.5 million.

- On September 21, 2011, Great Southern Bancorp. ("Great Southern") repurchased Treasury's warrant that entitled it to purchase 909,091 shares of Great Southern common stock. Treasury's total gross proceeds under this transaction were approximately $6.4 million.

- On July 5, 2011, Treasury completed the sale of its Marshall & Ilsley ("M&I") warrant that entitled it to purchase approximately 13.8 million shares of M&I stock to Harris Financial Corp., a wholly-owned subsidiary of Bank of Montreal. Treasury's total gross proceeds under this transaction were $3.25 million.

iii. Update on CPP Dividends and Interest

As of September 30, 2011, cumulative dividends and interest income received from CPP investments was approximately $11.2 billion. During the quarterly period, Treasury received dividends and interest income from CPP investments of approximately $225.0 million.

a. Missed Payments

During the quarterly period, 156 institutions did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP were approximately $48.6 million, which represents approximately 21 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period. As of September 30, 2011, the cumulative missed payments by CPP portfolio

[7] Includes warrant dispositions through auction, repurchase, and repurchase of exercised warrant preferred shares from the CPP and TIP. Treasury received approximately $1.45 billion from the disposition of TIP warrants.

institutions since the beginning of the program were approximately $262.4 million,[8] which represents approximately 2.3 percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury.

Under the CPP preferred-stock agreements, Treasury cannot demand payment of dividends under such circumstances, but instead has a contractual right to appoint up to two directors to the institution's board of directors if that institution has missed six payments. Treasury is using board observers (drawn from Treasury staff) to inform its decisions in that regard. As of September 30, 2011, 73 banks participating in the CPP had missed six or more payments. Of these, 35 CPP recipients have agreed to have Treasury observers at their board of directors meetings, including several institutions that expected to miss their sixth dividend payment in the near future. As of the end of the quarter, Treasury had interviewed potential director candidates and has elected 10 directors to a total of 6 institutions.

b. Exchanges and Dispositions

In limited cases, and in keeping with the objectives of the EESA to "restore liquidity and stability to the financial system of the United States" in a manner which "maximizes overall return to taxpayers," Treasury may agree to participate in a direct disposition of its CPP investment to new investors who are able to provide fresh equity investment, conduct a capital restructuring or otherwise strengthen the capital position of the bank. Alternatively, Treasury may participate in exchanges of CPP preferred stock for other securities. Exchanges made on this basis may be at a rate less than par and sales by Treasury to a new investor may be made at a discount. Treasury entered into the following key exchanges and dispositions during the quarterly period:

- On July 5, 2011, Treasury completed the sale of all of its M&I preferred stock and warrants to Harris Financial Corp., a wholly-owned subsidiary of Bank of Montreal ("BMO") for an aggregate purchase price equal to the par amount of the preferred stock ($1.715 billion, equal to Treasury's original investment) plus accrued and unpaid dividends thereon and $3.25 million for the warrant, pursuant to the terms of the agreement between Treasury and BMO entered into on July 5, 2011.

- On September 7, 2011, Treasury completed the sale of all of its Green Bankshares, Inc. ("Green") preferred stock and warrants to North American Financial Holdings, Inc. ("NAFH") for an aggregate purchase price of $68.7 million, pursuant to the terms of the agreement between Treasury and NAFH entered into on September 6, 2011. Treasury's original investment in Green was $72.278 million.

[8] References to missed payments by portfolio institutions exclude institutions that have entered bankruptcy, or had a bank subsidiary placed in receivership or for which Treasury had disposed of its CPP investment (collectively referred to as non-portfolio institutions).

c. *Receiverships*

During the quarterly period the following institutions were placed into receivership:

- On July 15, 2011, One Georgia Bank ("Georgia"), was closed by the State of Georgia Department of Banking and Finance and the Federal Deposit Insurance Corporation was appointed as receiver (Treasury's initial investment in Georgia was approximately $5.5 million).

- On July 15, 2011, First Peoples Bank, the banking subsidiary of FPB Bancorp ("FBP") was closed by the Florida Office of Financial Regulation and the Federal Deposit Insurance Corporation was appointed as receiver (Treasury's initial investment in FPB was approximately $5.8 million).

- On July 29, 2011, Integra Bank, the banking subsidiary of Integra Bank Corporation ("Integra") was closed by the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation was appointed as receiver (Treasury's initial investment in Integra was approximately $83.586 million).

- On September 23, 2011, Citizens Bank of Northern California, the banking subsidiary of Citizens Bancorp ("Citizens") was closed by the California Department of Financial Regulations and the Federal Deposit Insurance Corporation was appointed as receiver (Treasury's initial investment in Citizens was approximately $10.4 million).

As of September 30, 2011, thirteen financial institutions with CPP investments totaling approximately $2.92 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 6).

Figure 6

CPP Investments in Bankruptcy or with Banking Subsidiary in Receivership (cumulative Since 2008)

Institution	Original Treasury Investment Amount
CIT Group, Inc.	$2.33 billion
UCBH Holdings, Inc.	$298.7 million
Midwest Banc Holding, Inc.	$84.78 million
Superior Bank	$69 million
Sonoma Valley Bancorp	$8.65 million
Pierce County Bancorp	$6.8 million
Legacy Bancorp Inc.	$5.498 million
Pacific Coast National Bancorp	$4.12 million

Tifton Banking Company	$3.8 million
FPB Bancorp	$5.8 million
One Georgia Bank	$5.5 million
Integra Bank Corporation	$83.586 million
Citizens Bancorp	$10.4 million

b. Small Business Administration ("SBA") 7(a) Securities Purchase Program

On September 20, 2011, Treasury sold four SBA 7(a) securities for approximately $62.1 million, including overall gains and income of approximately $1.8 million. Since June 2011, including this transaction, Treasury had sold a total of 16 SBA 7(a) securities through three Bids Wanted in Competition for $213.6 million, including total gains and income to Treasury of $6.3 million. As of September 30, 2011, Treasury continued to hold 15 SBA 7(a) securities with a face value of approximately $124.7 million.

c. AIG

During the quarterly period, Treasury's investment in AIG's common stock remained unchanged, consisting of 1.455 billion shares of common stock (of which 494.8 million shares are held by Treasury arising from actions outside of TARP). In August 2011, AIG closed the sale of Nan Shan Life Insurance Company Ltd for $2.2 billion, which was used to redeem an equal amount of Treasury's preferred interests. These preferred equity interests now stand at $9.3 billion as of September 30, 2011, down from $11.5 billion at the end of the June 2011. Treasury continues to monitor AIG's performance and evaluate options to exit its investment in AIG.

d. Automotive Industry Financing Program ("AIFP")

i. Update on GM

During the quarterly period, Treasury's investment in GM remained unchanged, consisting of 500.1 million common shares. Treasury continues to monitor GM's performance and evaluate options to exit its investment in GM.

ii. Update on Chrysler

On May 24, 2011, Chrysler repaid Treasury $5.1 billion in TARP loans and terminated its ability to draw a remaining $2.1 billion TARP loan commitment.

On May 27, 2011, Fiat irrevocably committed to purchase Treasury's 6 percent fully diluted common equity stake in Chrysler pursuant to the call option agreement between Fiat and Treasury. On June 2, 2011, Treasury reached an agreement with Fiat to sell its equity interest in Chrysler and its interest in an agreement with the United Auto Worker retiree trust for $560 million. This transaction closed on July 21, 2011, with Treasury fully exiting its TARP investment in Chrysler.

Chrysler has returned to Treasury more than $11.2 billion (consisting of principal repayments, interest, and cancelled commitments) of the $12.5 billion committed to Chrysler and old Chrysler under the AIFP. Treasury is unlikely to fully recover its remaining outstanding investment of $1.3 billion in the bankruptcy proceeding related to old Chrysler.

iii. Update on Ally Financial (Formerly GMAC)

During the quarterly period, Treasury's investment in Ally Financial remained unchanged, consisting of 74 percent of the firm's common shares and $5.9 billion in aggregate liquidation preference of mandatorily convertible preferred stock. Treasury continues to monitor Ally Financial's performance and evaluate options to exit its investment.

e. Housing Stabilization and Foreclosure Mitigation

Treasury has indicated that reducing foreclosures for responsible homeowners and further stabilizing the U.S. housing market are key areas to which committed TARP funds will be used going forward. While Treasury can no longer make new financial commitments under TARP, expenditures to implement existing housing programs will continue to be made incrementally over time.

During the quarterly period, monthly MHA Servicer Performance Reports covering June, July, and August 2011 were released in conjunction with monthly housing scorecards on the nation's housing market (the "Housing Scorecard" produced by HUD). [9]

i. *Making Home Affordable*

The primary purpose of the MHA program is to offer responsible but struggling homeowners the opportunity to remain in their homes at more affordable payment levels, consistent with the EESA's mandate to promote financial stability while protecting taxpayers. As the mortgage crisis evolved, Treasury enhanced MHA and developed new programs designed to meet the changing landscape. While HAMP was the primary program, MHA expanded to include a number of more specialized programs, as described below.

a. HAMP

As of September 30, 2011, Treasury had disbursed approximately $1.77 billion of incentive payments for MHA out of an estimated lifetime cost of $29.9 billion.[10] This budget is

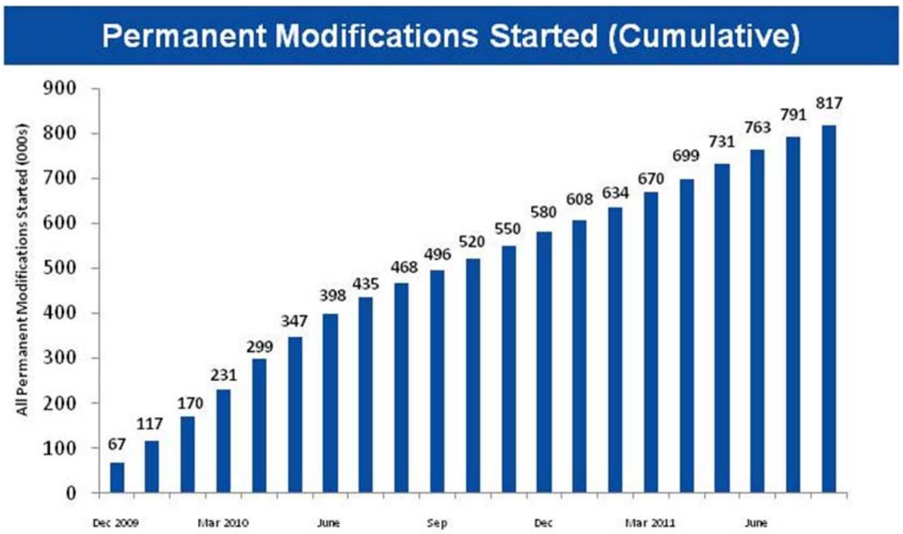
[9] The Servicer Performance Reports, available at: http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Pages/default.aspx, include data, among others, on the characteristics of permanent modifications, servicer activity, re-default rates, waterfall of eligible borrowers, homeowner experience, HAMP activity by state and metropolitan area, modifications by investor type, and compliance reviews. The Housing Scorecard, available at: http://www.HUD.gov/scorecard, incorporates key housing market indicators and highlights the impact of housing recovery efforts.

currently under review based on program performance and ongoing developments in the economic environment.

As of August 2011, there were a total of 816,833 permanent HAMP modifications. Specifically, approximately 32,000, 28,000, and 25,000 HAMP trial period plans became permanent in June, July and August 2011, respectively (Figure 7).

Figure 7

HAMP permanent modifications started (cumulative) through August 2011



b. Second Lien Modification Program ("2MP")

Under 2MP, Treasury provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when the first lien mortgage for the same property has been permanently modified under HAMP. As of the close of the quarterly period, there were seventeen servicers participating in 2MP, including the four largest mortgage servicers who, in the aggregate, service approximately 55 percent of outstanding second liens. As of August 2011, approximately 36,000 homeowners in a first-lien HAMP modification had an active permanent second lien modification in place.

c. Home Affordable Foreclosure Alternatives ("HAFA")Program

Under the HAFA Program, Treasury provides incentives for short sales and deeds-in-lieu of foreclosure for circumstances in which borrowers are unable or unwilling to complete the HAMP modification process. In August, Treasury released new HAFA guidance intended to streamline the process for homeowners seeking a short sale or deed-in-lieu by establishing clear timelines and agreements between mortgage servicers and homeowners. As of August 2011,

[10] Treasury's Transactions Reports (Housing), available at: http://www.financialstability.gov, show the adjusted cap amounts for each servicer, and the total disbursements to each non-GSE servicer. Incentive payments to servicers of GSE loans are borne by the GSEs and not Treasury.

approximately 28,953 homeowners had reached agreements with their servicer to exit their home under the HAFA Program and approximately 15,954 homeowners had completed a short sale or deed-in-lieu.

d. Home Affordable Unemployment Program ("UP")

The UP requires participating servicers to grant qualified unemployed borrowers a forbearance period during which their mortgage payments are temporarily reduced or suspended while they look for new jobs. At the end of this forbearance period, if the homeowner receives a HAMP modification, the forborne amount is capitalized. This quarter, Treasury began reporting the number of UP forbearance plans started which totaled nearly 16,000 through August 2011.

In July 2011, Treasury released guidance requiring servicers to grant unemployed homeowners of non-GSE mortgages a minimum forbearance period of twelve months instead of three months, whenever permitted by regulatory and investor guidelines, while they search for employment. These changes to the UP will become effective in October 2011. In addition, the FHA has amended its policy to require servicers to extend the forbearance period for unemployed homeowners on FHA loans to twelve months. We expect these adjustments will provide additional assistance for unemployed homeowners trying to keep their homes while seeking new jobs. These changes are also intended to set a new standard for the mortgage industry.

e. Principal Reduction Alternative ("PRA")

Under PRA, servicers of non-GSE loans are required to evaluate the benefit of principal reduction for mortgages with a loan-to-value ratio of 115 percent or greater when evaluating a homeowner for a HAMP first lien modification. While servicers are required to evaluate homeowners for PRA, they are not required to reduce principal as part of the modification. Through August 2011, over 10,000 PRA modifications had been made, at a median principal reduction amount of approximately $67,850, and there were over 22,000 active PRA trial modifications.

f. Treasury Support for FHA Refinance ("FHA Short-Refinance") and FHA Second Lien Program ("FHA2LP")

The FHA Short-Refinance program provides additional refinancing options to homeowners who owe more than their homes are worth because of large declines in home prices in their local markets. The program is also designed to provide opportunities for qualifying mortgage loans to be restructured and refinanced into FHA-insured loans. Treasury established a letter of credit to provide coverage for a portion of potential losses associated with these FHA-insured loans. Treasury also implemented FHA2LP, a voluntary program, under which incentives are paid to second lien mortgage servicers and investors that agree to full or partial extinguishment of second lien mortgage loans in conjunction with an FHA Short Refinance. Qualifying homeowners can refinance into FHA Short Refinance loans through December 31, 2012.

g. Housing Finance Agency ("HFA") Innovation Funds for the Hardest Hit Fund ("HHF")

The HHF allows states' HFAs in the nation's hardest hit housing and unemployment markets to design innovative, locally targeted foreclosure prevention programs, provided the programs satisfy the requirements for funding under the EESA. Treasury has committed $7.6 billion to support the HHF programs in 18 states and the District of Columbia, as shown in the chart below (figure 8).[11]

Figure 8

HHF commitment allocation by state ($ in millions)

Alabama	$	162.52	**Indiana**	$	221.69	**North Carolina**	$	482.78
Arizona	$	267.77	**Kentucky**	$	148.90	**Ohio**	$	570.40
California	$	1,975.33	**Michigan**	$	498.61	**Oregon**	$	220.04
District of Columbia	$	20.70	**Mississippi**	$	101.89	**Rhode Island**	$	79.35
Florida	$	1,057.84	**Nevada**	$	194.03	**South Carolina**	$	295.43
Georgia	$	339.26	**New Jersey**	$	300.55	**Tennessee**	$	217.32
Illinois	$	445.60			**TOTAL**	**7.60 billion**		

As of September 30, 2011, all 18 states and the District of Columbia were operating HHF programs statewide and collectively have drawn approximately $655 million of the $7.6 billion allocated under the program. All 19 HFAs have created extensive infrastructures to operate these programs, including selecting and training networks of housing counselors to assist with applications, creating homeowner portals to aid homeowners in applying for assistance, and hiring underwriters and other staff to review and approve applications. The five largest servicers (Ally Bank, Bank of America, J.P. Morgan Chase, Citibank, and Wells Fargo) are currently participating in all 18 states and D.C., primarily in mortgage payment assistance and reinstatement of assistance.

The 19 HFAs are required by Treasury to report individually on the take-up and performance of their respective HHF-sponsored programs. The information is made available on each HFAs website. Due primarily to the fact that each state's program is locally-tailored, targeting different forms of mortgage relief and distinct groups of homeowners, with each having unique terms, conditions and incentives, Treasury does not publish a consolidated report.

[11] The 18 states and the District of Columbia were selected because they were significantly impacted by unemployment and/or had average home price declines greater than 20 percent since the housing market downturn, accounting for the majority of "underwater" mortgages in the country. Approximately two-thirds of all allocated funds are currently intended to help unemployed homeowners pay or reinstate their mortgages. The remaining funds are intended for principal reduction, second lien removal, short sale assistance, and other locally-tailored initiatives.

ii. *Housing programs' indicative reporting timetable*

The chart below (figure 9) shows for each MHA program an indicative reporting timetable with the approximate date of: (i) program announcement; (ii) effective date of guidance sent to servicers in the form of Supplemental Directives; (iii) provision of an infrastructure for servicers to begin reporting on program activity to Treasury's system of record ("IR2"); and (iv) Treasury having completed its review of the reported data and processes in order to provide validated data on the program activity.

Figure 9

Housing programs indicative reporting timetable

MHA Program	Program Description	Announcement	Program Effective	Servicer IR2 Reporting Capability	Public Reporting
HAMP	First-lien loan modifications	Feb-09	Mar-09	Jun-09	Aug-09
2MP	Second-lien loan modifications for borrowers who received permanent HAMP modifications	Aug-09	Jun-10	Sep-10	Feb-11
HAFA	Incentives for short sales or deeds-in-lieu of foreclosure	Mar-10	Apr-10	Jun-10	Feb-11
PRA	Principal reduction for HAMP-eligible borrowers with high loan-to-value ratios	Jun-10	Oct-10	Dec-10	July-11
UP	Temporary principal forbearance for unemployed borrowers	May-10	Aug-10	Jan-11	June 2011
Treasury FHA-HAMP	Principal reduction and modification of delinquent or at risk FHA loans	Mar-10	Mar-10	Sep-10	Dec-10
FHA2LP	Restructure of second liens to allow refinance of current, negative equity mortgages into FHA loans	Mar-10	Aug-10	N/A	4Q 2011

Take-up under FHA2LP is not expected to be seen for several months. Accordingly, Treasury is evaluating how best to approach the content and timing of public reporting on the program to appropriately take account of this expectation. FHA publishes the numbers for the FHA Short-Refinance.[12]

iii. *Servicer Performance Reports*

In September 2011, MHA servicer assessments, which were compiled by Treasury, that summarize performance for the 10 largest MHA participating servicers from reviews conducted during the second quarter of 2011, were published. The reviews focused on three categories of program implementation: 1) identifying and contacting homeowners; 2) homeowner evaluation and assistance; and 3) program reporting, management, and governance. The second quarterly

[12] Application and endorsement data for the FHA Short Refinancing Program are available in FHA's Monthly Outlook Report at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/ooe/olmenu

assessment identified two servicers (Bank of America and J.P. Morgan Chase Bank) as needing substantial improvement, five servicers (American Home Mortgage Servicing, Inc., CitiMortgage, Inc., Ocwen Loan Servicing LLC, Select Portfolio Servicing, and Wells Fargo Bank) as needing moderate improvement, and three servicers (GMAC Mortgage LLC, Litton Loan Servicing LP, and OneWest Bank) as needing minor improvements.

While all servicers are required to address all instances of non-compliance, based on the second quarter 2011 assessments Treasury withheld financial incentives from the two servicers identified as needing substantial improvement (Bank of America and J.P Morgan Chase Bank). Also, for servicers requiring moderate improvement, Treasury will not withhold servicer incentives for this quarter. However, servicers that fail to improve may be subject to withholding of incentive payments in the future.

APPENDIX A

Minutes of the Financial Stability Oversight Board Meetings
During the Quarterly Period

Minutes of the Financial Stability Oversight Board Meeting
July 25, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:30 p.m. (EDT) on Monday, July 25, 2011, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

Mr. Wolin, Deputy Secretary, Department of the Treasury

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

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

Mr. Pendo, Director of Investments, Office of Financial Stability, Department of the Treasury

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

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

Mr. Ryan, Chief Risk Officer, Department of Housing and Urban Development

Ms. Nisanci, Chief of Staff, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:35 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on June 16, 2011, 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.

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 Automotive Industry Financing Program ("AIFP"); the American International Group, Inc. ("AIG"); the Making Home Affordable ("MHA") program and related initiatives; and the Hardest Hit Fund Initiative ("HHF"). 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 ("EESA"), which contains information concerning the 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.

Using prepared materials, Treasury officials provided an update on the CPP. Treasury officials discussed with Members the results of Treasury's daily TARP update as of July 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. Officials also discussed the status of missed dividend or interest payments by institutions participating in the CPP, along with Treasury's contractual right to appoint up to two directors to the board of directors of any institution that has missed six payments. Officials noted that Treasury had exercised its right to nominate two directors to the board of First Bank, Inc., and one director to the board of Royal Bancshares of Pennsylvania, Inc., in accordance with the terms of the securities purchase agreements between these institutions and Treasury. Members and officials then discussed the likely pace of future CPP repayment from the largest institutions participating in the program and its influence on the return to Taxpayers. As part of this discussion, Treasury officials also discussed the funding Treasury has provided under the Small Business Lending Fund ("SBLF"). The SBLF is a non-TARP program that provides capital to any successful small bank applicant. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance.

Using prepared materials, Treasury officials then provided Members with an update on Treasury's program to purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration ("SBA"). Treasury had originally purchased securities with a value of approximately $368 million under the SBA 7(a) purchase program. As part of this discussion, Treasury officials discussed the potential timing of future dispositions of securities held in Treasury's SBA 7(a) portfolio as part of Treasury's ongoing efforts to wind-down TARP.

Using materials distributed at the meeting, Treasury officials then provided an update on the AIFP. As part of this discussion, Treasury reviewed the status of Treasury's investments under the AIFP. Officials noted that Treasury recently had received approximately $560 million in proceeds from the sale of Treasury's remaining six percent fully diluted equity interest in Chrysler Group LLC ("Chrysler") and Treasury's interest in an agreement with the UAW retirement trust to Fiat S.p.A. ("Fiat"). Treasury has fully exited from its investment in Chrysler under the AIFP, receiving a total of $11.2 billion, which results in a overall loss of $1.3 billion in the Chrysler investment.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on the U.S. government's investment in AIG. Officials noted that Treasury was presently subject to a 120 day lock-up period during which Treasury is restricted from selling any of the outstanding common shares of AIG held by Treasury.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program, and the Home Affordable Foreclosure Alternatives Program. Officials also provided an update on the Principal Reduction Alternative initiative, under which servicers of non-GSE loans are required to evaluate the benefit of principal reduction for mortgages with a loan-to-value ratio of 115 percent or greater when evaluating a homeowner for a HAMP first lien modification. Officials also discussed the Second Lien Modification Program ("2MP"), which provides assistance to homeowners in a first lien permanent modification who have an eligible second lien with a participating servicer. Officials noted that more than 28,800 homeowners have received assistance under the 2MP.

Members and officials then provided an update on the Home Affordable Unemployment Program ("UP"). As part of this discussion, officials discussed the recent supplemental directive issued by Treasury to expand the eligibility and duration of the relief afforded under the UP and clarify the interaction of UP and other unemployment assistance programs. Officials noted that the issuance of this supplemental directive was designed to conform to a similar directive issued by the FHA. Officials further noted that borrowers eligible under the UP no longer are required to make a request for assistance before their first mortgage lien is seriously delinquent. In addition, Treasury has extended the minimum initial forbearance period under the program from the lesser of three months, or notification of re-employment, to the lesser of twelve months or notification of re-employment. Officials noted that the extension of the forbearance period remains subject to investor and regulatory guidelines.

Treasury officials then provided an update on the HHF. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Officials and Members also discussed the timeline for implementation of the plans each state submitted to Treasury outlining how they would use the funds received under the HHF. Following this discussion, Secretary Donovan provided an update of HUD's Emergency Homeowner Loan Program, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is designed to assist unemployed borrowers in states not served by the HHF.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending June 30, 2011, 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 content of the report.

The meeting was adjourned at approximately 3:30 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
August 29, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, August 29, 2011, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

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

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

Mr. Massad, Assistant Secretary for Financial Stability, Department of the Treasury[1]

Ms. Miller, Assistant Secretary for Financial Markets, Department of the Treasury

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

Mr. Pendo, Chief Investment Officer, Office of Financial Stability, Department of the Treasury[1]

Mr. Hopkins, Special Assistant to the Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Ryan, Chief Risk Officer, 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

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

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

The Board first considered draft minutes for the meeting of the Board on July 25, 2011, 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.

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 Automotive Industry Financing Program ("AIFP"); the American International Group, Inc. ("AIG"); the Making Home

[1] Participated by telephone.

Affordable ("MHA") program and related initiatives; and the Hardest Hit Fund initiative ("HHF"). 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 ("EESA"), which contains information concerning the 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.

Using prepared materials, Treasury officials provided an update on the CPP. Treasury officials discussed with Members the results of Treasury's daily TARP update as of August 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. Officials reported that Treasury has contacted the remaining CPP participants to discuss their capital plans and, in that context, their thoughts on a timeline for future CPP repayments. During these discussions, officials and CPP participants also touched upon the terms of the CPP, under which the dividend rate that participating institutions pay to Treasury will increase from 5 percent to 9 percent after five years (though the dividend rate increase is different for Subchapter S corporations).

Following this discussion, Treasury officials provided an overview of the status of applications filed by CPP institutions to convert TARP's CPP investment into an investment from Treasury's Small Business Lending Fund ("SBLF"), a non-TARP program that provides capital to smaller banking organizations for use in lending to small businesses. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance. Officials reported that as of July 30, 2011, eligible institutions had refinanced approximately $280 million in CPP capital through the SBLF. Officials also discussed the status of missed dividend or interest payments by institutions participating in the CPP, along with Treasury's contractual right to appoint up to two directors to the board of directors of any institution that has missed six payments. Officials noted that Treasury was continuing to interview potential candidates to serve as directors in such cases.

Using prepared materials, Treasury officials then provided an update on the AIFP. As part of this discussion, officials discussed Treasury's investment in General Motors, Inc. and Ally Financial, Inc., and the public and private alternatives available to exit from these investments.

Using prepared materials, Treasury officials then provided the Members with an update on the U.S. government's investment in AIG. Officials noted that on August 18, Treasury received an additional repayment of $2.15 billion from AIG, the source of which was proceeds from the previously announced sale of AIG's Nan Shan life insurance subsidiary. AIG in turn used these proceeds to redeem an equal portion of Treasury's preferred equity interests in AIA Aurora LLC, a subsidiary of AIG. Treasury's remaining outstanding investment in AIG following this transaction was approximately $51 billion.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program ("UP"), and the Home Affordable Foreclosure Alternatives Program ("HAFA"). Officials noted that the number of new permanent modifications had averaged approximately 30,000 per month for each of the last twelve months. Officials also noted that the rate of HAMP modifications moving from trial to permanent modifications had increased to 74 percent. As part of this discussion, officials discussed challenges facing borrowers who were potentially eligible for the UP and HAFA programs. Officials also noted that Treasury soon expected to finalize and release the results of Treasury's latest quarterly servicer assessments, which will summarize performance for the 10 largest MHA participating servicers based on reviews conducted during the first quarter of 2011.

Treasury officials then provided an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Officials noted that a total of approximately $478 million has been disbursed under the TARP by eligible Housing Finance Agencies ("HFAs") in 18 states and the District of Columbia. Under the HHF, each participating HFA has a separate funding allocation and timeline for implementation of its programs and draws down its allocated funds from the TARP as needed. Following this discussion, Secretary Donovan provided an update of HUD's Emergency Homeowner Loan Program, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is a non-TARP program designed to assist unemployed borrowers in states not served by the HHF. Mr. Donovan noted that HUD has received approximately 85,000 applications for assistance under the program.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending June 30, 2011, 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 content of the report.

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

[Signed Electronically]

____

Jason A. Gonzalez
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
September 26, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, September 26, 2011, at the offices of the Department of the Treasury.

MEMBERS PRESENT:

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

STAFF PRESENT:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PRESENT:

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, Deputy Chief, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

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

Mr. Ryan, Chief Risk Officer, 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

Mr. Astrada, Senior Attorney, Board of Governors of the Federal Reserve System

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

The Board first considered draft minutes for the meeting of the Board on August 29, 2011, 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.

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 Public-Private Investment Program ("PPIP"); the American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); the Making Home Affordable ("MHA") program and related initiatives; and the Hardest Hit Fund initiative ("HHF"). 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 ("EESA"), which contains information concerning the 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.

Using prepared materials, Treasury officials discussed with Members the Treasury's daily TARP update report as of September 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual TARP investments.

Using prepared materials, Treasury officials provided an update on the CPP. Officials discussed Treasury's progress in selling the portfolio of warrant positions Treasury received as consideration for investments Treasury made under the CPP. Officials noted that Treasury had recently commenced two secondary public offerings of approximately 17.8 million warrants to purchase the common stock of SunTrust Banks, Inc. ("SunTrust"). The aggregate net proceeds Treasury expects to receive from these offerings will provide an additional return to the taxpayer from Treasury's investment in SunTrust beyond the dividend payments it received on the related preferred stock. As part of this discussion, Treasury officials provided an update on the Small Business Lending Fund ("SBLF"), a non-TARP program that provides capital to smaller banking organizations for use in lending to small businesses. CPP recipients are permitted, under certain circumstances, to use SBLF funds to repay CPP assistance. Officials discussed the status of the funding Treasury has provided under the program, noting that, as of August 31, 2011, eligible institutions had replaced approximately $857 million in CPP investment with funds provided by the SBLF. Officials then discussed the status of missed dividend or interest payments by institutions participating in the CPP and described Treasury's progress in identifying candidates to serve as directors for these institutions.

Using prepared materials, Treasury officials provided the Members with an update on the PPIP. Officials noted the relative performance of the funds established under the PPIP.

Using prepared materials, Treasury officials then provided the Members an update on the U.S. government's investment in AIG. Officials noted the composition of the investment and the valuation of AIG shares, and discussed with Members the strategic options for winding down its investment in AIG.

Treasury officials then provided an update on the AIFP, which included an update on Treasury's investment in General Motors, Inc. and Ally Financial, Inc., and the alternatives available to exit from these investments.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program ("UP"), and the Home Affordable Foreclosure Alternatives Program ("HAFA"). Officials noted that the number of new permanent modifications was approximately 30,000 for July, bringing the total number of permanent modifications begun under the program to approximately 790,000. Officials also noted that the realized aggregate savings in monthly mortgage payments to homeowners in permanent modifications under the program had reached approximately $7.8 billion. As part of this discussion, officials reviewed the results of Treasury's quarterly assessment for the 10 largest MHA participating servicers for the second quarter of 2011. Based on this latest assessment, two servicers, Bank of America, N.A. and J.P. Morgan Chase Bank, N.A., were determined to need substantial improvement. Officials noted that these servicers were also in need of substantial improvement in the servicer assessment for the first quarter of 2011 and Treasury will continue to withhold servicer incentive payments under the program that otherwise would be made. Five servicers were found to need moderate improvement, including two firms that had been identified in the first quarter as needing substantial improvement. The remaining three servicers required only minor improvement.

Treasury officials then provided an update on the HHF initiative. As part of this discussion, officials noted that a total of approximately $541 million had been disbursed under the TARP by Housing Finance Agencies ("HFAs") in the 18 states and the District of Columbia that are eligible for the program. Under the HHF, each participating HFA has a separate funding allocation and timeline for implementation of its programs and draws down its allocated funds from the TARP as needed. Officials and members also discussed the operation of those HFA programs that purchase non-performing loans directly from sellers to facilitate modifications of those loans. Officials noted that a meeting between Treasury and all participating HFAs is scheduled for early November 2011, during which participants will discuss their experiences with the program with the goal of advancing best practices.

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 data reviewed included data related to: mortgage rates and delinquencies, mortgage originations, foreclosures, housing prices, and sales. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions and refinancing activity of the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending September 30, 2011, 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 content of the report.

The meeting was adjourned at approximately 2:45 p.m. (EST).

[Signed Electronically]

____

William F. Treacy
Executive Director