FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
September 30, 2017

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

<u>Statutory Members</u>

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

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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 July 1, 2017 to September 30, 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 July 28, August 17, and September 27, 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.

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[1] The respective Members named the following Representatives: Mr. David Wilcox, Division Director, Federal Reserve Board; Ms. Clay Berry, 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; Mr. Bryan Wood, Director, Office of Legislative and Intergovernmental Affairs, 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 Act"), the Making Home Affordable ("MHA") Program closed to new applications. MHA servicers were required to evaluate applications submitted before the deadline and offer Home Affordable Modification Program ("HAMP") permanent modifications to eligible applicants in accordance with program guidelines. All MHA transactions must be completed by December 1, 2017.

The Act also 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.

With the passage of time and maturation of TARP housing-sector programs, and years of successful performance by households under their respective housing assistance actions, the focus of Oversight Board analysis of housing-sector program effects naturally must evolve. For MHA, the Oversight Board believes the volume of new MHA borrower assistance actions no longer serves as a useful indicator for its assessment of program effects, especially as the number of remaining MHA applications originally received before December 30, 2016, continues to diminish. Similarly, as the bulk of HAMP modifications has already seasoned beyond four years--an important benchmark in performance analysis of mortgage lending--the Oversight Board believes that further analysis of incremental HAMP interest rate resets and re-default rates at this juncture will yield relatively little additional information on the sustainability of HAMP modifications. Instead, Oversight Board evaluation of the effects of these housing-sector programs will focus on disbursement rates of TARP resources and on homeowner completion of modifications or other respective assistance actions under TARP.

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 Community Development Capital Initiative ("CDCI") remain the only TARP financial-sector programs that still have outstanding balances. Accordingly, the Oversight Board evaluation of the effects of TARP financial-sector programs 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.

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 June 30, 2017 (figure 1). According to these estimates, the expected overall cost of TARP will be approximately $32.35 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $14.80 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 June 30, 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 September 30, 2017 (dollar amounts in billions)

	Obligation/ Commitment	*Disbursed as of September 30*	*Outstanding Investment Balance as of September 30*	*Estimated Lifetime Cost as of June 30*[1]
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	$ -	$ (10.24)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 0.05	$ 0.81
Total	$ 204.89	$ 204.89	$ 0.05	$ (16.31)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ -	$ (4.00)
Asset Guarantee Program (AGP)[3]	$ 5.00	$ 0.00	$ -	$ (4.00)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.08	$ 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	$ -	$ 12.16
Sub-total for Investment Programs	**$ 417.09**	**$ 411.72**	**$ 0.12**	**$ (0.25)**
Making Home Affordable	$ 27.78	$ 17.95	n/a	$ 22.98
Hardest Hit Fund[4]	$ 9.60	$ 8.44	n/a	$ 9.60
FHA-Refinance[5]	$ 0.05	$ 0.02	n/a	$ 0.02
Sub-total for Housing Programs	**$ 37.43**	**$ 26.41**	**n/a**	**$ 32.60**
Total for TARP Programs	**$ 454.59**	**$ 438.13**	**$ 0.12**	**$ 32.35**
Additional AIG Common Shares Held by Treasury[6]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 454.51**	**$ 438.13**	**$ 0.12**	**$ 14.80**

Notes:

1 Estimated lifetime cost figures for investment programs and FHA-Refinance are as of June 30, 2017. Figures include interest on reestimates. Lifetime cost information for Making Home Affordable and Hardest Hit Fund reflect the cost estimates based on actual and projected volume as of June 30, 2017.

2 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.

3 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.

4 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.

[5] In September 2017 the letter of credit was reduced from $100 million to $27 million. The figures in this line also include $18 million obligated for administrative expenses associated with the letter of credit.

[6] 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 July 1 to September 30, 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 September 30, 2017, some 6 institutions remained in the CPP program with total outstanding CPP obligations of $47.5 million. As of that date, Treasury had received approximately $207.72 billion in gross proceeds from repayments and auction sales under the CPP, exceeding the $204.89 billion in total funds initially disbursed.[3]

These repayments and auction sales, along with dividends, interest, and fee income from participating bank organizations brought the total cash received from the CPP to $226.8 billion.

During the quarterly period, Treasury sold its investments in two institutions (one partial and one full) for total proceeds of approximately $5.8 million. Also, during the same period, one institution repurchased its warrant for approximately $1.7 million.

No additional CPP institutions filed for bankruptcy during the quarterly period. A total of 33 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.

[3] This amount received includes all proceeds received as of September 30, 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	$ 2,330,000,000.00
UCBH Holdings, Inc.	11/6/2009	$ 298,737,000.00
Pacific Coast National Bancorp*	11/13/2009	$ 4,120,000.00
Midwest Banc Holdings, Inc.*	5/14/2010	$ 84,784,000.00
Sonoma Valley Bancorp	8/20/2010	$ 8,653,000.00
Pierce County Bancorp	11/5/2010	$ 6,800,000.00
Tifton Banking Company*	11/12/2010	$ 3,800,000.00
Legacy Bancorp, Inc.	3/11/2011	$ 5,498,000.00
Superior Bancorp Inc.	4/15/2011	$ 69,000,000.00
FPB Bancorp Inc.	7/15/2011	$ 5,800,000.00
One Georgia Bank*	7/15/2011	$ 5,500,000.00
Integra Bank Corporation	7/29/2011	$ 83,586,000.00
Citizens Bancorp	9/23/2011	$ 10,400,000.00
CB Holding Corp.	10/14/2011	$ 4,114,000.00
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30,000,000.00
Blue River Bancshares, Inc.	2/10/2012	$ 5,000,000.00
Fort Lee Federal Savings Bank*	4/20/2012	$ 1,300,000.00
Gregg Bancshares, Inc.	7/13/2012	$ 825,000.00
GulfSouth Private Bank*	10/19/2012	$ 7,500,000.00
Investors Financial Corporation of Pettis County, Inc.	10/19/2012	$ 4,000,000.00
First Place Financial Corporation*	10/29/2012	$ 72,927,000.00
Princeton National Bancorp	11/2/2012	$ 25,083,000.00
Premier Bank Holding Company*	8/14/2012	$ 9,500,000.00
Gold Canyon Bank*	4/5/2013	$ 1,607,000.00
Indiana Bank Corp.*	4/9/2013	$ 1,312,000.00
Rogers Bancshares, Inc.	7/5/2013	$ 25,000,000.00
Anchor Bancorp Wisconsin, Inc.*	8/12/2013	$ 104,000,000.00
TCB Holding Company	12/13/2013	$ 11,730,000.00
Syringa Bancorp	1/31/2014	$ 8,000,000.00
Idaho Bancorp*	4/24/2014	$ 6,900,000.00
Rising Sun Bancorp	10/17/2014	$ 5,983,000.00
Western Community Bancshares, Inc.	11/7/2014	$ 7,290,000.00
Cecil Bancorp, Inc.	6/30/2017	$ 11,560,000.00
*Institution has exited the bankruptcy/receivership process		

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

During the reporting period, four institutions repurchased their outstanding investments at par for a total of $18.5 million. As of September 30, 2017, some 22 CDCI institutions remained in the program for a total outstanding investment of $75.6 million.

b. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, a quarterly MHA Program Performance Report was released covering program activity during the period April 2017 through June 2017, including a quarterly MHA Servicer Assessment for the same period.[7] A Performance Summary for HHF was also released covering the second quarter of 2017.[8] In addition, housing market indicator reports on the health of the nation's housing market produced by HUD were released for each month of the quarter.[9]

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. For some programs, assistance includes that provided by the Government Sponsored Enterprises ("GSEs").

The Consolidated Appropriations Act, 2016, provided that the MHA Program would terminate on December 31, 2016, except with respect to certain loan modification applications made before such date. As set forth in program guidelines, MHA servicers were required to evaluate applications submitted before the deadline and offer permanent modifications to eligible applicants. All MHA trial modification transactions must be completed by December 1, 2017.

A total of $27.78 billion has been committed to MHA. As of September 30, 2017, Treasury had disbursed $17.95 billion in incentive payments for MHA, $0.51 billion of which was disbursed during the third quarter of 2017.[10] Treasury estimated that $22.98 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions, based on actual and projected volume as of June 30, 2017.

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

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

[9] The National Housing Market Indicator Report incorporates key housing market statistics from government and private sector sources and is available at: https://www.huduser.gov/portal/ushmc/hmi-update.html

[10] 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.

a. HAMP

Through June 2017, more than 1.7 million HAMP permanent modifications had been completed since the start of the program. As of June 30, 2017, 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 $51 billion in monthly mortgage payments.[11]

ii. HHF

As of September 30, 2017, all 18 states and the District of Columbia were operating HHF programs throughout their respective jurisdictions, and collectively had drawn approximately $8.44 billion (approximately 88 percent) of the $9.60 billion allocated under the program (figure 3). 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.

As of September 30, 2017, there were 88 active programs across the 19 HHF jurisdictions. Program data has indicated over 80 percent of homeowners approved for HHF mortgage payment and reinstatement programs have received assistance due to a hardship related to either unemployment or underemployment. During the quarter, Treasury approved program changes for California, New Jersey, North Carolina, Ohio, and Rhode Island. Program changes are outlined each month in the Monthly Report to Congress. As of September 30, 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.

[11] 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

Figure 3

Hardest Hit Fund as of September 30, 2017

Hardest Hit Fund (HHF)

Program Changes in September

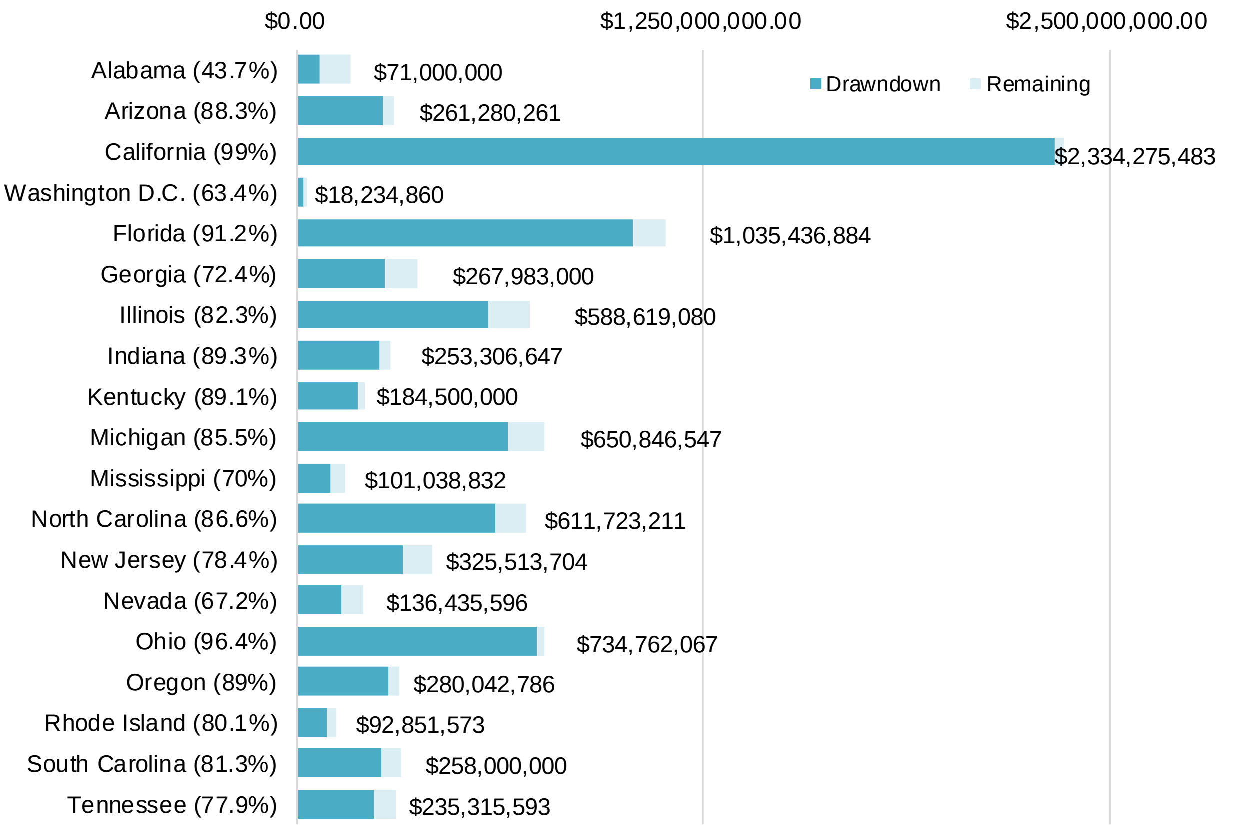
1. Rhode Island received approval to reallocate funds from their principal reduction program to their down payment assistance program.

Funds Drawn Down in September

State		*Amount (millions)*
Kentucky	$	20
Total Drawn to Date	$	8,441

Funds Drawn as of September 30, 2017

State (% Cap Disbursed)



APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
July 28, 2017

A meeting of the Financial Stability Oversight Board (the "Board") was held at 3:00 p.m. EDT on Friday, July 28, 2017, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Ms. Moore, Special Advisor, Federal Housing Finance Agency

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. Johnson-Kutch, Director of Policy and Programs, Office of Financial Stability, Department of the Treasury

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

Mr. Dove, Operations Director, Home Preservation Office, Office of Financial Stability, Department of the Treasury

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

Mr. Wood, Director, Office of Legislative and Intergovernmental Affairs, Securities and Exchange Commission

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

To commence the meeting, Treasury officials provided the Representatives with an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). The meeting discussion predominantly 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. Included in 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 programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP.

Throughout the meeting, Representatives raised and discussed issues related to the policies and programs established under TARP.

Treasury officials next provided Representatives with a report on recent developments in the TARP program, using prepared materials. As of June 30, 2017, Treasury had disbursed a total of nearly $437.4 billion, including approximately $411.7 billion under TARP investment programs and more than $25.6 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were approximately $442.5 billion.

Treasury officials then provided the Representatives with an overview of recent developments in the CPP. In late June, Treasury sold a portion of its common stock investment in Broadway Financial Corporation (Broadway) for approximately $3.5 million. Together with earlier partial sales and dividend receipts, this transaction brought Treasury's total cash back to date from Broadway to $11.8 million. Treasury officials noted that, giving effect to this latest transaction, the remaining outstanding investment in Broadway was about $5.3 million. Treasury officials indicated they will continue to sell over time. Eight institutions remain in the CPP portfolio, for a total investment of $63.5 million.

Next, Treasury officials reported on CDCI program status. In early July, one credit union repaid in full its CDCI investment, for a total of $100,000. As of the meeting, 25 institutions remain in the portfolio, for a total outstanding invested amount of approximately $94 million.

Treasury officials next provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported that as of June 30, 2017, there had been more than 2.9 million total MHA homeowner assistance actions. Officials noted that there has been a decline in the volume of new actions, as predicted. During June, roughly 2,800 permanent HAMP Tier 1 modifications were started, as well as about 1,800 permanent Tier 2 modifications and about 630 Streamline permanent modifications.

Next, Treasury officials provided an update on the HHF program. As of June 30, 2017, Housing Finance Agencies had disbursed approximately $6.4 billion in program funds ($7.1 billion in total program and administrative funds), and drawn down close to $8.2 billion. There were no program changes in the month of June.

Next, Representatives discussed draft minutes for the meeting of the Board on Tuesday, June 20, 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.

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

The meeting was adjourned at approximately 3:25 p.m. EDT.

[signed electronically]

Mr. Gonzalez, General Counsel
and Secretary

Minutes of the Financial Stability Oversight Board Meeting
August 17, 2017

A meeting of the Financial Stability Oversight Board (the "Board") was held at 3:00 p.m. EDT on Thursday, August 17, 2017, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

Ms. Moore, Special Advisor, Federal Housing Finance Agency (Interim 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

Mr. Wood, Director, Office of Legislative and Intergovernmental Affairs, 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. Dove, Operations Director, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Hall, Investments Manager, Office of Financial Stability, Department of the Treasury

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

The meeting was called to order by Ms. Moore at approximately 3:00 p.m. EDT.

The meeting commenced with a discussion by Representatives of the draft minutes for the meeting of the Board on Friday, July 28, 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 Treasury established under the Troubled Asset Relief Program ("TARP").

The meeting discussion predominantly 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. Included in 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 related to programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the course of the meeting, Representatives raised and discussed issues pertaining to the policies and programs established under TARP.

Then Treasury officials, using prepared materials, provided Representatives with a report on recent developments in the TARP program. As of July 31, 2017, Treasury had disbursed a total of nearly $437.7 billion, including approximately $411.7 billion under TARP investment programs and more than $25.9 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were approximately $442.5 billion.

Treasury officials then provided the Representatives with an overview of recent developments in the CPP. Since the last meeting, one institution, Cecil Bancorp, Inc., filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. Treasury officials indicated that a modest recovery from the institution was likely. Seven institutions remained in the CPP portfolio, for a total investment of $52.0 million.

Treasury officials next reported on the status of the CDCI program. Since the last meeting of the Board, Treasury completed a repurchase in full of Renaissance Community Development Credit Union. As of the meeting, 24 institutions remain in the portfolio, for a total outstanding invested amount of approximately $94 million.

Next, Treasury officials noted that they were still awaiting the final July month-end calculations of program results related to the MHA's Home Affordable Modification Program ("HAMP"), but early data continue to suggest a significant decline in the volume of new recent borrower assistance actions under HAMP.

Treasury officials then discussed recent changes to the HHF programs. As of July 31, 2017, Housing Finance Agencies had disbursed approximately $6.5 billion in program funds ($7.2 billion in total program and administrative funds), and drawn down more than $8.3 billion in program funds. In the month of July, program changes were approved for New Jersey and Ohio.

Then, Federal Housing Finance Agency ("FHFA") officials announced modifications to the streamlined refinance program for borrowers with high loan-to-value ratios. Loans originated on or after October 1, 2017, will be eligible for the program. In the meantime, to ensure that high loan-to-value borrowers who are eligible for the Home Affordable Refinance Program ("HARP") continue to have a refinance option, FHFA directed Fannie Mae and Freddie Mac to extend HARP through December 31, 2018.

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

The meeting was adjourned at approximately 3:15 p.m. EDT.

[signed electronically]

Mr. Gonzalez, General Counsel
and Secretary

Minutes of the Financial Stability Oversight Board Meeting
September 27, 2017

A meeting of the Financial Stability Oversight Board (the "Board") was held at 2:30 p.m. EDT on Wednesday, September 27, 2017, at the offices of the Department of the Treasury ("Treasury").

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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. Moore, Special Advisor, Federal Housing Finance Agency

Mr. Wood, Director, Office of Legislative and Intergovernmental Affairs, Securities and Exchange Commission

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

Mr. Dove, Operations Director, Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Hall, Investments Manager, 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 2:30 p.m. EDT.

The meeting began with a discussion by the Representatives of the draft minutes for the Board's previous meeting, held on Thursday, August 17, 2017. The minutes for that meeting had been circulated in advance. 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 next provided the Representatives with an update on the programs Treasury established under the Troubled Asset Relief Program ("TARP"). The meeting discussion predominantly 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. Included in 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 related to programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Representatives raised and discussed issues relevant to the policies and programs established under TARP.

Next, Treasury officials, referring to prepared materials, provided the Representatives with a report on recent developments in the TARP program. As of August 31, 2017, Treasury had disbursed a total of more than $437.9 billion, including approximately $411.7 billion under TARP investment programs and more than $26.2 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were approximately $442.5 billion.

Treasury officials then provided the Representatives with a summary of recent sales of CPP shares in two institutions. In the first transaction, Treasury sold its entire CPP investment in Grand Mountain Bancshares, Inc. for $3.9 million, an amount that exceeded Treasury's invested amount of $3.1 million. The second transaction was a partial sale of Treasury's common share holdings in Broadway Financial Corporation for $1.9 million. With this sale of 916,046 common shares, some 2.7 million common shares remained in Treasury's CPP portfolio. Six institutions remained in the CPP portfolio, for a total remaining investment of $48 million.

Treasury officials next reported on the status of the CDCI program. Since mid-August, Fairfax County Federal Credit Union and Mission Valley Bancorp had each completed a repurchase in full of their outstanding CPP shares, for proceeds of $8 million and $10 million, respectively. As of the meeting, 22 institutions remain in the portfolio, for a total outstanding invested amount of approximately $76 million.

Treasury officials noted that as of August 31, 2017, there had been more than 2.9 million total homeowner assistance actions under MHA's Home Affordable Modification Program ("HAMP"). Officials also noted that, as expected, the number of new borrower assistance actions continued to decline through August. As of August 31st, and reflecting this slowdown, there were approximately 916,000 active permanent modifications, some 21,000 fewer than on June 30. During July and August, approximately 1,700 new permanent HAMP Tier 1 modifications were started, as well as about 2,100 new permanent HAMP Tier 2 modifications and about 1,000 permanent Streamline modifications.

Next, Treasury officials discussed recent changes to the HHF programs. As of August 31, 2017, Housing Finance Agencies in the nineteen eligible jurisdictions had disbursed approximately $6.6 billion in program funds ($7.3 billion in total program and administrative funds), and drawn down more than $8.4 billion in program funds. In the month of August, program changes were approved for California and North Carolina.

Representatives and officials then engaged in a roundtable discussion related to the state of the current housing markets and the ability of the programs established under TARP to provide support to the housing markets while assisting at-risk mortgage borrowers. As part of that discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and finance markets.

Finally, staff discussed the timing of the delivery of the Board's second quarterly report to Congress, as well as activities of the Board for the coming months.

The meeting was adjourned at approximately 3:10 p.m. EDT.

[signed electronically]
Mr. Treacy, Executive Director