FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
March 31, 2017

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

Statutory Members

Janet Yellen
Chair
Board of Governors of the Federal Reserve System

Steven T. Mnuchin
Secretary
Department of the Treasury

Jay Clayton
Chairman
Securities and Exchange Commission

Ben Carson
Secretary
Department of Housing and Urban Development

Melvin L. Watt
Director
Federal Housing Finance Agency

Table of Contents

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 January 1, 2017 to March 31, 2017 (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"). In accordance with the bylaws of the Oversight Board, each Member has designated an official of the same agency to serve as that Member's Representative on the Oversight Board ("Representative").[1]

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.

The Oversight Board met three times during the quarterly period, specifically on January 26, February 22, and March 30, 2017. As reflected in the minutes of the Oversight Board's meetings,[2] 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.

[1] The respective Members named the following Representatives: Mr. David Wilcox, Division Director, Federal Reserve Board; Ms. Monique Rollins, Acting Assistant Secretary for Financial Markets, Department of the Treasury; Mr. Kurt Usowski, Deputy Assistant Secretary, Office of Economic Affairs, Department of Housing and Urban Development; Ms. Jaime Klima, Co-Chief of Staff, Securities and Exchange Commission; and Ms. Megan Moore, Special Advisor, Federal Housing Finance Agency.

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

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

As discussed further below, TARP housing-sector programs have continued to provide thousands of new assistance actions each month, and, through the Hardest Hit Fund ("HHF"), will provide assistance to additional mortgage borrowers going forward. On December 30, 2016, in accordance with the Consolidated Appropriations Act, 2016, the MHA Program closed to new applications. Applications submitted before the deadline will continue to be evaluated and servicers may continue to offer HAMP trials in accordance with program guidelines.

In December, 2015, Congress passed the Consolidated Appropriations Act, 2016 ("the Act"), which amended EESA as it relates to the HHF. The Act gave the Secretary of the Treasury until December 31, 2017 to commit up to $2 billion in additional TARP funds to current HHF program participants. On February 19, 2016, Treasury announced that it would exercise its authority to obligate up to $2 billion in additional TARP funds to the HHF, as authorized by the Act. Treasury allocated the funds among participating HFAs in two phases of $1 billion each, and extended the date by which states would be required to utilize their HHF funds to December 31, 2020. The Act also provided that the Making Home Affordable ("MHA") Program would terminate on December 30, 2016.

During the quarterly period Treasury finalized and executed all remaining early repurchase transactions for Community Development Capital Initiative ("CDCI") participants to repurchase their CDCI securities owned by Treasury at fair value. Repayments and recoupments of financial sector investments have brought the remaining outstanding balances of TARP investment programs to only a small fraction of their peak levels. The Capital Purchase Program ("CPP") and the CDCI remain the only TARP financial-sector programs that still have outstanding balances. Accordingly, the Oversight Board evaluation of the effects of Treasury's financial-sector programs under TARP focuses on Treasury's administration of the financial-sector assets Treasury still owns, emphasizing the management of these assets toward exit strategies that protect taxpayers rather than the connection of these assets to overall conditions in financial markets. Evaluations of such efforts are integrated with broader discussion of investment program developments in section III.

a. Performance of past TARP mortgage borrower assistance actions

Data reported by Treasury during the quarter indicated that, through the end of December, some 34.7 percent of all HAMP Tier 1 and Tier 2 permanent modifications had re-defaulted, that is, were disqualified for missing three or more payments.[3] Delinquency data across standardized intervals, a more conventional metric for assessing payment performance, continued the upward trends evident in

[3] Comparing cumulative re-defaults to the cumulative number of permanent modifications provides a single rough indication of portfolio-wide re-default frequency. 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. A more detailed analysis of delinquency patterns in HAMP permanent modifications is available in the most recent MHA Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx. Summary data on MHA programs are also being reported on a monthly basis in Treasury's Monthly Report to Congress (also known as the "105(a) report").

recent quarters. For HAMP Tier 1 loan modifications made permanent in the fourth quarter of 2015, some 15.7 percent had become delinquent by 60 or more days within 12 months after the modification. This is higher than the 15.2 percent delinquency rate at the same time horizon for the third quarter 2015 cohort, and the 14.0 percent rate for the fourth quarter 2014 cohort. For HAMP Tier 1 loan modifications made permanent in the fourth quarter of 2014, some 21.7 percent had become delinquent by 60 or more days 24 months after the modification, also higher than other recent cohorts at the same time horizon. Similarly, 36 months after becoming permanent, HAMP Tier 1 loan modifications made during the fourth quarter of 2013 experienced a serious delinquency rate of 23.5 percent using the 60-day standard. Delinquency rates reported by Treasury for HAMP Tier 1 permanent modifications over time horizons beyond two years continued to be at or near the lowest levels of any quarterly origination cohort at a comparable point in time.

Comparative delinquency data on HAMP Tier 1 and HAMP Tier 2 modifications highlight the clear and persistent differences in the level of performance between these modification types. Data reported during the quarter indicated that 22.5 percent of HAMP Tier 2 modifications made permanent in the fourth quarter of 2015 had become delinquent by 60 days or more within 12 months of receiving a modification. Overall, serious delinquencies for HAMP Tier 2 modifications have been systematically and materially higher than those for HAMP Tier 1.

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 most recent lifetime cost estimates of TARP that were available during the reporting period were as of September 30, 2016 (figure 1). According to these estimates, the expected overall cost of TARP will be approximately $34.47 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $16.92 billion.

The ultimate cost of TARP remains uncertain and will depend on how financial markets and the economy perform in the future. The individual TARP program costs have also been updated as of March 31, 2017 (figure 1).

Figure 1

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

Programs as of March 31, 2017 (dollar amounts in billions)

	Obligation/ Commitment	*Disbursed as of March 31*	*Outstanding Investment Balance as of March 31*	*Estimated Lifetime Cost as of September 30*[3]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 0.12	$ (10.23)
Banks with assets less than $10 billion[4]	$ 14.57	$ 14.57	$ 0.07	$ 0.81
Total	$ 204.89	$ 204.89	$ 0.19	$ (16.31)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ -	$ (4.00)
Asset Guarantee Program (AGP)[5]	$ 5.00	$ 0.00	$ -	$ (4.00)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.10	$ 0.07
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 6.25	$ 6.25	$ -	$ (3.06)
Debt	$ 12.38	$ 12.38	-	$ 0.33
Total	$ 18.63	$ 18.63	$ -	$ (2.73)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.61)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	-	$ 15.18
Total	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ -	$ 12.17
Sub-total for Investment Programs[6]	**$ 417.09**	**$ 411.72**	**$ 0.29**	**$ (0.24)**
Making Home Affordable	$ 27.78	$ 16.83	n/a	$ 25.09
Hardest Hit Fund[7]	$ 9.60	$ 7.30	n/a	$ 9.60
FHA-Refinance[8]	$ 0.13	$ 0.02	n/a	$ 0.02
Sub-total for Housing Programs	**$ 37.51**	**$ 24.15**	**n/a**	**$ 34.71**
Total for TARP Programs	**$ 454.59**	**$ 435.87**	**$ 0.29**	**$ 34.47**
Additional AIG Common Shares Held by Treasury[9]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 454.59**	**$ 435.87**	**$ 0.29**	**$ 16.92**

Notes:

1 Treasury is continuing to disburse funds related to its housing programs, and continuing to recoup its outstanding investments.

2 Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. Figures include interest on re-estimates. Lifetime cost information for Making Home Affordable and Hardest Hit Fund reflect the cost estimates published in the 2017 President's Budget.

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 $411.72 billion is the actual amount disbursed under the various TARP investment programs as opposed to obligations totaling $412.08 billion. This is because 28 CPP banks converted from the CPP program to the CDCI program and those conversions, totaling $363.3 million, are not reflected as new disbursements.

6 In December, 2015, Congress passed the Consolidated Appropriations Act, 2016, which gave the Secretary of the Treasury the authority to commit up to $2 billion in additional TARP funds to current

HHF program participants. The additional $2 billion was obligated by Treasury as of June 2016 and is included in the total amount obligated for HHF.

[7] In March 2015, Treasury extended the letter of credit facility to provide coverage for loans refinanced throughout the eligibility period, which has been extended to December 2016, but reduced the amount from $1 billion to $100 million. Treasury believes this lower amount will be sufficient to accommodate any increased usage that could result through the close of the program. The figures in this line include administrative expenses associated with the letter of credit facility.

[8] As discussed in note 10 to the Monthly TARP Update, Treasury's investment in AIG common shares consisted 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 managed the TARP shares and non-TARP shares together, and disposed 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 on the line entitled "Additional AIG Common Shares Held by Treasury" because Treasury's cost basis in such shares was deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis was $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the close of the program.

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 January 1 to March 31, 2017, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

i. Update on the Capital Purchase Program ("CPP")

As of March 31, 2017, 10 institutions remained in the CPP program with total outstanding CPP obligations of $192.75 million. As of that date, Treasury had received approximately $207.65 billion in gross proceeds from repayments and auction sales under the CPP, exceeding the $204.89 billion in total funds initially disbursed.[4]

These repayments and auction sales, along with dividends, interest, warrant sales, and fee income from participating bank organizations brought the total cash received from the CPP to $226.7 billion.

During the quarterly period, Treasury sold its investments in one institution for total proceeds of approximately $4.8 million. Treasury had initially invested $6.3 million in this institution.

No institutions participating in the CPP program had their subsidiary banks placed in receivership during the quarterly period. A total of 32 CPP recipients have been placed in receivership or bankruptcy since the inception of the program (figure 2), of which 13 have exited the respective process.

[4] This amount received includes all proceeds received as of March 31, 2017 from CPP participants, including sales of common and preferred shares; institutions that refinanced to the SBLF; and exchanges out of the CPP into the CDCI.

Figure 2

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

CPP Institutions Entered into Bankruptcy/Receivership - Realized Loss/Write-Off		
Institution Name	**Bankruptcy/ Receivership**	**Realized Loss/ Write-Off**
CIT Group Inc.*	11/1/2009	$ 2,330,000,000.0
UCBH Holdings, Inc.	11/6/2009	$ 298,737,000.0
Pacific Coast National Bancorp*	11/13/20	$ 4,120,000.0
Midwest Banc Holdings, Inc.*	5/14/2010	$ 84,784,000.0
Sonoma Valley Bancorp	8/20/2010	$ 8,653,000.0
Pierce County Bancorp	11/5/2010	$ 6,800,000.0
Tifton Banking Company*	11/12/20	$ 3,800,000.0
Legacy Bancorp, Inc.	3/11/2011	$ 5,498,000.0
Superior Bancorp Inc.	4/15/2011	$ 69,000,000.0
FPB Bancorp Inc.	7/15/2011	$ 5,800,000.0
One Georgia Bank*	7/15/2011	$ 5,500,000.0
Integra Bank Corporation	7/29/2011	$ 83,586,000.0
Citizens Bancorp	9/23/2011	$ 10,400,000.0
CB Holding Corp.	10/14/20	$ 4,114,000.0
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30,000,000.0
Blue River Bancshares, Inc.	2/10/2012	$ 5,000,000.0
Fort Lee Federal Savings Bank*	4/20/2012	$ 1,300,000.0
Gregg Bancshares, Inc.	7/13/2012	$ 825,000.0
GulfSouth Private Bank*	10/19/20	$ 7,500,000.0
Investors Financial Corporation of Pettis County, Inc.	10/19/20	$ 4,000,000.0
First Place Financial Corporation*	10/29/20	$ 72,927,000.0
Princeton National Bancorp	11/2/2012	$ 25,083,000.0
Premier Bank Holding Company*	8/14/2012	$ 9,500,000.0
Gold Canyon Bank*	4/5/2013	$ 1,607,000.0
Indiana Bank Corp.*	4/9/2013	$ 1,312,000.0
Rogers Bancshares, Inc.	7/5/2013	$ 25,000,000.0
Anchor Bancorp Wisconsin, Inc.*	8/12/2013	$ 104,000,000.0
TCB Holding Company	12/13/20	$ 11,730,000.0
Syringa Bancorp	1/31/2014	$ 8,000,000.0
Idaho Bancorp*	4/24/2014	$ 6,900,000.0
Rising Sun Bancorp	10/17/20	$ 5,983,000.0
Western Community Bancshares, Inc.	11/7/2014	$ 7,290,000.0
*Institution has exited the bankruptcy/receivership process		

ii. Update on the Community Development Capital Initiative ("CDCI")

On August 1, 2016, Treasury announced an opportunity for CDCI participants to repurchase their CDCI securities owned by Treasury at fair value. The opportunity to submit a proposal to repurchase their CDCI securities at fair value was offered to participating CDCI institutions for a limited period of time on a voluntary basis as described on the Treasury website at: https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/bank-investment-programs/cdci/Pages/CDCI-Early-Repurchase-Option.aspx.

On December 9, 2016, the window for CDCI institutions to submit proposals closed. As of March 31, 2017, 27 full and partial repurchases at fair value under the early repurchase option had been completed for proceeds of approximately $268.4 million. The final early repurchases closed in January 2017.

During the reporting period, an additional institution repurchased its outstanding investments at par for a total of $5.5 million. Also during the quarterly period, an institution repurchased part of its outstanding investment for $87,000. As of March 31, 2017, 27 CDCI institutions remained in the program.

b. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, a quarterly MHA Program Performance Report was released covering program activity during the period October 2016 through December 2016, including a quarterly MHA Servicer Assessment for the same period.[5] A Performance Summary for HHF was also released covering the fourth quarter of 2016.[6] In addition, statistical updates on the health of the nation's housing market produced by HUD were released for each month of the quarter.[7]

i. MHA

MHA programs provide assistance actions through first and second lien permanent modifications under HAMP, Treasury FHA HAMP, RD-HAMP (administered by the Rural Development Division of the Department of Agriculture), 2MP, and other assistance provided through HAFA transactions and Home Affordable Unemployment Program ("UP") forbearance plans (figure 3). For some programs, assistance includes that provided by the Government Sponsored Enterprises ("GSEs").

On December 30, 2016, in accordance with the Consolidated Appropriations Act, 2016, the MHA Program closed to new applications. Applications submitted before the deadline will continue to be evaluated and servicers may continue to offer HAMP trials in accordance with program guidelines.

[5] The MHA Program Performance Report includes data on the characteristics of permanent modifications, servicer activity, re-default rates, homeowner experience, HAMP activity by state.

[6] HHF Performance Summaries are available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/HHF.aspx

[7] National Housing Market Indicators Report incorporates key housing market statistics and highlights the progress toward recovery of various housing market sectors. The National Housing Market Indicators Report is available at: https://www.huduser.gov/portal/ushmc/hmi-update.html

Figure 3

MHA Program Activity

	As of December 31, 2016	Q4 2016
MHA First Lien Permanent Modifications	2,158,711	77,154
HAMP Tier 1	1,458,523	8,316
HAMP Tier 2	197,029	11,035
Streamline HAMP	27,560	9,439
GSE Standard Modifications (SAI)	343,993	43,711
Treasury FHA and RD HAMP	131,606	4,653
2MP Modifications Started	163,140	1,696
HAFA Transactions Completed	453,602	10,262
UP Forbearance Plans Started	46,485	234
Cumulative Activity	2,821,938	89,346

Notes:

- First lien permanent modifications include GSE Standard Modifications since October 2011 under the GSEs' Servicer Alignment Initiative.
- As part of HUD's program, FHA-HAMP, TARP funds are used to pay borrower and servicer incentives on a portion of these loans that qualify for Treasury FHA-HAMP. In addition to any standards imposed by FHA, to be eligible for incentives paid through TARP, the MHA Handbook for Non-GSE Servicers ("Handbook") requires that: (1) the servicer of the loan must have signed a Servicer Participation Agreement and related documents; (2) the loan must have been originated on or before January 1, 2009; (3) the written request for assistance must have been received on or before December 31, 2016; and (4) the permanent modification must be effective on or before September 30, 2017. Further information (including references to applicable Mortgagee Letters) is available in Section 2.1 of Chapter VI of the Handbook, available at: https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_43.pdf
- HAFA totals include GSE and non-GSE activity.

A total of $27.78 billion has been committed to MHA. As of March 31, 2017, Treasury had disbursed $16.83 billion in incentive payments for MHA, $0.65 billion of which was disbursed during the first quarter of 2017.[8] Based on all MHA activity in place as of December 31, 2016, Treasury estimated that $23.76 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and

[8] Treasury's Transactions Reports (Housing), available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/TARP-Housing-Transaction-Reports.aspx, 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.

receive incentives for six years. This estimate does not include funds to support additional borrower assistance actions initiated under existing MHA programs from the end of the quarterly period through the remaining active life of MHA programs, which terminated on December 30, 2016, except with respect to certain loan modification applications made prior to that date.

a. HAMP

Through December 2016, nearly 1.7 million HAMP permanent modifications had been completed since the start of the program. As of December 31, 2016, homeowners that received HAMP permanent modifications saved approximately $470 per month (median savings), representing a reduction of more than one third from their before-modification mortgage payment. Since HAMP began, homeowners who received permanent modifications had saved an estimated $48 billion in monthly mortgage payments. During the period October to December 2016, nearly 28,800 new permanent modifications were initiated, as reported in Treasury's Making Home Affordable Program Performance Report.[9] An additional 38,350 new HAMP trial period plans were begun during that same period. As of December 31, 2016, servicers reported 27,560 Streamline HAMP permanent modifications and 53,190 trial modifications started.

b. HAMP Rate Step-ups

The HAMP Tier 1 modification was designed to provide relief to homeowners facing a financial hardship by providing a modification that would reduce their monthly mortgage payment to an affordable level. The interest rate is reduced in increments to achieve the target 31 percent debt-to-income ("DTI") with an interest rate floor of 2 percent. After five years, the interest rate may begin to increase 1 percent per year (or less) until the Primary Mortgage Market Survey (PMMS) rate at time of modification is reached (PMMS averaged 5.04 percent in 2009, 4.17 percent in 2014, and 3.645 percent in2016), at which time the interest rate will be fixed for the remaining loan term.

The first interest rate increase went into effect in the third quarter of 2014 for the earliest group of HAMP modifications. Treasury is monitoring these cohorts closely for signs or trends that re-defaults are increasing as borrowers experience interest rate step-ups. As of December 2016, thirty vintages have experienced one interest rate step-up, and eighteen vintages have experienced a second step-up. At this stage, there does not appear to be a notable performance impact for the modifications that have experienced step-ups.

ii. HHF

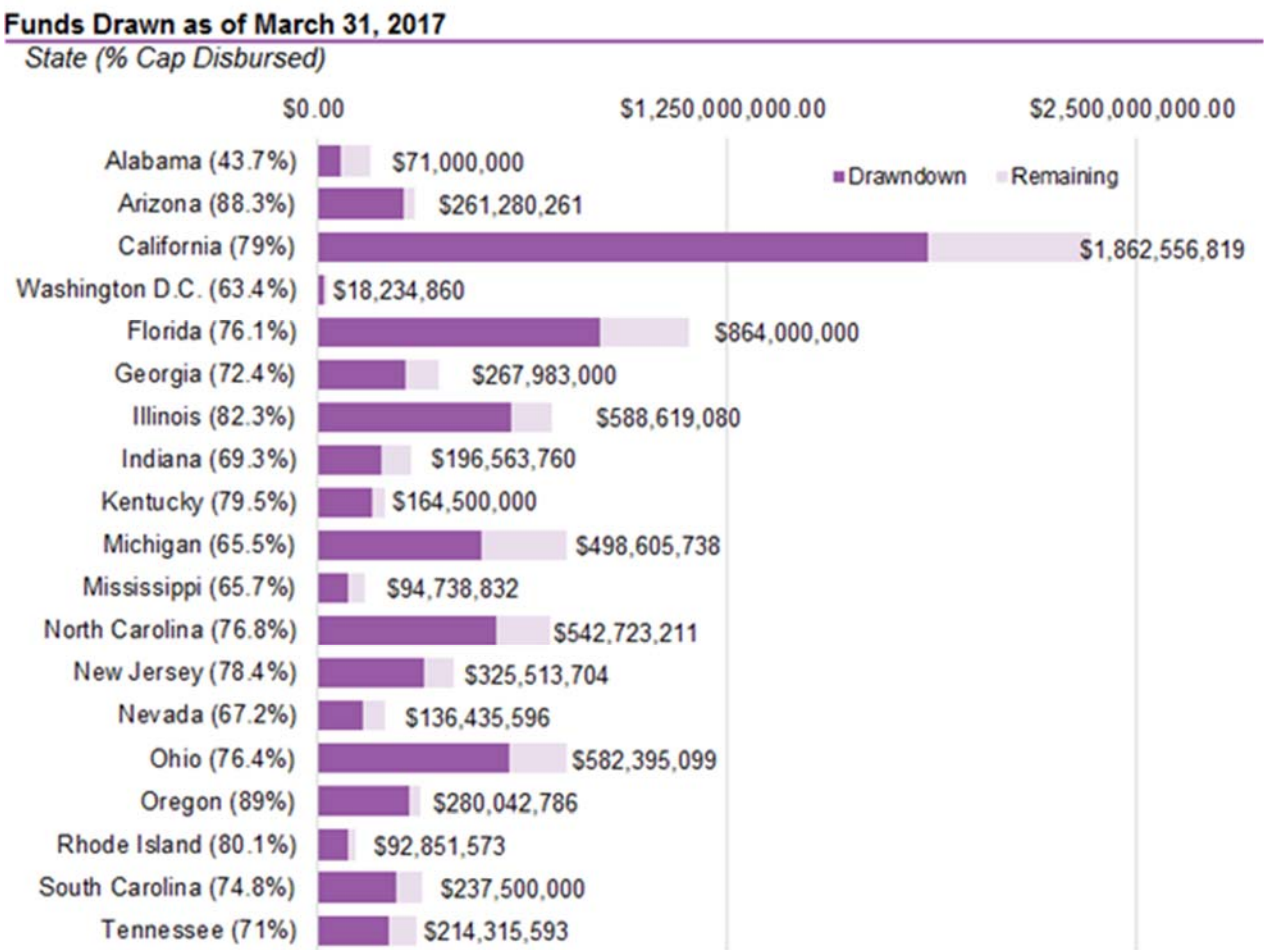
As of March 31, 2017, all 18 states and the District of Columbia were operating HHF programs throughout their respective jurisdictions, and collectively had drawn approximately $7.3 billion (approximately 76 percent) of the $9.60 billion allocated under the program. Each of these eligible jurisdictions draws down funds as they are needed. The jurisdictions have until December 31, 2020, to approve assistance actions and must have no more than five percent of their allocation on hand before they can draw down additional funds.

[9] Treasury's Quarterly Making Home Affordable Program Performance Reports are available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx

As of March 31, 2017, there were 86 active programs across the 19 HHF jurisdictions. Program data has indicated that approximately 80 percent of homeowners approved for HHF programs have received assistance due to a hardship related to either unemployment or underemployment. During the quarter, Treasury approved program changes for Georgia, New Jersey and South Carolina. Program changes are outlined each month in the Monthly Report to Congress. As of March 31, all of the 19 HFAs were fully operating new or existing programs. Treasury continued its efforts to identify best practices, share lessons learned among programs and provide additional assistance and oversight to HFAs in need of improvement.

Figure 4

Hardest Hit Fund as of March 31, 2017



APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
January 26, 2017

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Thursday, January 26, 2017, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Usowski, Deputy Assistant Secretary, Office of Economic Affairs, Department of Housing and Urban Development

Ms. Klima, Co-Chief of Staff, Securities and Exchange Commission

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

Ms. Florman, Chief of Staff, Office of Financial Stability, Department of the Treasury

Ms. Johnson-Kutch, Chief Homeownership Officer, Office of Financial Stability, Department of the Treasury

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

The meeting was called to order by Mr. Wilcox at approximately 2:00 p.m. EST.

First, the Representatives considered draft minutes from the meeting of the Oversight Board on Friday, December 16, 2016, 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 Representatives with an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("Monthly Report"), which contains information pertaining to the programs established by Treasury under TARP, as well as aggregate information regarding the allocated and disbursed amounts under TARP.

As the meeting progressed, Representatives raised and discussed the effects of policies and programs established under TARP.

Referring to prepared materials, Treasury officials reported on recent developments in the TARP program. As of December 31, 2016, Treasury had disbursed a total of approximately $435.0 billion, including $411.7 billion under TARP investment programs and $23.2 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were $442.4 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was about $310 million, all associated with CPP and CDCI.

Next, Treasury officials provided the Representatives with an update on recent developments in the CPP. As of the meeting date, Treasury's aggregate CPP investment remained $199.1 million in 11 institutions, of which about $125 million was its common stock holding in First BanCorp in San Juan, Puerto Rico.

Treasury officials provided the Representatives with an update on Treasury's recent progress under the CDCI early repurchase option, part of Treasury's ongoing efforts to wind down the TARP program. Officials reported that during the month of December 2016, Treasury completed repurchase or redemption transactions for 19 institutions, totaling approximately $77.9 million in proceeds. In addition to the 18 early repurchase transactions during December, one additional CDCI redemption at par took place during the month with proceeds of $14 million. As of the meeting date, Treasury had completed 27 early repurchases by CDCI institutions.

Treasury officials then detailed the status of TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported that as of December 31, 2016, $23.8 billion of MHA funds had been committed for existing MHA transactions. Of this amount, $16.2 billion had been disbursed and $7.6 billion committed for the payment of future financial incentives. Officials then discussed recent borrower assistance actions under HAMP, noting that nearly 9,500 new permanent HAMP modifications were initiated in December 2016, as well as more than 9,500 trial HAMP modifications. In addition, more than 1,200 new FHA-HAMP permanent modifications and roughly 2,900 new short-sale transactions were completed during the month. As of December 31, there were more than 962,000 active permanent HAMP modifications.

Treasury officials discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Officials noted that during December 2016 there had been program changes in Tennessee, Arizona, Michigan, Mississippi and Illinois. In addition, approximately $7.0 billion of the total $9.6 billion in HHF funds had been drawn through the end of December 2016.

Staff of the Oversight Board concluded the meeting with a brief discussion of the timing of the next quarterly report.

The meeting was adjourned at approximately 2:20 p.m. EST.

[signed electronically]

Mr. Gonzalez, General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
February 22, 2017

A meeting of the Financial Stability Oversight Board (the "Board") was held at 2:00 p.m. EST on Wednesday, February 22, 2017, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Usowski, Deputy Assistant Secretary, Office of Economic Affairs, Department of Housing and Urban Development

Ms. Klima, Co-Chief of Staff, Securities and Exchange Commission

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

Ms. Florman, Chief of Staff, Office of Financial Stability, Department of the Treasury

Mr. Montano, Chief Investment Officer, Department of the Treasury

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

The meeting was called to order by Mr. Wilcox at approximately 2:00 p.m. EST

The Representatives first considered draft minutes for the meeting of the Board on Thursday, January 26, 2017, 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.

Next, Treasury officials provided the Representatives with an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("Monthly Report"), which contained information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP.

During the meeting, Representatives raised and discussed matters related to the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with a report on recent developments in the TARP program.

As of January 31, 2017, Treasury had disbursed a total of nearly $435.3 billion, including approximately $411.7 billion under TARP investment programs and nearly $23.6 billion (including more than $0.3 billion from the prior month) under TARP housing- related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were $442.4 billion, including the proceeds of non-TARP common shares in American International Group ("AIG").

Treasury officials then provided the Representatives with an update on recent developments in the CPP. There had been no repurchases or sales since the January 26, 2017, meeting of the Representatives. As of the meeting date, Treasury's aggregate CPP investment remained approximately $199.1 million in 11 institutions.

Treasury officials then reported on Treasury's most recent progress under the CDCI early repurchase option, part of Treasury's ongoing efforts to wind down the TARP program. Officials reported that, during the month of January 2017, Treasury completed the final two early repurchase transactions for proceeds of $4.2 million. Additionally, Treasury also executed one partial repurchase for proceeds of approximately $87,000. As of the meeting date, twenty-eight institutions remained in the portfolio. Because the contractual step-up in dividend or interest rates (or in some cases a contractual maturity) of CDCI investments begins in the fall of 2018, officials expect the majority of remaining CDCI institutions to exit the program between now and then.

Next, Treasury officials provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported that as of January 31, 2017, there had been nearly 2.8 million total MHA homeowner assistance actions, including nearly 1.5 million total HAMP Tier 1 modifications and more than 0.2 million total HAMP Tier 2 modifications. As of December 2016, nearly 28,000 total streamline HAMP modifications and more than 960,000 active permanent HAMP modifications (including Tier 1, Tier 2 and streamline modifications) had been initiated.

Officials then discussed recent borrower assistance actions under HAMP, noting that in January 2017, more than 2,000 new permanent HAMP Tier 1 modifications and nearly 4,000 new permanent HAMP Tier 2 modifications were initiated. Also, as of December 2016, servicers reported there had been nearly 4,000 new permanent Streamline HAMP modifications begun, and more than 53,000 Streamline HAMP trial offers had been started and more than 17,100 trials were active.

Treasury officials then discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Officials noted housing finance authorities (HFAs) had introduced no HHF program changes during January. As of January 31, 2017, HFAs had disbursed approximately $5.8 billion in program funds ($6.5 billion in total program and administrative funds).

Finally, staff of the Oversight Board discussed the timing of the next quarterly report and activities of the Oversight Board for the coming months.

The meeting was adjourned at approximately 2:15 p.m. EST.

[signed electronically]
Mr. Treacy, Executive Director

Minutes of the Financial Stability Oversight Board Meeting

March 30, 2017

A meeting of the Financial Stability Oversight Board (the "Board") was held at 3:00 p.m. (EDT) on March 30, 2017, at the offices of the Department of the Treasury ("Treasury").

MEMBER REPRESENTATIVES PARTICIPATING:

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

Ms. Rollins, Acting Assistant Secretary for Financial Markets, Office of Financial Stability, Department of the Treasury

Mr. Usowski, Deputy Assistant Secretary Office of Economic Affairs, Department of Housing and Urban Development

Ms. Moore, Special Advisor, Federal Housing Finance Agency

Ms. Klima, Co-Chief of Staff, Securities and Exchange Commission

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

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

Ms. Perkovich, Budget Director, Office of Financial Stability, Department of the Treasury

Mr. Leventis, Principal Economist, Federal Housing Finance Agency

Ms. Latner, 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 first considered draft minutes for the meeting of the Board on Wednesday, February 22, 2017, which had been circulated to participants in advance of the meeting.

Upon a motion duly made and seconded, the Representatives voted to approve the February meeting minutes, 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"). Throughout the discussion, officials focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("Monthly Report"), containing information concerning the programs established by Treasury under TARP. It also contains aggregate information regarding allocated and disbursed amounts under TARP.

During 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 provided Representatives with a report on recent developments in the TARP program. As of February 28, 2017, Treasury had disbursed a total of approximately $436 billion, an increase of $358 million from the previous month. The total amount disbursed included nearly $412 billion under TARP investment programs and nearly $24 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were more than $442 billion.

Treasury officials then provided the Representatives with an update on recent developments in the CPP. As of March 2, 2017, $227 billion had been collected in total from the program. Treasury's aggregate CPP investment remained at approximately $193 million in ten institutions. Since the last meeting, Citizens Commerce Bancshares, Inc. was sold for nearly $5 million in principal on the original investment of approximately $6 million.

Treasury officials then provided an update on the CDCI program. Officials reported that since the last meeting, Treasury had completed a full repurchase for one institution, totaling approximately $5 million. 27 institutions remain in the portfolio, totaling approximately $98 million.

Treasury officials next provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"), for which the application period closed at the end of December, 2016. Treasury officials reported that as of February 28, 2017, there were more than 2.8 million total MHA homeowner assistance actions, including nearly 1.5 million total HAMP Tier 1 modifications and more than 0.2 million total HAMP Tier 2 modifications. More than 2,300 new permanent HAMP Tier 1 modifications and more than 3,400 new permanent HAMP Tier 2 modifications had been initiated, in addition to more than 3,600 new permanent Streamline HAMP modifications.

As February 2017, thirty-two HAMP vintages have experienced an interest rate step-up. Twenty vintages have experienced a second step-up. Treasury officials noted that there does not appear to be a notable performance impact for the modifications that have experienced one or two step-ups. The percentage of modifications disqualifying in the months following the reset remains consistent with the months leading up to the reset, at less than or equal to one percent.

Next, Treasury officials discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Approximately $5.9 billion in HHF program funds had been disbursed through the end of February 2017. There were no HFA program changes in the month of February, 2017. Officials noted that HFA funds can be utilized through the end of 2021.

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 assistant to at-risk mortgages borrowers. As a part of this discussion, officials from the Federal Housing Finance Agency (“FHFA”) briefed members on developments in the housing and housing and finance markets. The information reviewed included data related to changes in mortgage rates and Treasury yields, housing price indices, home sales and refinancing activities. FHFA officials also presented data related to delinquencies, GSE foreclosure prevention actions, and re-defaults on GSE-modified mortgages.

Staff of the Oversight Board then discussed the timing of the next quarterly report, as well as activities to be completed during the remainder of 2017.

The meeting was adjourned at approximately 3:45 p.m. (EDT).

[signed electronically]

Mr. Gonzalez, General Counsel and Secretary