FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
June 30, 2012

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

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I. INTRODUCTION

This quarterly report of the Financial Stability Oversight Board ("Oversight Board"), issued pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covers the period from April 1 to June 30, 2012 (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 TARP to restore liquidity and stability to the U.S. financial system.

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 struggling homeowners remain in their homes and avoid foreclosure. Key developments under these programs are described in detail in Part III of this report and in the previous quarterly reports of the Oversight Board.

The Oversight Board met three times during the quarterly period, specifically on April 30, May 21, and June 25, 2012. As reflected in the minutes of the Oversight Board's meetings,[1] the Oversight Board regularly receives presentations and briefings from Treasury officials during these meetings to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

a. Brief Review of Market Developments

During the second quarter of 2012, renewed investors' concerns about the fiscal and banking crisis in Europe weighed on financial markets. Amid heightened volatility in equity prices, broad stock price indexes declined, on net, over the quarter, and stock prices of large financial institutions posted sharp declines. Credit default swap spreads for large bank holding companies, generally considered to be a key indicator of investors' views about the health and prospects of these institutions rose to the elevated levels seen late last year.

[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.

Data from the flow of funds accounts published by the Federal Reserve showed that debt for households was about flat in the first quarter of 2011 (the latest data available), as continuing declines in mortgages were about offset by a rapid increase in consumer credit. Debt for nonfinancial businesses continued to grow moderately during the period, owing to robust expansions in corporate bonds and commercial and industrial ("C&I") loans. Total loans at depository institutions increased moderately, reflecting the strength in C&I lending.

In the July Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve, domestic banks, on balance, reported a modest easing of their lending standards on most loans categories in the first quarter, although lending standards were little changed for prime mortgages. Domestic banks also reported that lending standards on C&I loans had returned to the middle of the range that those standards have occupied since 2005, while they remained tighter than the middle of their range on all other categories.

Securitization of consumer credit strengthened appreciably in the second 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 again robust in the second quarter.

b. Assessment of the Effect of the Actions taken by Treasury in Stabilizing the Housing Markets

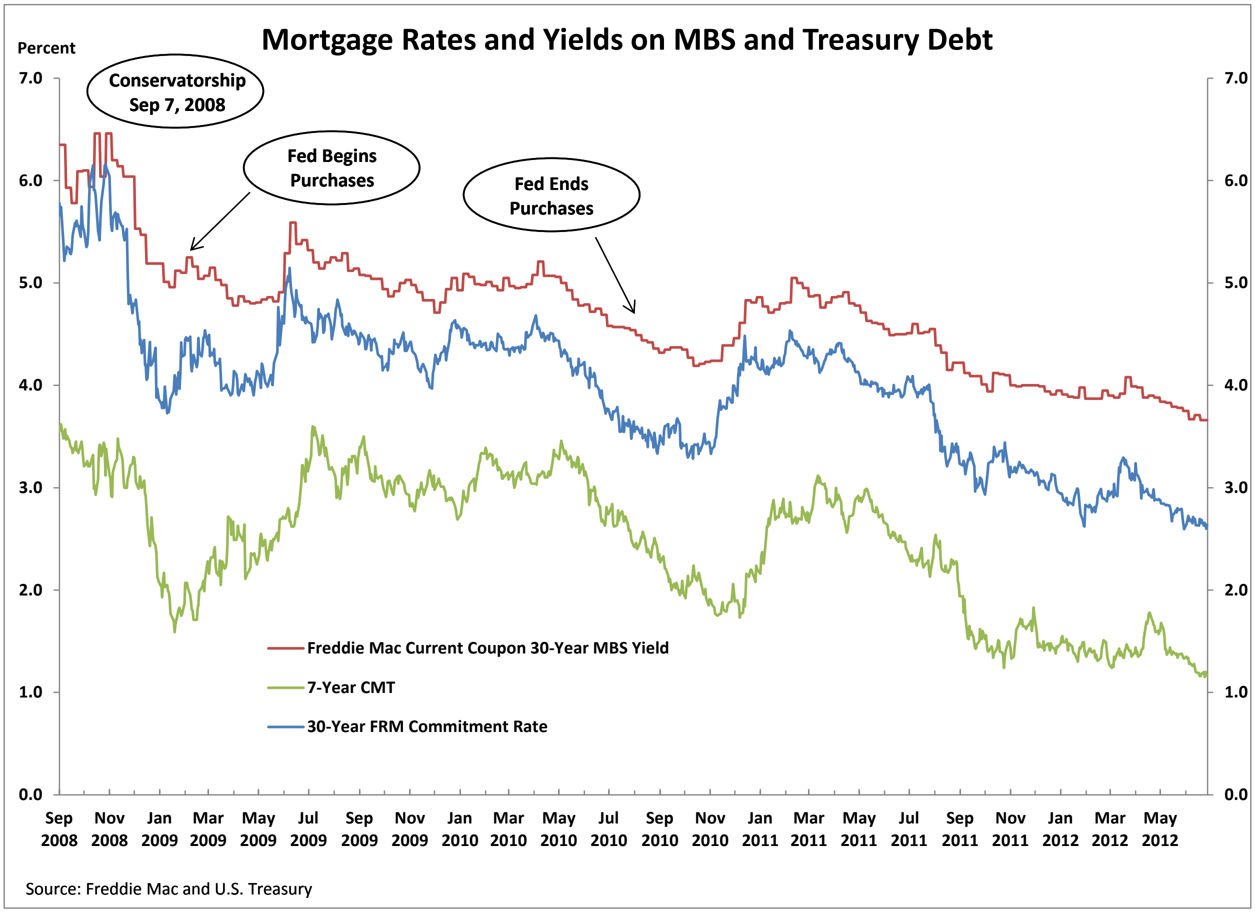
Actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act and actions taken by the Federal Reserve, HUD, and FHFA continued to support housing markets and provide assistance to mortgage borrowers during the second quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, which showed notable improvement this quarter despite stagnant wages and slow growth in employment, due in part to the declining volume of unsold inventory and unresolved mortgage delinquencies. The joint state-federal settlement between the country's five largest mortgage loan servicers[2] and 49 state attorneys general and the Federal government ("joint state-federal settlement"), signed during the first quarter, clarified expectations for lenders and thus may have led to some acceleration in the resolution of delinquencies during the quarter. Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit, which also appeared to be dampening housing demand.

Long-term mortgage interest rates generally have trended down slightly over the last three years, starting near 5 percent and remaining below 4 percent for all but one week of the last two quarters (figure 1). By the end of the second quarter, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, had fallen to 3.66 percent. Yields on ten-year Treasuries, an important market benchmark, fluctuated around 1.5 percent for the quarter.

[2] The five loan servicers in the joint federal-state settlement are Ally/GMAC, Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo.

Spreads between mortgage rates and yields on reference Treasury remained close to their average over the last two years and well below the crisis levels of late 2008 and early 2009.

Figure 1



Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During March, April, and May, new HAMP permanent modifications averaged over 18,000 per month, continuing at a slower pace than during the years 2009 and 2010. Total active HAMP permanent modifications increased from 783,000 at the end of February to 810,000 at the end of May. Active modifications under the Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second liens where the corresponding first lien mortgage has already been modified under HAMP, reached 64,000 by the end of May, up from 53,000 at the end of February. Overall, through May, some 87,000 2MP modifications had been initiated since the program began operations. Also through May, the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu-of-foreclosure as lower-cost alternatives to foreclosure, showed a substantial increase in volume, to over 49,000 short sales and 1,400 deed-in-lieu transactions, an increase of about half from February. The number of HAMP modifications with principal reductions also rose during the quarterly period; as of the end of May, there were more than 18,000 active trial modifications and 75,000 active permanent modifications with principal reduction. For comparison, the Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP. Hope Now reported that a monthly average of 44,000 non-HAMP modifications had been initiated during March, April, and May, which--in parallel to HAMP--represented a decline from the pace seen in earlier years. 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 May, some 20.6 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, continued to provide some positive indications. Data reported during the quarter indicated that 16.8 percent of HAMP modifications made permanent in the first quarter of 2011 had become delinquent by 60 days or more ("60-days-delinquent") within 12 months of receiving a modification, a commonly used measure of credit performance. Among loan modifications made permanent in the fourth quarter of 2010, 18.1 percent had become 60-days delinquent within 12 months of the modification. Each represented similar or improved performance relative to earlier quarterly origination cohorts at a comparable point in time and continued an overall trend of declining delinquency rates at the 12-month interval across cohorts.

New delinquency data for performance intervals beyond 12 months were also reported during the quarter, providing further indications about the effects of seasoning on delinquency rates for HAMP modifications. For loan modifications made permanent in the third quarter of 2010, 25.2 percent had become 60-days-delinquent within 18 months of the modification. This figure was significantly better than the 27.7 percent delinquency rate for modifications made permanent in the previous quarter. Over a still-longer horizon, some 32.1 percent of modifications made permanent in the first quarter of 2010 had become 60-days-delinquent within 24 months of the modification. These 18- and 24-month delinquency rates provide meaningful albeit early indications of longer-term performance for the broader portfolio of HAMP permanent modifications: while about two-thirds of the total portfolio reported had been in place for 18 months or more as of the reporting date, only about 30 percent of the reported portfolio had been in place for 24 months or more.

Delinquency rates for non-HAMP modifications provide an important point of reference for interpreting these data. Some 30.3 percent of non-HAMP modifications made permanent in the first quarter of 2011 at a selected group of national banks and a federal savings association

[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/financialstability/results/MHAReports/Pages/default.aspx.

had become seriously delinquent within 12 months of the modification.[4] The lower rate of delinquency for HAMP permanent modifications--which has consistently been evident across quarterly cohorts--has likely been influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

Servicers participating in MHA spent the quarter preparing to implement changes to HAMP announced in the first quarter. In February Treasury issued Supplemental Directive 12-1, which outlined implementation of significantly higher incentive payments to investors who undertake HAMP modifications with principal reduction as the first stage in the sequence of steps taken to reduce the borrower's monthly payment. This change in incentive payments already substantially increased the volume of such modifications among non-GSE investors. In March Treasury's Supplemental Directive 12-2 extended the termination date of HAMP by one year, to December 2013, and inaugurated the HAMP Tier 2 option, which allows borrowers who fail a HAMP modification or evaluation, and owners of some rental properties, to qualify for a HAMP modification.

As noted above, government efforts in effect to date have contributed to the slow but steady decline in the number of seriously delinquent mortgage loans (loans 90 or more days past due or in the process of foreclosure, figure 2). Data for the first quarter—the latest available—showed continued declines in the rate of serious delinquency, continuing the trend that began at the end of 2009. Overall, rates of serious delinquency remained at or near levels seen at the middle of 2008. Both reductions in newly delinquent loans and a high number of foreclosures during 2010 and 2011 have contributed to the decline in serious delinquency rates. Loans originated in 2009 and 2010 experienced much lower rates of early delinquency, compared to loans originated in the middle of the decade.

The annualized rate of new FHA 90-day delinquencies fell for the second consecutive quarter, reaching 6.49 percent, the lowest rate since late 2007. At the same time, FHA continued to have a significant inventory of seriously delinquent loans, many of which entered foreclosure this quarter. The number of FHA foreclosure initiations this quarter rose to 80,000 following completion of the joint state-federal settlement, significantly above the previous peak level of 71,000 in the first quarter of 2010.

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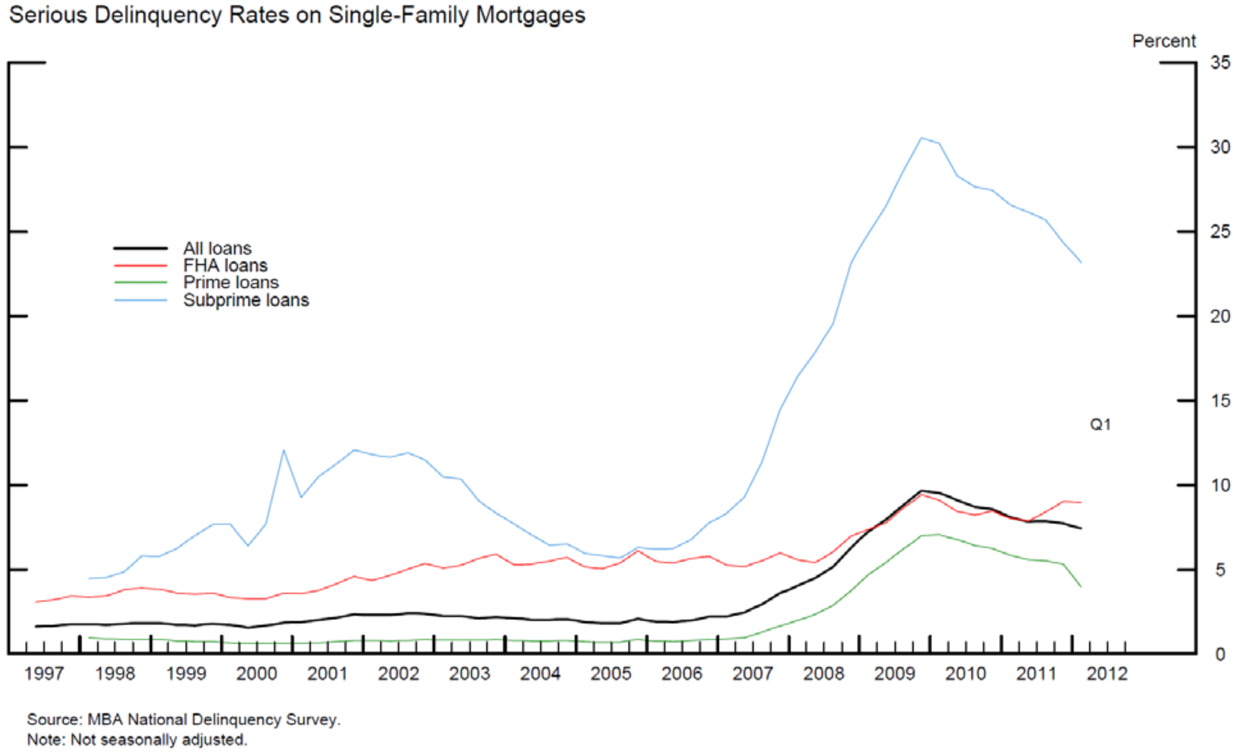
[4] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") Mortgage Metrics Report for the first quarter of 2012 (Table 32), and pertain to non-HAMP modifications of mortgages serviced by a selected group of national banks and a federal savings association. For this same group of financial institutions, the OCC Mortgage Metrics Report indicated that 14.9 percent of HAMP permanent modifications finalized in the first quarter of 2011 had fallen 60 days delinquent within 12 months. The OCC Mortgage Metrics Report does not provide comparative delinquency data for HAMP and non-HAMP modifications beyond the 12-month interval.

Figure 2



Record low interest rates generated a substantial refinancing wave in the second quarter of 2012. 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 originally allowed 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. FHFA and the Enterprises rolled out an expanded version of HARP ("HARP 2.0") allowing borrowers to refinance even if their LTVs were above 125 percent; servicers began to implement this expansion late in the quarter. 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. HARP 2.0 seeks to streamline these processes. 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 March, April and May of 2012 Fannie Mae and Freddie Mac refinanced about 41,000 mortgages per month on average through the HARP program. While this volume represents a substantial increase from the 34,000 loans per month experienced in the previous three months, it is still below the HARP program peak volume of 57,000 borrowers in December 2010, which largely reflected the borrowing rate declines that summer and fall that were reversed as the year ended. By the end of June, the Enterprises had refinanced 65,000 loans with LTVs above 125 percent. About 54,000 of these refinances were done in June, when servicers were first able to securitize the loans with LTV above 125 percent. It is expected that HARP 2.0 will generate substantial volumes in the third quarter if (as expected) mortgage rates remain low.

In this quarter FHA raised its single-family insurance premiums (starting April 9), and then reduced premiums for certain borrowers in streamline refinance transactions (starting June 11). Those changes created a surge in FHA application activity around both the beginning and the end of the quarter. The effects of the early surge coincided with a seasonal upswing in home purchase activity, leading to a 13.6 percent quarterly increase in the number of FHA loans endorsed. On a year-over-year basis, the number of refinance loans grew significantly while purchase loans declined slightly. Combining purchase and refinance activity, the number of households served by FHA was more than 316,000.

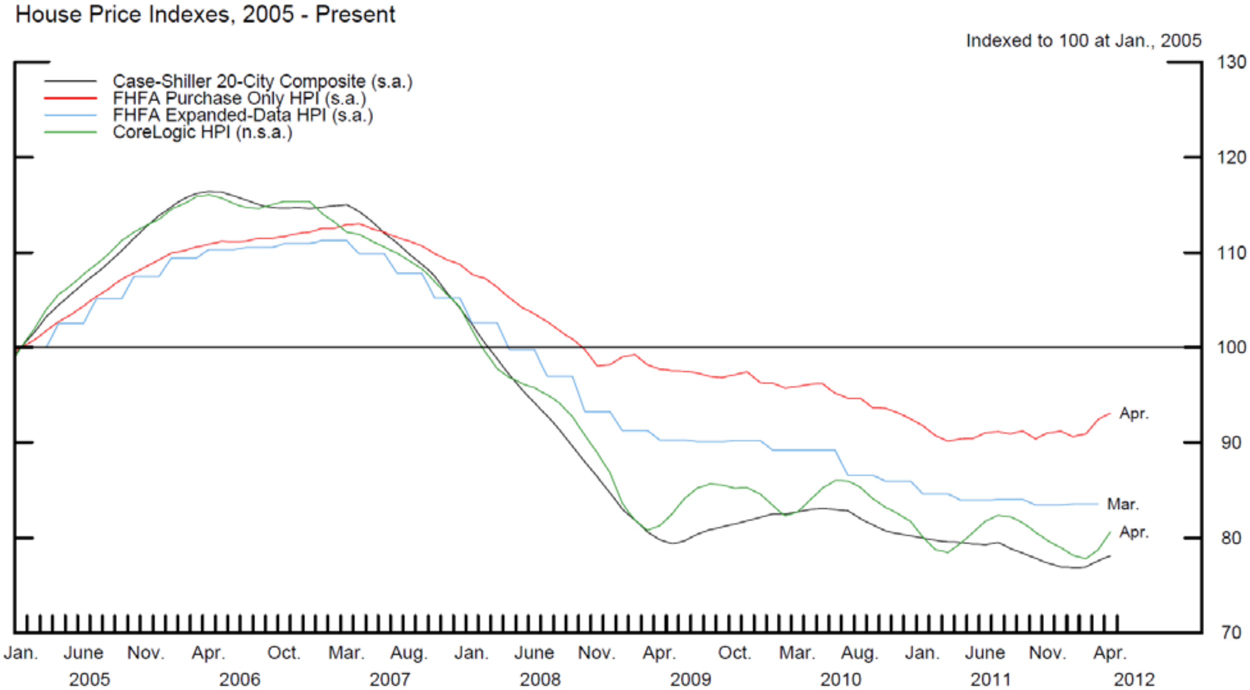
Seasonally adjusted house sale volume rose over the spring months. As reported by the National Association of Realtors ("NAR") and the Census Bureau, respectively, combined sales of existing and new single-family homes took place at a 5.0 million annual rate in May, down slightly from a 4.8 million rate in March (seasonally adjusted).[5] At this pace, sales matched but did not exceed the previous recent peak annual rate of 5.0 million units (seasonally adjusted) reached in January 2011.

House prices rose modestly during the quarter, influenced by declining inventories of houses currently for sale (roughly 3 million) along with indications that the likely volume of future foreclosures might be somewhat lower than once thought. Although the inflow of new foreclosure starts was slower during the quarter than in earlier phases of the crisis, it is reasonable to expect this slowdown will reverse itself for at least some period of time. In particular, the finalization of the joint state-federal settlement—which entered into force this quarter—helped to resolve some longstanding uncertainties and thus can be expected to accelerate the near-term inflow of new foreclosures. From a longer-term perspective, estimates of the overall stock of properties at greatest risk of foreclosure have declined significantly. For example, CoreLogic reported that there were some 1.6 million properties at the end of April that either had already been turned over to lenders (that is, were "real estate owned" by lenders or "REO") or were already in the foreclosure process. In addition, another 2.8 million borrowers were seriously delinquent on their mortgage payments. These figures were 10 percent and 11 percent, respectively, below year-earlier levels.

[5] In December, NAR "re-benchmarked" its Existing Home Sales series and revised its historical sales estimates back to 2007. The revised estimates, which are incorporated in the figures reported above, were significantly lower than previous estimates. On average, its revised estimates were roughly 15 percent lower than prior estimates. In describing the rationale for the historical revisions, NAR indicated that the prior numbers may have been too high because of double counting and changes in market structure that hindered the reliability of its prior extrapolation approach. Further information on the December 2011 re-benchmarking of existing home sales data is available on the NAR web site at: http://realtors.org/research/research/ehs_benchmarking

Influenced by these considerations, the house price index from CoreLogic increased about 5 percent from February to May, while the FHFA purchase-only index and the Case-Shiller/S&P 20-city index were up over 3 percent over this period (figure 3).[6]

Figure 3



c. 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 last time Treasury published an updated cost estimate of TARP was as of February 29, 2012. According to Treasury's latest estimates, the expected overall cost of TARP will be approximately $60 billion, using asset prices as of February 29, 2012 (figure 4). Using the same assumptions, Treasury also estimated that the combined net cost of TARP and other Treasury interests in AIG will be about $43.3 billion.

The ultimate cost of TARP remains subject to uncertainty and will depend on how financial markets and the economy perform in the future. If overall financial and economic

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[6] This chart includes the FHFA's new 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.

conditions were to deteriorate, for example, prospects for outstanding TARP investments could also deteriorate.

Although the overall cost estimate for TARP has not changed since the previous quarterly report issued by the Oversight Board, individual TARP program costs have been updated and are provided in this section.

Figure 4

Programs as of June 30, 2012 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of June 30	Outstanding Investment Balance as of June 30	Estimated Lifetime Cost as of Feb 29 [1 2]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ 0.00	$ (6.46)
Other banks with assets $10 billion or greater	165.33	165.33	4.37	$ (12.62)
Banks with assets less than $10 billion[3]	14.57	14.57	6.70	4.36
Total	$ 204.89	$ 204.89	$ 11.07	$ (14.72)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00	$ (4.00)
Asset Guarantee Program (AGP)[4]	$ 5.00	$ 0.00	$ 0.00	$ (3.72)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.57	$ 0.17
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.51	$ 6.25	$ 4.82	$ (2.74)
Debt	14.35	12.24	9.26	0.27
Total	$ 21.86	$ 18.49	$ 14.08	$ (2.47)
Term Asset Backed Securities Lending Facility (TALF)	$ 1.40	$ 0.10	$ 0.10	$ (0.43)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ 0.00	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	47.54	47.54	30.44	17.62
Total	$ 67.84	$ 67.84	$ 30.44	$ 17.62
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ 37.24	$ 21.70
Sub-total for Investment Programs	**$ 421.61**	**$ 411.59**	**$ 93.50**	**$ 14.15**
Treasury Housing Programs Under TARP	$ 45.60	$ 4.54	$ -	$ 45.60
Total for TARP Programs	$ 467.22	$ 416.13	$ 93.50	$ 59.75
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	(16.43)
Total for TARP Programs and Additional AIG Shares	$ 467.22	$ 416.13	$ 93.50	$ 43.32

Notes to Treasury Estimates of the Impact of TARP Programs and Other Treasury Investment in AIG on the Federal Budget:

1/ Lifetime cost information is as of February 29, 2012.

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 June 30, 2012. The following common stock value information is provided for the convenience of the reader to show the increase or decrease in the aggregate value of the shares outstanding as of February 29, 2012, compared to the aggregate value of shares outstanding as of June 30, 2012. For AIG, the June 30, 2012 aggregate value includes the market value of the outstanding AIG shares on June 30 and the proceeds from the sale of the AIG common stock in March and May.

Outstanding Investment	02/29/2012 Market Value	06/30/2012 Market Value	Increase (Decrease) in Cost
		In billions	
AIG Common Stock	$ 28.06	$ 30.19	$ (2.13)
GM Common Stock	$ 13.01	$ 9.86	$ 3.15
Additional AIG Common Shares	$ 14.46	$ 15.56	$ (1.10)

Note: For the period ending February 29, 2012, the share price for AIG was $29.22 and for GM was $26.02. For the period ending June 30, 2012, the share price for AIG was $32.09 and for GM was $19.72.

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 the SBLF. A total of 137 CPP banks refinanced under the SBLF resulting in repayments 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/ As discussed in note 9 to the Daily TARP Update, Treasury’s investment in AIG common shares consists of shares acquired in exchange for preferred stock purchased with TARP funds (TARP shares) and shares received from the trust created by the FRBNY for the benefit of Treasury as a result of its loan to AIG (non-TARP shares). Treasury manages the TARP shares and non-TARP shares together, and disposes of them pro-rata in proportion to its holdings. Only the TARP shares are included under “Other Programs—AIG” and the lifetime cost estimate shows a loss based on Treasury’s cost basis in the TARP shares alone. However, a gain is shown for the non-TARP shares in the line entitled “Additional AIG Common Shares Held by Treasury” because Treasury’s cost basis in such shares is deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury’s cost on a cash basis is $28.73 per share and there is currently an estimated loss of $1.19 billion overall, which reflects proceeds of sales to date (at an average price of $29.47 per share), the closing price of AIG common shares on February 29, 2012 of $29.22, and the financing costs associated with Treasury borrowings from the time of initial investment through the reporting period.

III. 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 EESA during the quarterly period, from April 1 to June 30, 2012, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Banking Organizations

i. Update on the CPP

On May 3, 2012, Treasury provided additional details on the strategy for exiting its remaining CPP investments. That strategy includes repurchases in full of preferred shares by those institutions expected to be in a position to do so over the coming 12 to 18 months. For institutions that are not expected to be able to repay Treasury over that interval, Treasury will rely upon other exit strategies. In limited cases, Treasury will accommodate proposals by banking organizations to restructuring CPP investments, typically in connection with a merger or a plan to raise new capital. In most cases, the sale of existing investments through individual and pooled auctions will be the key component of the wind down of TARP's bank programs. Such sales will be conducted over time and in stages, with the opportunity to evaluate strategies as the sales proceed.[7]

Consistent with its May 3rd announcement, Treasury continued to explore additional steps for winding down remaining CPP investments and maximizing returns to the taxpayer, including potentially combining smaller individual CPP investments into investment pools for auction.

a. Repayments, Dispositions, and Auction Sales

As of June 30, 2012, Treasury had received approximately $191.03 billion in repayments under the CPP, equivalent to 93 percent of the total funds initially invested. These repayments along with auction sales, dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations bring the total amount received from the CPP to $216.90 billion.

During the quarterly period, 20 financial institutions delivered a total of $3.93 billion in repayments. In addition, Treasury sold its remaining stake in an additional 14 institutions for

[7] See Massad, Timothy G., Winding Down TARP's Bank Programs (May 3, 2012). Available at: http://www.treasury.gov/connect/blog/Pages/Winding-Down-TARPs-Bank-Programs.aspx

total gross proceeds of $456.42 million. The total net proceeds were $449.57 million.[8] The most significant transactions are included below:

- On April 4, the bank with the largest remaining TARP investment at that time, Regions Financial Corporation, repurchased all of its 3,500,000 outstanding preferred shares for $3.50 billion.

- On June 14, Treasury sold its preferred stock in seven institutions through a modified Dutch auction (Taylor Capital Group, Inc.; Ameris Bancorp; First Defiance Financial Corp.; Farmers Capital Bank Corp.; LNB Bancorp Inc.; First Capital Bancorp, Inc.; and United Bancorp, Inc.) for total proceeds of approximately $245 million, which is in addition to the $48.17 million in dividend and interest Treasury received over the lifetime of the investment prior to the sale. Treasury's combined initial investment in these seven institutions amounted to $280.60 million.

- On June 28, Treasury sold its preferred stock in seven institutions through a modified Dutch auction (Fidelity Southern Corporation; Firstbank Corporation; First Citizens Banc Corp; MetroCorp Bancshares, Inc.; Peoples Bancorp of North Carolina, Inc.; Pulaski Financial Corp.; and Southern First Bancshares, Inc.) for total proceeds of approximately $204 million, which is in addition to the $37.46 million in dividend and interest Treasury received over the lifetime of the investment prior to the sale. Treasury's combined initial investment in these seven institutions amounted to $224.28 million.[9]

Cumulatively during the first six months of 2012, Treasury auctioned its preferred stock in twenty institutions, all of which were auctioned individually, had outstanding public equity and were current on dividend payments. These securities were offered through a modified Dutch auction and bids were submitted to Treasury's auction agents, using the same procedures that had previously been developed for auctioning the warrants received by Treasury through CPP. As with these warrant auctions, winning bidders in the CPP preferred stock auctions receive no exemption from any statutes and regulations pertaining to ownership of preferred shares in banking organizations.

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[8] These totals include sales in seven institutions which settled after the close of the quarterly period. More information on these sales can be found in Treasury's press release: http://www.treasury.gov/press-center/press-releases/Pages/tg1626.aspx

[9] The transaction settled after the end of the quarterly period. The transaction is thus not reflected in the tables and charts that follow. More information on this transaction can be found in Treasury's press release: http://www.treasury.gov/press-center/press-releases/Pages/tg1626.aspx.

In certain instances, CPP institutions participated in the auction of their preferred shares after receiving indication from their regulators that there were no safety-and-soundness objections to their doing so. In some instances, CPP participants have acquired their shares at less than par value. Treasury believes that permitting those CPP institutions to participate in auctions for their securities, so long as their regulators do not object, benefits the taxpayer and can increase the amount Treasury ultimately recovers from the auction for several reasons. First, Treasury sets a minimum price in consultation with its underwriters and does not sell securities for below that minimum price. Therefore, bids are only successful if they are made at or above the minimum price. Second, the auctions are open and have had robust participation, thereby facilitating good price discovery. If a bank bids, it adds to the number of bidders and it is successful only if its bid is at or above the clearing price. Finally, Treasury limits the positions it is auctioning to those investments which it believes the bank cannot or will not redeem in the near future.

As of June 30, 2012, the combined total amount of bank repayments, dividends, and other income received from banking-related programs (CPP, Targeted Investment Program ("TIP"), Asset Guarantee Program, and Community Development Capital Initiative ("CDCI")) exceeded by $19.50 billion Treasury's total original investment in these programs of $245.10 billion.

Figure 5 shows the top 25 CPP remaining investments by institution.

Figure 5

Top 25 Remaining CPP Investments by Institution as of June 30, 2012

	Institution	City, State	Outstanding Investment ($millions)		Institution	City, State	Outstanding Investment ($millions)
1	Synovus Financial Corp.	Columbus, GA	$ 967.9	14	Pacific Capital Bancorp[c]	Santa Barbara, CA	$ 180.6
2	Popular, Inc.	Hato Rey, PR	$ 935.0	15	United Community Banks, Inc.	Blairsville, GA	$ 180.0
3	Zions Bancorporation	Salt Lake City, UT	$ 700.0	16	Dickinson Financial Corporation II	Kansas City, MO	$ 146.1
4	First BanCorp[a]	San Juan, PR	$ 400.0	17	Anchor BanCorp Wisconsin Inc.	Madison, WI	$ 110.0
5	M&T Bank Corporation	Buffalo, NY	$ 381.5	18	Hampton Roads Bankshares, Inc.[d]	Norfolk, VA	$ 80.3
6	Sterling Financial Corporation[b]	Spokane, WA	$ 303.0	19	Metropolitan Bank Group, Inc.	Chicago, IL	$ 78.4
7	Citizens Republic Bancorp, Inc.	Flint, MI	$ 300.0	20	Old Second Bancorp, Inc.	Aurora, IL	$ 73.0
8	First Banks, Inc.	Clayton, MO	$ 295.4	21	First Place Financial Corp.	Warren, OH	$ 72.9
9	New York Private Bank & Trust Corp.	New York, NY	$ 267.3	22	Independent Bank Corporation	Ionia, MI	$ 72.0
10	Flagstar Bancorp, Inc.	Troy, MI	$ 266.7	23	Virginia Commerce Bancorp	Arlington, VA	$ 71.0
11	Cathay General Bancorp	El Monte, CA	$ 258.0	24	Southwest Bancorp, Inc.	Stillwater, OK	$ 70.0
12	PrivateBancorp, Inc.	Chicago, IL	$ 243.8	25	Alpine Banks of Colorado	Glenwood Springs,	$ 70.0
13	International Bancshares Corporation	Laredo, TX	$ 216.0		**Total**		**$6.7 billion**

Notes to Top 25 Remaining Capital Purchase Program Investments as of June 30, 2012:

a/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock ("MCP") with capitalized dividends. First Bancorp fulfilled the conversion conditions and Treasury's MCP was converted into 32,941,797 shares of common stock.

b/ Treasury exchanged its preferred stock for MCP. Sterling fulfilled the conversion conditions and Treasury's MCP was converted into 378,750,000 shares of common stock. Treasury currently holds 5,738,637 shares of Sterling common stock following a reverse stock split.

c/ Treasury exchanged its preferred stock for MCP with capitalized dividends. Pacific Capital fulfilled the conversion conditions and Treasury's MCP was converted into 360,833,250 shares of common stock. Treasury currently holds 3,608,332 shares of Pacific Capital common stock following a reverse stock split.

d/ Treasury exchanged its preferred stock for MCP. Hampton fulfilled the conversion conditions and Treasury's MCP was converted into 52,225,550.

b. Update on Warrant Dispositions

During the quarterly period, 11 banking organizations repurchased warrants from Treasury for proceeds of approximately $52.42 million. On a cumulative basis, as of June 30, 2012, Treasury had disposed of warrants from 289 banking organizations and had received approximately $7.68 billion in net proceeds.[10]

c. Update on CPP Dividends and Interest

During the quarterly period, Treasury received dividends and interest income from CPP investments of approximately $122.76 million. As of June 30, 2012, cumulative dividends and interest income received from CPP investments was approximately $11.68 billion.

d. Missed Payments by Portfolio Institutions[11]

During the quarterly period, 149 institutions or 46 percent of the 325 remaining CPP recipients) 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 totaled approximately $43.72 million, which represents roughly 33.5 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period. As of June 30, 2012, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the

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

[11] 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).

program was approximately $353.71 million,[12] which represents approximately three 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. Instead, under the terms of the CPP, Treasury has the contractual right to appoint up to two members to the board of directors of a CPP recipient if the institution has missed six or more dividend or interest payments on the preferred stock issued to Treasury. As of the end of the quarter, Treasury had appointed 19 directors to a total of 11 institutions, and had interviewed additional potential director candidates for possible further appointments.

Those institutions with weaker financial performance, including any institution that has missed more than three dividend (or interest) payments, are selected for enhanced monitoring. If an institution misses five dividend (or interest) payments, Treasury may request permission to send qualified members of its Office of Financial Stability staff to act as observers, prioritizing those requests, in part, based upon the size of Treasury's investment.

Treasury observers listen during meetings of the board of directors, limiting their participation to clarifying questions on the materials distributed, presentations made, actions proposed or taken, and addressing questions regarding the observer's role. The purpose of the observers is to gain a better understanding of the institution's condition and challenges and to observe how the board is addressing the situation. The information provided by the observers will supplement Treasury's ongoing monitoring of its investment in the institution, including whether to nominate directors when the right to do so becomes exercisable.

As of June 30, 2012, 109 banks participating in the CPP had missed six or more payments. Forty-six CPP recipients had agreed to have Treasury observers at their board of directors meetings. These 46 institutions include those that had already missed six or more payments and several that expected to miss their sixth dividend payment in the near future.

e. Exchanges and Restructurings

There were no new exchanges or restructurings during the quarterly period.

f. Receiverships

During the quarterly period one institution was placed into receivership.

On April 20, Fort Lee Federal Savings Bank, FSB, Fort Lee, New Jersey, was closed by the Office of the Comptroller of the Currency, which appointed the Federal Deposit Insurance Corporation as receiver.

[12] 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).

As of June 30, 2012, 17 financial institutions with CPP investments totaling more than $2.9 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 7).

Figure 7

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

Institution	Date of Bankruptcy or Receivership	Original Treasury Investment Amount
CIT Group Inc.	11/1/2009	$ 2,330,000,000
UCBH Holdings Inc.	11/24/2009	$ 298,737,000
Midwest Banc Holdings, Inc.	5/14/2010	$ 84,784,000
Integra Bank Corporation	7/29/2011	$ 83,586,000
Superior Bancorp Inc.	4/15/2011	$ 69,000,000
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30,000,000
Citizens Bancorp	9/23/2011	$ 10,400,000
Sonoma Valley Bancorp	8/20/2010	$ 8,653,000
Pierce County Bancorp	11/5/2010	$ 6,800,000
FPB Bancorp, Inc.	7/15/2011	$ 5,800,000
One Georgia Bank	7/15/2011	$ 5,500,000
Legacy Bancorp, Inc.	3/11/2011	$ 5,498,000
Blue River Bancshares, Inc.	2/10/2012	$ 5,000,000
Pacific Coast National Bancorp	12/17/2009	$ 4,120,000
CB Holding Corp.	10/14/2011	$ 4,114,000
Tifton Banking Company	11/12/2010	$ 3,800,000
Fort Lee Federal Savings Bank, FSB	4/20/2012	$ 1,300,000

ii. Update on the CDCI

During the quarterly period, Treasury received its first repayment by a CDCI institution. On April 10, 2012, Greater Kinston Credit Union repurchased all outstanding CDCI subordinated debentures from Treasury's investments in those institutions, for total proceeds of $0.35 million plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $2.78 million in dividends from CDCI banks. Six CDCI institutions missed dividend payments during the quarterly period.

b. Credit Market Programs

i. Update on the Term Asset-Backed Securities Loan Facility ("TALF")

Treasury originally committed to provide credit protection of up to $20 billion in its subordinated loan to TALF, LLC to support up to $200 billion of lending from the Federal Reserve Bank of New York ("FRBNY"). Treasury's commitment was reduced to $4.3 billion in June 2010 when the program closed to new lending.

On June 28, 2012, the Federal Reserve and Treasury agreed to further reduce the credit protection Treasury provides the TALF, LLC to $1.4 billion. To date, the program has experienced no losses and Treasury and the FRBNY do not expect there to be any cost to the taxpayers from the program.

c. AIG

During the second quarter of 2012, the government's overall investment in AIG was substantially reduced through various transactions including the following:

- On May 6, Treasury priced an offering of approximately 163.9 million shares of its AIG common stock at $30.50 per share in an underwritten public offering.[13] On May 7, the underwriters exercised their over-allotment option to purchase an additional $750 million of AIG common stock from Treasury. The exercise of the over-allotment option increased Treasury's proceeds from the public offering to approximately $5.75 billion and total number of shares sold in the offering to approximately 188.5 million.

- On June 14, 2012, the remaining loan by the FRBNY to Maiden Lane III ("ML III") was fully repaid with interest. ML III was one of two special purpose entities created as part of the assistance provided to AIG during the financial

[13] As part of Treasury's offering, AIG agreed to purchase approximately 65.6 million shares at the public offering price of $30.50 per share – representing $2.0 billion of Treasury's expected proceeds from the sale.

crisis. This repayment marked the retirement of the last remaining debts owed to the FRBNY from its intervention in AIG.

During the financial crisis, the government's support for AIG totaled approximately $180 billion in commitments from FRBNY and Treasury.[14] As of June 30, 2012, the government's remaining outstanding investment in AIG had been reduced to approximately $30 billion, which consisted of approximately 1.06 billion shares of common stock. As a consequence, Treasury's percentage ownership of AIG's outstanding shares of common stock was reduced from 70 to 61 percent.

Treasury continues to monitor AIG's performance and evaluate its options for exiting its investment. Working with its financial advisor, Treasury expects to continue to exit its AIG investment in a way that balances the goals of exiting as soon as practicable while maximizing value for taxpayers.

d. Automotive Industry Financing Program ("AIFP")

During the quarterly period, the amount of Treasury's investment in General Motors ("GM") and Ally Financial ("Ally") remained unchanged at $23.39 billion and $13.75 billion respectively. On May 15, 2012, Ally made a scheduled dividend payment to Treasury in the amount of approximately $133.6 million.

On May 14, 2012, Residential Capital, LLC ("ResCap") filed a voluntary petition for relief under Chapter 11 of the U.S. bankruptcy code. ResCap is a residential mortgage company owned by Ally. Treasury does not hold any equity, debt, or other direct investment in ResCap. Treasury believes ResCap's filing will put taxpayers in a stronger position to recover their investment in Ally by addressing the legacy mortgage liabilities at the subsidiary.[15] Additionally, to help further advance its efforts to repay taxpayers, Ally Financial announced concurrently with the ResCap filing that it would explore strategic alternatives for its international business.

Treasury continues to monitor the performance of both GM and Ally and evaluate options to exit its investment.

[14] This represents the maximum commitment by the government; the peak amount drawn by AIG was approximately $125.8 billion.

[15] See Massad, Timothy G., Putting Taxpayers in a Stronger Position to Continue Recovering Their Investment in Ally Financial (May 14, 2012). Available at: http://www.treasury.gov/connect/blog/Pages/Putting-Taxpayers-in-a-Stronger-Position-to-Continue-Recovering-Their-Investment-in-Ally-Financial.aspx.

e. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering March, April, and May of 2012, as was a quarterly MHA Servicer Assessment that covered the first quarter of 2012. These reports were released in conjunction with monthly housing scorecards on the health of the nation's housing market (the Housing Scorecard produced by HUD).[16]

i. MHA

The primary purpose of MHA is to help struggling homeowners prevent avoidable foreclosure. As of the end of the quarterly period, nearly 1.2 million homeowner assistance actions had been granted through the program. While HAMP remains the cornerstone, MHA also includes a number of other specialized programs to help homeowners facing different challenges.

a. MHA/ HAMP

As of June 30, 2012, Treasury had disbursed approximately $3.4 billion of incentive payments for MHA out of an estimated lifetime cost of $29.9 billion.[17]

As of May 31, 2012, more than1 million HAMP permanent modifications had been started. Specifically, approximately 21,000, 19,000, and 18,000 trial plans were started during March, April, and May 2012, respectively. Approximately 20,000, 15,000, and 17,500 homeowners started permanent modifications during March, April, and May 2012 respectively. Homeowners in active HAMP permanent modifications typically save approximately $536 per month—more than one-third of what they were paying before their modification. Since HAMP began, homeowners in permanent modifications have saved an estimated $13.3 billion in monthly mortgage payments.

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[16] The MHA Program Performance Reports include data 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 reports are available at: http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Pages/default.aspx. The Housing Scorecard incorporates key housing market indicators and highlights the impact of housing recovery efforts. The scorecard is available at: http://www.HUD.gov/scorecard.

[17] 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 servicer with respect to non-GSE loans. Incentive payments for GSE loans are borne by the GSEs and not Treasury.

Eighty-six percent of eligible homeowners entering a HAMP trial modification in the past two years received a permanent modification, with an average trial period of 3.5 months.

b. FHA-HAMP

FHA-HAMP is designed to provide incentives for borrowers and servicers to modify FHA-insured first lien mortgages for struggling homeowners in order to reduce payments to more affordable levels. As of May 31, 2012, 11,561 trial modifications and 7,008 permanent modifications had been started under FHA-HAMP.

c. 2MP

Under the Second Lien Modification Program ("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. There are 17 servicers participating in 2MP, who in the aggregate, service approximately 55-60 percent of outstanding second liens.

As of May 31, 2012, 62,010 homeowners in a first-lien HAMP modification had an active permanent second-lien modification in place. In addition, 18,279 second liens had been fully extinguished. Homeowners in 2MP typically save $159 per month on their second mortgage, in addition to the savings realized from the modification on their first mortgage under HAMP. More than 50 percent of the borrowers benefiting from 2MP reside in three states: California (36 percent), Florida (nine percent), and New York (six percent).

d. HAFA

Under the Home Affordable Foreclosure Alternatives Program ("HAFA"), 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. As of May 31, 2012, 73,806 homeowners had reached agreements with their servicer to exit their home under the HAFA Program and 50,717 homeowners had completed a short sale or deed-in-lieu of foreclosure.

e. UP

The Home Affordable Unemployment Program ("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 onto the unpaid principal balance. As of April 30, 2012, some 23,240 UP forbearance plans had been initiated. UP reporting lags one month behind other MHA data because it relies on surveys of servicers rather than the usual MHA reporting mechanisms.

f. PRA

Under the Principal Reduction Alternative ("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 May 31, 2012, approximately 63,342 PRA permanent modifications had been started. The 57,786 active PRA permanent modifications had a median principal reduction amount of $69,000, or nearly one-third of the before-modification principal balance.

ii. Hardest Hit Fund ("HHF")

HHF allows participating Housing Finance Agencies ("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.

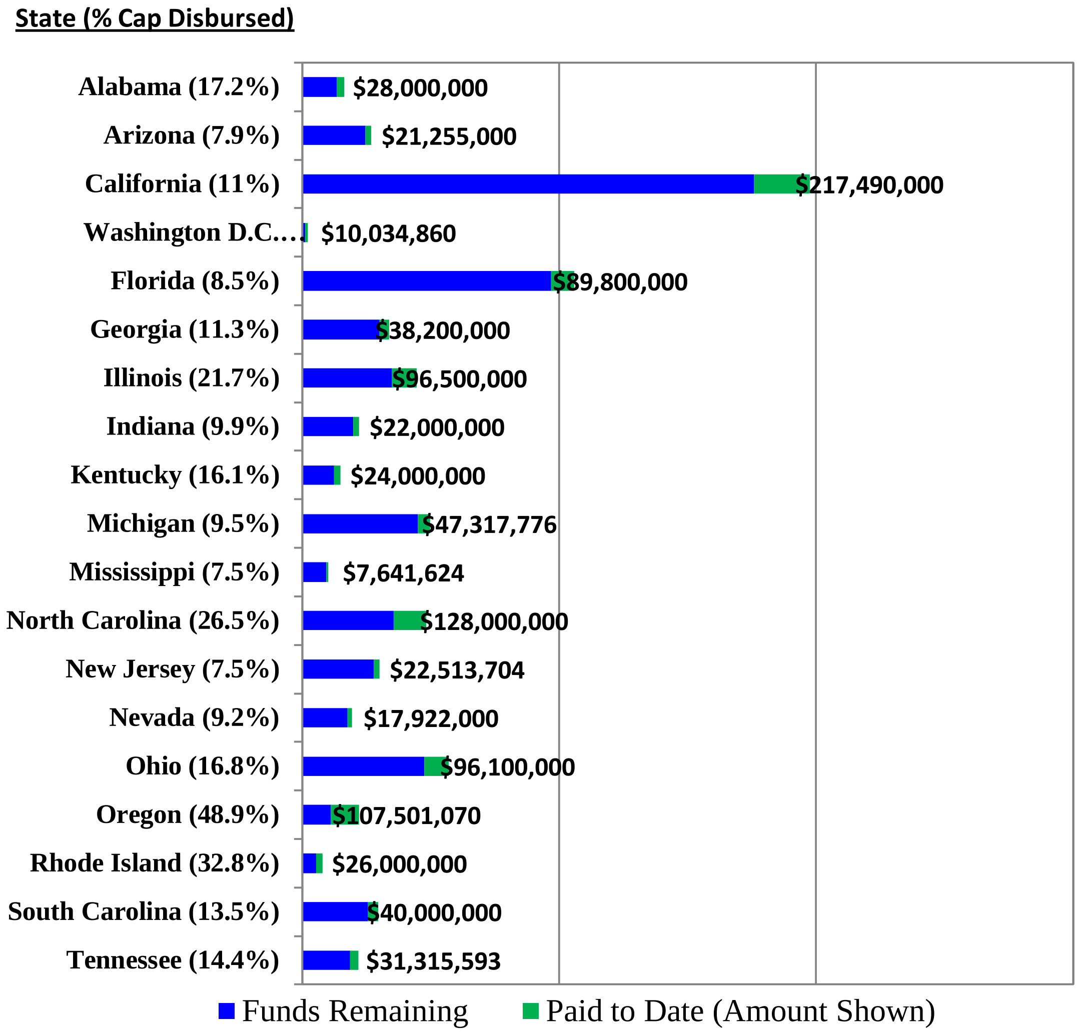
As of June 30, 2012, all 18 states and the District of Columbia were operating HHF programs statewide and collectively have drawn approximately $1.07 billion (15 percent) of the $7.6 billion allocated under the program. Each state draws down funds as they are needed (see Figure 8). States have until December 31, 2017, to expend funds and must have no more than five percent of their allocation on hand before they can draw down additional funds.

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 (Bank of America, JPMorganChase, Wells Fargo, Citibank, and GMAC) are currently participating in programs in all 18 states and the District of Columbia, primarily through mortgage payment assistance and mortgage loan reinstatement assistance.

During the quarter, Treasury approved several program changes submitted by individual HFAs. These approved program changes include a Nevada principal reduction program that leverages HARP refinances, a California program that uses principal reduction in conjunction with a modification or recast, and the Illinois Mortgage Resolution Fund which buys loans in order to modify them and lower principal to market values.

Figure 8

Hardest Hit Fund as of June 30, 2012



APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting April 30, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, April 30, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

Mr. Grom, Acting 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. Naylor, Deputy Associate Director, Federal Reserve Board

Mr. Leahy, Deputy Director, Division of International Finance, Federal Reserve Board

Ms. Rice, Chief, Global Financial Institutions Section, Division of International Finance, Federal Reserve Board

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

The Board first considered draft minutes for the meeting of the Board on March 26, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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"); and the Making Home Affordable ("MHA") program and related initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Treasury officials first discussed the latest cost estimates for TARP. As part of this discussion, Treasury officials discussed with Members Treasury's daily TARP update report as of April 2, 2012, 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 then updated Members on CPP developments that occurred during the month of March. Officials noted that Treasury completed secondary public offerings of the preferred stock it held in six institutions (Banner Corporation; First Financial Holdings Inc.; MainSource Financial Group, Inc.; Seacoast Banking Corporation of Florida; Wilshire Bancorp, Inc.; and WSFS Financial Corporation). The offerings were priced through a modified Dutch auction registered under the Securities Act of 1933 and resulted in proceeds of approximately $362 million. While this was less than the original par value of these investments, Treasury officials indicated that the proceeds were in line with the valuation of these investments provided by the Office of Financial Stability's Office of the Chief Financial Officer. In addition, the cumulative dividend payments received on the shares exceeded the difference between the proceeds and the original investment amounts. On March 30, Treasury sold its remaining shares of common stock in Central Pacific Financial Corporation, which resulted in approximate proceeds of $36 million for a total of approximately $71.9 million in proceeds from all sales of Central Pacific Financial Corporation. Officials also reported that, on April 4, Regions Financial Corporation repurchased all of its outstanding preferred shares from Treasury for $3.5 billion, including accrued dividends. Officials further reported that, in March, Treasury exercised its right to elect members to the board of directors of three additional CPP institutions (First Security Group; PremierWest Bancorp; and Intervest Bancshares Corporation) bringing the total number of Treasury-elected board of directors members to sixteen at nine CPP institutions. As part of this discussion, Members and officials discussed Treasury's progress in and plans for disposing of its remaining CPP investments.

Treasury officials then provided Members with an update on the PPIP. Officials noted that, in March, Invesco Legacy Securities Master Fund ("Invesco") became the first of eight remaining Public-Private Investment Funds established under PPIP to sell its investments and return substantially all of the proceeds to Treasury and its private investors.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Members and officials discussed the recent sale by the Federal Reserve Bank of New York of the MAX CDO holdings from its Maiden Lane III portfolio to a consortium consisting of Barclays Capital, Inc. and Deutsche Bank Securities, Inc. following a competitive bid process. Officials noted that the transaction substantially reduced the Maiden Lane III portfolio and loan.

Using prepared materials, Treasury officials then provided an update on the AIFP. During this discussion, Treasury officials reviewed the status of Treasury's investment in Ally Financial, Inc. ("Ally"), including its 73.8 percent common equity ownership stake in Ally, and $5.9 billion of Ally mandatorily convertible preferred stock. As part of this discussion, officials discussed the recent financial performance of Ally and its non-bank affiliate, Residential Capital LLC, which earlier in April had not made a scheduled bond interest payment.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). During this discussion, officials discussed the numbers of temporary and permanent modifications made under HAMP. Officials also discussed Treasury's progress in implementing certain enhancements to MHA that Treasury had announced on January 27, 2012. Treasury recently completed community events for homeowners in Illinois, Indiana and California as part of a nationwide outreach initiative to provide free help for struggling homeowners by connecting them directly with their mortgage servicers or a HUD-approved housing counselor to discuss alternatives to foreclosure. Treasury officials then provided an update on the HHF. As part of this discussion, officials discussed recent disbursements to HFAs and the different approaches by HFAs to improve the take-up and performance of their respective HHF-sponsored programs.

Oversight Board staff then provided an update on the expected timing of the Oversight Board's quarterly report to Congress for the quarter ending March 31, 2012, that will be issued by the Oversight Board pursuant to section 104(g) of the EESA.

The meeting was adjourned at approximately 2:55 p.m. (EDT).

[Signed Electronically]

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Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
May 21, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, May 21, 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. Massad, Assistant Secretary for Financial Stability, Department of the Treasury

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

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

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

Mr. Ryan, Senior Advisor to the Secretary, 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

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

The Board first considered draft minutes for the meeting of the Board on April 30, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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"); and the Making Home Affordable ("MHA") program and related initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under

TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Treasury officials first discussed the latest cost estimates for TARP. As part of this discussion, Treasury officials discussed with Members Treasury's daily TARP update report as of May 1, 2012, 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 through April 30, 2012.

Using prepared materials, Treasury officials then provided Members with an update on CPP. As part of this discussion, officials discussed the current status of repayments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. Officials noted that Treasury's plans for winding down the remaining CPP investments will continue to involve repayments and, for those institutions that are unable to repay within a specified timeframe, Treasury will consider opportunities for restructurings and conduct sales to third parties. Sales of CPP investments to third parties may include auctions of individual investments, as well as potentially combining individual investments together into auction pools.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Officials noted that, on May 6, Treasury priced approximately 163.9 million shares of AIG common stock in an underwritten public offering. On May 7, underwriters for the offering exercised an option to purchase additional shares, bringing the total number of shares sold as part of the offering to approximately 188.5 million. Officials noted that total Treasury received total proceeds from the public offering of approximately $5.75 billion. Treasury continues to hold approximately 61 percent of the common stock outstanding of AIG.

Using prepared materials, Treasury officials provided an update on the AIFP. During this discussion, Members and officials discussed the voluntary petition for relief under Chapter 11 of the U.S. bankruptcy code filed on May 14 by Residential Capital LLC ("ResCap"), a non-bank subsidiary of Ally Financial, Inc. ("Ally"). In connection with the bankruptcy filing, ResCap announced it has reached agreement with certain of its key creditors, including Ally, on the terms of a prearranged plan under Chapter 11 of the U.S. bankruptcy code. Among the matters discussed were the steps taken by Ally to support the stability of ResCap and the continued operation of ResCap's mortgage servicing platform during the bankruptcy process.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). During this discussion, officials discussed the numbers of temporary and permanent modifications made under HAMP. Officials noted that approximately 86 percent of eligible homeowners entering a HAMP trial modification since June 1, 2010, have received a permanent modification. Treasury officials also discussed Treasury's progress in expanding the population of homeowners that may be eligible for HAMP through the "HAMP Tier 2" alternative announced in January 2012. As part of this discussion, Member and officials discussed the HHF. Among the matters discussed were the approaches taken by certain HFAs to improve the take-up and performance of their respective HHF-sponsored programs.

Oversight Board staff then provided an update on the expected timing of the Oversight Board's quarterly report to Congress for the quarter ending March 31, 2012, that will be issued by the Oversight Board pursuant to section 104(g) of the EESA.

The meeting was adjourned at approximately 2:50 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting June 25, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, June 25, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

Mr. Ryan, Senior Advisor to the Secretary, 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

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

The Board first considered draft minutes for the meeting of the Board on May 21, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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 American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); and the Making Home Affordable ("MHA") program and related initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Treasury officials first discussed the latest cost estimates for TARP. As part of this discussion, Treasury officials discussed with Members Treasury's daily TARP update report as of June 1, 2012, 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 through May 31, 2012.

Using prepared materials, Treasury officials then provided Members with an update on the CPP. As part of this discussion, officials discussed the current status of repayments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. Specifically, on June 14, Treasury priced secondary public offerings of the preferred stock it holds in seven financial institutions (Taylor Capital Group, Inc., Ameris Bancorp, First Defiance Financial Corp., Farmers Capital Bank Corp., LNB Bancorp Inc., First Capital Bancorp Inc., and United Bancorp, Inc.). The offering, which priced through a modified Dutch auction, resulted in aggregate net proceeds to Treasury of approximately $245 million. In addition, on June 25, Treasury commenced secondary public offerings of the preferred stock it holds in seven additional institutions (Fidelity Southern Corporation, Firstbank Corporation, First Citizens Banc Corp, MetroCorp Bancshares, Inc., Peoples Bancorp of North Carolina, Inc., Pulaski Financial Corp., and Southern First Bancshares, Inc.). These offerings also are expected to price through a modified Dutch auction. Officials noted that Treasury will continue with its previously announced plans for winding down the remaining CPP investments and maximizing overall returns to the taxpayer.

Using prepared materials, Treasury officials provided an update on the AIFP. During this discussion, Members and officials discussed the voluntary petition for relief under Chapter 11 of the U.S. bankruptcy code filed on May 14 by Residential Capital LLC ("ResCap"), a non-bank subsidiary of Ally Financial, Inc. ("Ally"). Officials noted certain recent developments in ResCap's bankruptcy proceedings. Officials also noted that Berkshire Hathaway, a major ResCap creditor, made an initial offer to purchase ResCap's mortgage servicing unit. Officials also discussed Ally's announcement to begin a process of selling its international auto finance and insurance operations to potentially repay part of the $12.5 billion of current Treasury assistance under the AIFP.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Treasury continues to hold approximately 61 percent of the common stock outstanding of AIG.

Treasury officials then provided an update on the Term Asset-Backed Securities Loan Facility ("TALF"). As part of this discussion, Members and officials discussed the prospects for further reduction of the credit protection Treasury is providing under the TALF.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Hardest-Hit Fund ("HHF"). During this discussion, officials discussed the numbers of temporary and permanent modifications made under HAMP. Officials noted that, as of May, more than one million homeowners have received a permanent HAMP modification. More than 83,000 homeowners have had their principal reduced as part of a HAMP permanent modification, and nearly 84,000 second lien modifications have been completed through the Second Lien Modification Program ("2MP"). Treasury officials also discussed Treasury's progress in expanding the population of homeowners that may be eligible for HAMP through the "HAMP Tier 2" alternative announced in January 2012. As of June 1, 2012, the 18 largest servicers (which cover 96 percent of all non-GSE HAMP activity) have informed Treasury that they have begun accepting HAMP Tier 2 modification requests from borrowers. Treasury is currently surveying smaller servicers. As part of this discussion, Treasury officials also reported on the HHF. Among the matters discussed were recent program changes made by certain Housing Finance Agencies to improve the take-up and performance of their respective HHF-sponsored programs. Officials noted that while some states will require additional time to build program volume, several states have started showing substantial growth in the number of borrowers assisted under the program (specifically, California, Florida, Illinois, Michigan, North Carolina, Ohio and South Carolina). Officials also noted that Treasury is working to provide technical assistance to states with lower participation volumes.

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. Using prepared materials, 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 Fannie Mae and Freddie Mac.

The meeting was adjourned at approximately 2:50 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez,
General Counsel and Secretary