Minutes of the Financial Stability Oversight Board Meeting
March 28, 2014

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Friday, March 28, 2014, at the offices of the Department of Treasury ("Treasury").

MEMBER REPRESENTATIVES PARTICIPATING:

Mr. Wilcox, Division Director, Federal Reserve Board (Chairperson)

Ms. Miller, Acting Deputy Secretary and Under Secretary for Domestic Finance, Department of Treasury

Mr. Golding, Senior Advisor, Department of Housing and Urban Development

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

Mr. Ugoletti, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

Ms. Florman, Senior Advisor, Office of Financial Stability, Department of the Treasury

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

Ms. Uy, Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Mr. Roberts, Special Assistant, Office of Financial Stability, Department of the Treasury

Mr. Nixon, Senior Housing Policy Advisor, Department of Housing and Urban Development

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Ms. Carter, Senior Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Wilcox at approximately 3:00 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on February 25, 2014, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

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 Automotive Industry Financing Program ("AIFP"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting were the latest 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, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Representatives with an update on recent developments in the TARP programs. Referencing the latest monthly report, officials reported that Treasury had disbursed a total of approximately $423 billion, including $412 billion under TARP investment programs and $11 billion under TARP housing-related programs to assist at-risk homeowners. Total collections on all TARP investment programs were $436 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Approximately $8 billion remained outstanding under all TARP investment programs.

Treasury officials then provided the Representatives with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. As of March 24, seventy-one institutions remained in the program and $225 billion had been collected on CPP investments, including $198 billion through voluntary repayments. On March 17, Treasury had received proceeds of $45 million through the auction of preferred stock in four institutions. Additionally, officials noted that $5 million had been received through full or partial stock repurchases by three institutions. Treasury officials then reported that approximately $1.95 billion of CPP investments remained outstanding, with approximately 60 percent attributable to two institutions in Puerto Rico (Popular and First BanCorp). On March 27, Treasury announced its intent to sell at auction its CPP investments in five institutions.

Treasury officials also briefly discussed the status of CPP institutions in bankruptcy or whose depository institution is in receivership.

Treasury officials then provided the Representatives with an update on the AIFP, noting that on March 27, Treasury had announced an initial public offering of 95 million shares of Ally Financial Inc. ("Ally") common stock, which represented roughly half of Treasury's remaining investment in Ally. Treasury had recovered approximately 89 percent of the original $17.2 billion provided to Ally, including dividend payments, and continued to own approximately 37 percent of the common stock in the company. Treasury officials confirmed that Ally would continue to be subject to TARP restrictions on executive compensation until all Ally shares are sold.

Officials also discussed the status of the $1.7 billion remaining investment related to General Motors ("GM") that had been reported in December after the sale of the Treasury's last GM common shares. Officials indicated that roughly $826 million was associated with losses recognized in connection with the wind-down of Old GM, whereas roughly $880 million represented Ally common shares that earlier had been reclassified in Treasury reports as an exposure to Ally rather than to GM.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") HHF. Treasury officials reported that through February, more than 1.9 million homeowner assistance actions had been provided to at-risk borrowers since MHA's inception, including approximately 1.3 million permanent modifications through HAMP. Treasury officials noted that there were currently 939 thousand active permanent modifications, including more than 15,000 new HAMP permanent modifications that had been completed since January.

Treasury officials then discussed the scope and timing of interest-rate resets on HAMP modifications that under HAMP begin five years after the initiation of the modification. They noted that the first set of HAMP modifications will experience gradual increases in monthly payments in August 2014, as they reach their five-year anniversary initiated in 2009. Under the program, HAMP resets take place in annual steps of no more than one percent per year, and cease once the rate on the modification is equal to the prevailing market mortgage rate at the time the modification was initiated. For a typical HAMP modification, an interest-rate increase of 1 percent would increase the borrower's payments by roughly $220 per month. Effective March 2014, servicers were required to make counseling available to all new borrowers entering a trial modification or borrowers already in modifications that were deemed at risk of re-default, including homeowners at risk of re-default due to HAMP interest rate resets. Treasury will monitor the pace and effect of interest rate resets under HAMP. Planning for the resets will be a focus of discussion at Treasury's upcoming MHA summit with Administration housing policy officials, regulators, FHFA, mortgage servicers, the GSEs, non-profit housing counselors, and consumer advocates in June. Treasury is continuing to analyze the issue and assess contingencies, costs and limits for possible actions under various MHA programs including HAMP Tier 2 and the Home Affordable Foreclosure Alternative program ("HAFA").

Treasury officials then provided the Representatives with an update on the HHF initiative. As of February 28, the 19 HFAs had drawn a total of $3.46 billion under 68 active programs. Treasury officials also noted that Ohio's HFA had announced that it will cease accepting new HHF assistance applications effective April 30. Ohio is the fifth state to close its application process due to fully committing its HHF allocation.

Representatives 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 Treasury yields, delinquencies and re-default rates of modified mortgages, refinancing activity, trends in house price indices, and sales of new and existing homes. 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 discussed several administrative matters with the Representatives, including the status of the Oversight Board's quarterly report for the period ending December 31, 2013.

The meeting was adjourned at approximately 3:35 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary