FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
September 30, 2013

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 July 1, 2013 to September 30, 2013 (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 July 22, August 26, and September 19, 2013. 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 financial market developments

Conditions in U.S. financial markets were volatile over the third quarter, reflecting changing expectations of market participants of possible policy actions by the Federal Reserve. Yields on Treasury securities rose notably in July and August; these declines reversed following the September Federal Open Market Committee ("FOMC") meeting. The stock price index for the overall market rose, on net, over the third quarter. In contrast, stock price indexes for large financial institutions remained about unchanged. Credit default swap spreads for large bank holding companies, generally considered a key indicator of investors' views about the health and prospects of these institutions, were also about unchanged.

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

Data from the Financial Accounts of the United States published by the Federal Reserve show that debt for households was unchanged in the second quarter of 2013 (the latest data available), as a continuing contraction in mortgages offset a rapid expansion in consumer credit, especially in student and auto loans. Debt for nonfinancial businesses rose briskly during the period, reflecting robust expansion in corporate bonds. Total loans at depository institutions increased somewhat, driven by a rapid increase in commercial and industrial ("C&I") loans; however, preliminary data shows that the pace of increase in loans slowed notably during the third quarter.

The July 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices, conducted by the Federal Reserve, suggested that, over the previous three months, domestic banks eased their credit standards on, and experienced stronger demand for, most types of loans in the second quarter. A set of special questions on the current level of standards showed that while the level of bank lending standards on C&I loans is easier than the midpoints of their ranges from 2005 to the present, the corresponding standards on loans to households is tighter than the midpoints of their ranges from 2005 to the present.

Commercial mortgage-backed securities ("CMBS") and consumer asset-backed securities issuance was robust in the second quarter, though both were still below the amounts recorded in 2007 before the financial crisis. Conditions in commercial real estate markets continued to improve at a slow pace. Delinquency rates on CMBS improved, but remain elevated. In the business sector, gross issuance of investment grade bonds for nonfinancial corporations was robust in the third 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 third quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, which strengthened again this quarter along with some indicators of labor market conditions, and despite some increase in mortgage interest rates. Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit.

In July, HUD held the second half of its third round of nonperforming FHA-insured loan sales under its Distressed Asset Stabilization Program ("DASP"), a non-TARP program. Via this sale, six Neighborhood Stabilization Outcome ("NSO") pools were sold, including pools of loans located in Southern California, Southern Ohio, North Carolina, and Greater Chicago, Illinois. Loans included in these pools are ones for which normal loss mitigation servicing efforts had been exhausted and borrowers would most likely lose their homes if no other interventions were taken. As a condition of sale, consistent with the prior DASP sales, HUD required that purchasers not foreclose on loans included in the sale for a minimum of six months. As noted in previous reports, NSO pools also carry additional restrictions for purchasers, including the requirement that at least fifty percent of the purchased properties achieve a "neighborhood stabilizing outcome," which includes retention of the home by the current borrower, resale to another owner-occupant, or rental of the home.

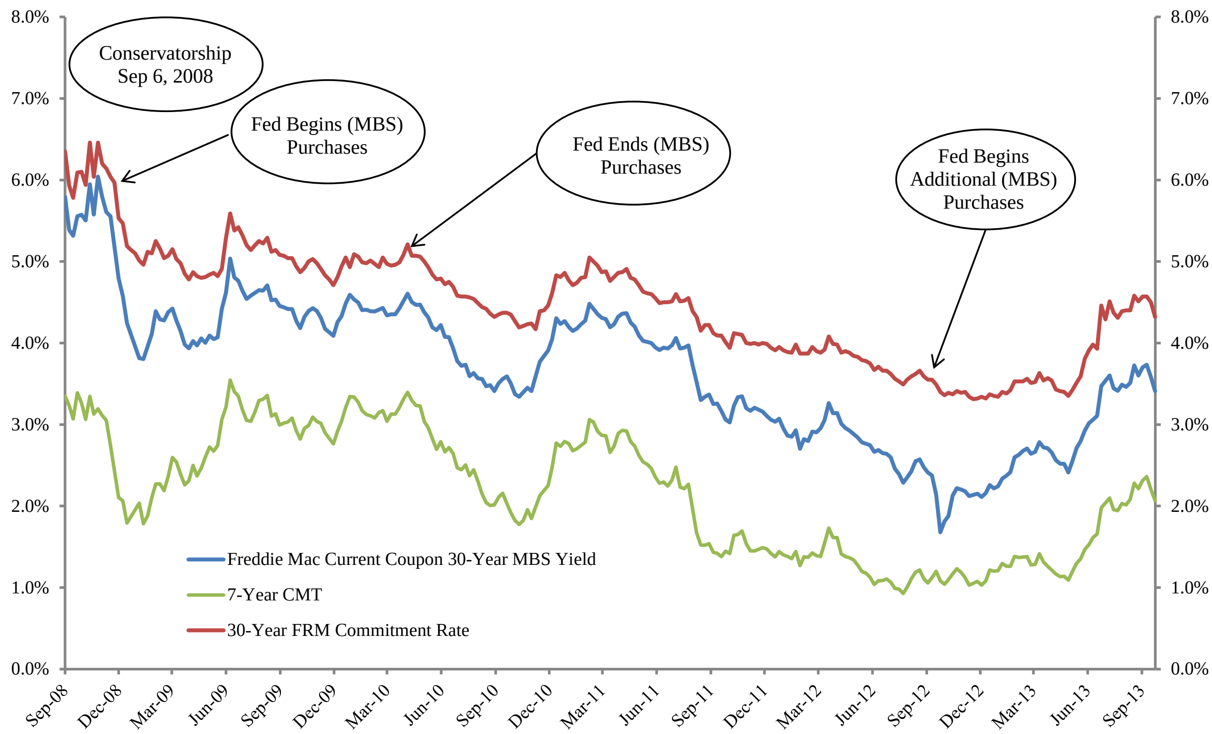
As servicer participation and bidder interest in DASP increase, recoveries for FHA's insurance fund through the program continue to improve. A fourth round of DASP sales will take place in October and December of 2013, and will once again include both national and NSO pools.

Long-term mortgage interest rates edged downward in September after rising sharply from May to August (figure 1). In large part, the decrease reflected market response to the Federal Reserve's September 18 announcement that it would continue its program of purchasing additional agency mortgage-backed securities ("MBS"). As of the end of September, interest rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, reached 4.3 percent, 90 basis points above the rate posted in the corresponding week in 2012.

In contrast to mortgage rates, yields on benchmark Treasuries edged higher during the quarter. Accordingly, spreads between mortgage rates and yields on the reference Treasury narrowed, remaining well below the crisis levels of late 2008 and early 2009.

Figure 1

Mortage Rates and Yields on MBS and Treasury Debt



Source: Freddie Mac and U.S. Treasury

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During June, July and August, new permanent modifications averaged nearly 17,000 per month, while total active permanent modifications increased from 879,000 at the end of May to nearly 906,000 at the end of August. The Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second liens where the first lien mortgage has already been modified under HAMP, continued to expand. By the end of August, nearly 76,000 2MP modifications were active, up from 73,000 at the end of May. Over 117,000 2MP modifications had been started, cumulatively, through August, and roughly 30,000 of these involved full extinguishment of the second lien. As of the end of August, there were over 20,000 active trial modifications and nearly 135,000 active permanent HAMP first-lien modifications with principal reduction. Also through August, 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 202,000 short sales and roughly 12,500 deed-in-lieu transactions.

The Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP. Hope Now reported an average of 47,500 non-HAMP modifications had been initiated per month during June, July and August, significantly lower than the average number of non-HAMP modifications for the foregoing three months. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

Data reported by Treasury indicated that, through the end of August, some 26.3 percent of all HAMP permanent modifications had re-defaulted, that is, had been cancelled for missing three or more payments.[2] Delinquency data across standardized intervals, a more conventional metric for assessing payment performance, continued to provide some positive indications. Data reported during the quarter (through May 31, 2013) indicated that 13.5 percent of HAMP modifications made permanent in the second quarter of 2012 had become delinquent by 60 days or more within 12 months of receiving a modification. Among loan modifications made permanent in the first quarter of 2012, 13.9 percent had become delinquent by 60 or more days within 12 months of the modification. Each represented the best performances for any quarterly origination cohort at a comparable point in time and continued an extended trend of declining delinquency rates at those intervals across cohorts. In contrast, 19.4 percent of non-HAMP modifications made permanent in the second quarter of 2012 at a selected group of institutions regulated by the Office of the Comptroller of the Currency ("OCC") had become

[2] 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 a granular analysis of delinquency patterns in HAMP permanent modifications, interested parties should consult the most recent monthly Servicer Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx

60 or more days delinquent within 12 months of the modification.[3] The lower rate of delinquency for HAMP permanent modifications has likely been influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

Delinquency rates for HAMP permanent modifications over time horizons beyond one year continued to be at or near the lowest levels of any quarterly origination cohort at a comparable point in time. Among HAMP loan modifications made permanent in the fourth quarter of 2011, some 19.3 percent had become delinquent by 60 or more days 18 months after the modification through May 31, 2013. This figure was somewhat lower than the 21.8 percent delinquency rate reported for modifications made permanent in the previous quarter. Similarly, 24 months after becoming permanent, loan modifications made during the second quarter of 2011 experienced a serious delinquency rate of 27.3 percent, slightly lower than the rate of modifications made permanent in the prior quarter. These 18- and 24-month delinquency rates provide a broadening indication of performance for the overall portfolio of HAMP permanent modifications, because roughly 80 percent and 65 percent of the total portfolio, respectively, had been in place for at least 18 or 24 months as of the reporting date.

In March 2012 Treasury issued a supplemental directive expanding eligibility of HAMP with the HAMP Tier 2 option, which allows borrowers who failed a HAMP modification or evaluation, and owners of some rental properties, to receive a HAMP modification. As of August 31, 2013, there had been 17,472 HAMP Tier 2 permanent modifications started and 34,174 HAMP Tier 2 trial modifications started.

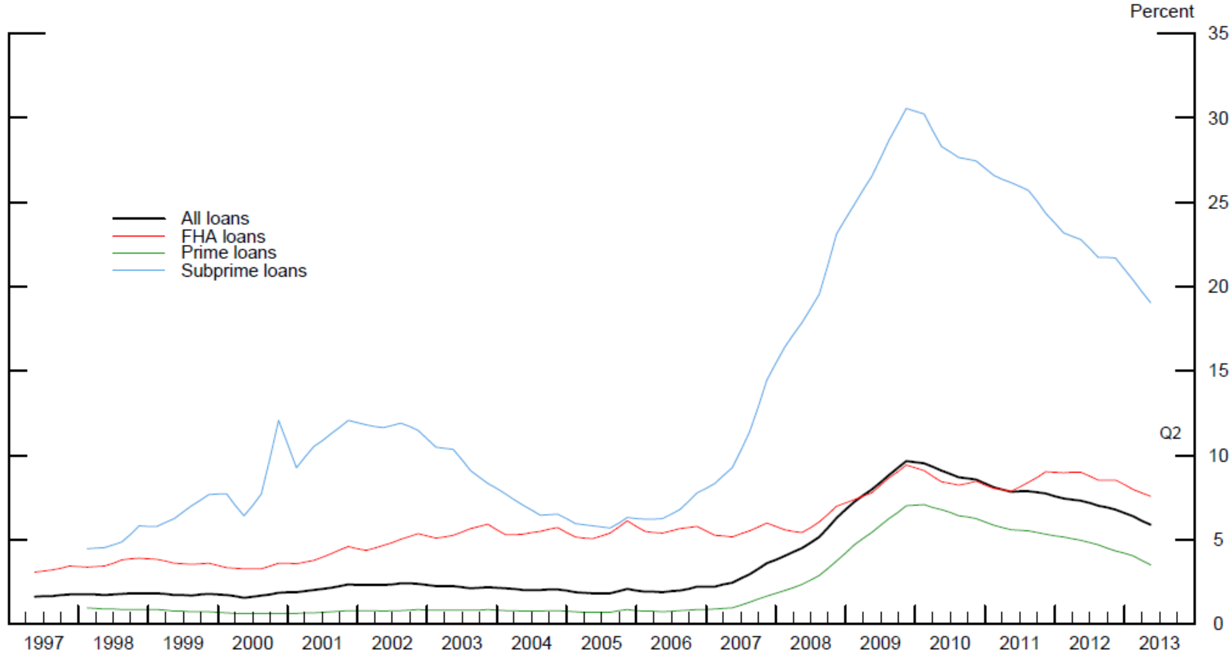
The second quarter saw a decrease in the rate of serious mortgage delinquency (loans 90 or more days past due or in the process of foreclosure, figure 2) continuing the trend that began in late 2009. Rates of serious delinquency remained well above pre-crisis levels. Both reductions in newly delinquent loans and a high number of foreclosures over the last three years 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.[4]

[3] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") Mortgage Metrics Report for the second quarter of 2013 (Table 33), 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 11 percent of HAMP permanent modifications finalized in the second quarter of 2012 had fallen 60 days delinquent within 12 months.

[4] Due to the October 1-16 shutdown of the federal government, data on new FHA delinquencies and intervention actions for the quarter were significantly delayed and could not be incorporated into this report.

Figure 2

Serious Delinquency Rates on Single-Family Mortgages



Source: MBA National Delinquency Survey.
Note: Not seasonally adjusted.

The low rates through much of the quarter and in the preceding year helped lower interest costs for many borrowers, however, through refinancing or lower rates on adjustable-rate mortgages. The non-TARP HARP program allows borrowers with a good payment record and high loan-to-value ratios ("LTVs") to refinance Fannie Mae or Freddie Mac mortgages to take advantage of lower interest rates. HARP refinancing generally lowers the risk of default by reducing the borrower's monthly payment. During June, July and August of 2013, Fannie Mae and Freddie Mac refinanced about 79,000 mortgages per month on average through the HARP program, down from 97,000 over the previous three months. By the end of August, the Enterprises had refinanced over 361,000 loans with LTVs above 125 percent. Available data indicated that HARP 2.0 continued to generate substantial volumes into the quarterly period.

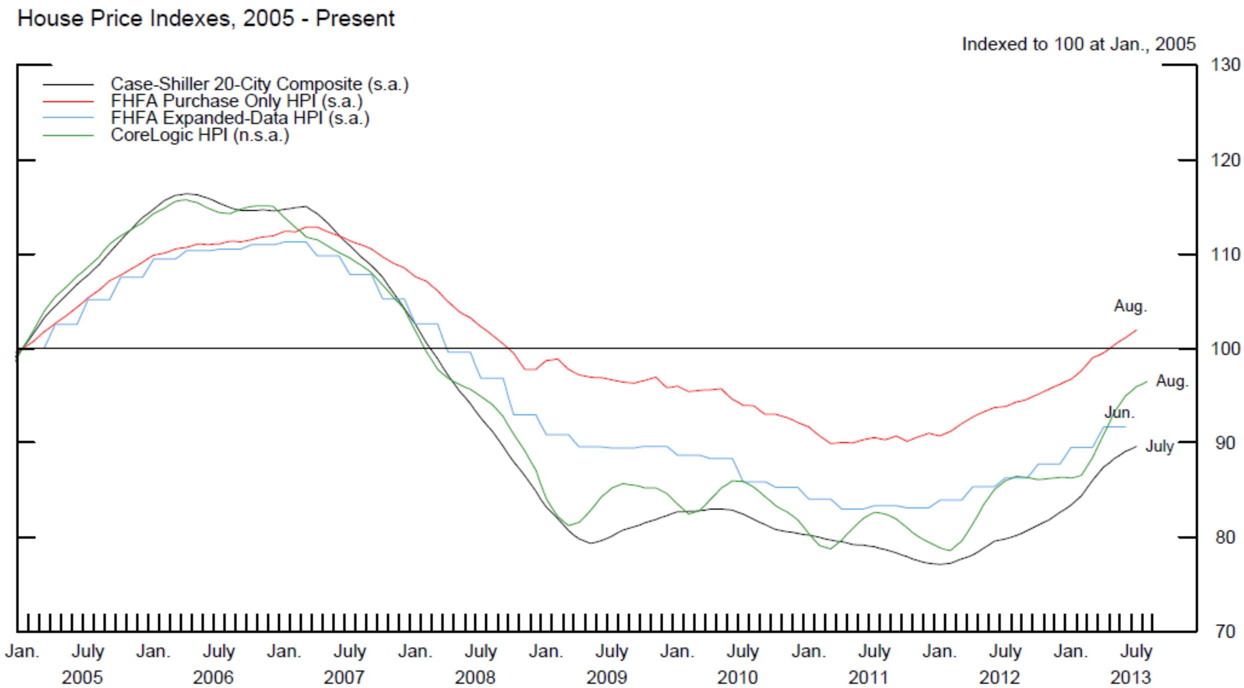
In September, FHFA announced an initiative for increasing public awareness about HARP. Although the program has been in existence for several years and has helped millions of borrowers obtain lower interest rates by refinancing their mortgages, a very significant number of qualified individuals still have not taken advantage of it. The new HARP awareness program, which includes a new website and a marketing campaign led by a noted television personality, aims to increase public uptake of the program. Greater program participation will lead to significant individual homeowner benefits and improved market stability throughout the country, particularly in areas where real estate markets still languish from the effects of the housing bust.

FHA single family endorsement volumes during the quarterly period ($49 billion) were down substantially from levels seen in the previous five quarters. This was due to a nearly 50 percent decline in refinance activity, as increased FHA insurance premiums and higher mortgage interest rates combined to lessen the number of homeowners that could benefit from refinancing. Nonetheless, FHA still assisted over 99,000 homeowners refinance into new, lower cost mortgages during the quarter. In addition, home purchase loan endorsements ($34 billion) were up slightly from the previous quarter's level and well within the range seen since late 2010.

Seasonally adjusted house sale volume rose over the quarterly period. As measured by the National Association of Realtors and the Census Bureau, combined existing and new single-family home sales took place at a 5.8 million annual rate in August, up from a 5.4 million rate in January (seasonally adjusted).[5] Sales have exceeded the 5.0 million annual rate (seasonally adjusted) for 13 consecutive months.

Data on home prices released during the quarter continued to show a rising trend. The house price index from CoreLogic increased about 4.3 percent from May to August, while the FHFA purchase-only index rose 1.9 percent. The Case-Shiller/S&P 20-city index rose 2.4 percent (figure 3).

Figure 3



[5] Due to the October 1-16 shutdown of the federal government, release by the Census Bureau of data on new home sales for August 2013 was significantly delayed and could not be incorporated into this report.

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 most recent lifetime cost estimates of TARP that were available during the reporting period were as of July 31, 2013. According to these estimates, the expected overall cost of TARP will be approximately $40.54 billion, using asset prices as of July 31, 2013 (figure 4). Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $22.98 billion.

For comparison, on a cash basis a total of $421.2 billion had been disbursed under TARP through quarter-end, and cumulative collections-- together with Treasury's additional proceeds from the sale of non-TARP shares of AIG--had exceeded total disbursements by $1.5 billion. Unlike cash-basis tabulations, TARP expected lifetime cost estimates incorporate financing costs, make the assumption that activity in the housing programs will be sufficient to draw the full amount of TARP funds committed to them ($38.49 billion), and exclude the additional AIG proceeds.

The ultimate cost of TARP remains subject to uncertainty and will depend on how financial markets and the economy perform in the future and whether all $38.49 billion of TARP funds committed for housing programs are ultimately drawn. The individual TARP program costs have also been updated as of September 30, 2013, and are provided in Section III.

Figure 4

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

Programs as of September 30, 2013 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of September 30	Outstanding Investment Balance as of September 30	Estimated Lifetime Cost as of July 31[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	$ 1.17	$ (10.24)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 1.20	$ 1.08
Total	$ 204.89	$ 204.89	$ 2.37	$ (16.05)
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	$ 0.47	$ 0.12
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.23	6.25	$ -	$ (3.09)
Debt	$ 12.38	$ 12.38	$ -	$ 0.33
Total	$ 19.61	$ 18.62	$ -	$ (2.76)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.60)
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	$ 19.87	$ 14.98
Sub-total for Investment Programs	**$ 418.07**	**$ 411.72**	**$ 22.72**	**$ 2.86**
Making Home Affordable	$ 29.87	$ 6.51	n/a	$ 29.87
Hardest Hit Fund	$ 7.60	$ 2.91	n/a	$ 7.60
FHA-Refinance[4]	$ 1.03	$ 0.06	n/a	$ 0.21
Sub-total for Housing Programs	**$ 38.49**	**$ 9.48**	**n/a**	**$ 37.67**
Total for TARP Programs	**$ 456.56**	**$ 421.20**	**$ 22.72**	**$ 40.54**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 456.56**	**$ 421.20**	**$ 22.72**	**$ 22.98**

Footnotes

[1] Lifetime cost information is as of July 31, 2013, with adjustments in AIFP for the pending Ally repurchase. 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 July 31, 2013. 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 July 31, 2013, compared to the aggregate value of shares outstanding as of October 31, 2013, including the net proceeds from shares sold in August through October 2013.

Outstanding Investment	07/31/2013 Market Value	10/31/2013 Market Value	Increase (Decrease) in Cost
		In billions	
GM Common Stock	$ 4.91	$ 4.96	$ (0.05)

Note: The share price for GM was $35.87 for the period ending July 31, 2013, and $36.95 for the period ending October 31, 2013.

[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 March 2013, Treasury extended the letter of credit facility to provide coverage for loans refinanced throughout the eligibility period, which had been extended to December 2014, but reduced the amount from $8 billion to $1 billion. 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.

[5] As discussed in note 10 to the Daily 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 an 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, 2013, subject to review and oversight of the Oversight Board.

Beginning with this report, and recognizing the significant reduction over time in the balance of Treasury's investments, updates on the remaining CPP investments will provide more summarized information than in earlier reports. In addition, these future TARP program updates will focus on the CPP, the Automotive Industry Financing Program (AIFP), and housing initiatives. The remaining TARP programs (such as CDCI) will be updated only in the fourth quarter reports unless warranted by significant developments in those programs. More complete information on the status of remaining investment programs is available in Treasury's Monthly Report to Congress.[6]

a. Capital and Guarantee Programs for Financial Institutions

i. Update on the CPP

As of September 30, 2013, Treasury had received approximately $197.9 billion in proceeds from repayments and sales under the CPP, equivalent to more than 96 percent of the total funds initially invested.[7] These repayments and auction sales, along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations, bring the total cash back received from the CPP to $224.67 billion, or 110 percent of the total funds initially invested in CPP.

a. Repayments, Dispositions, and Auction Sales

During the quarterly period, 19 financial institutions delivered a total of $1.6 billion in full and partial repayments. In addition, Treasury sold all or part of its remaining investments in an additional 18 institutions through CPP auctions for total gross proceeds of $262.8 million. Treasury had originally invested a combined total of $482.4 million in these 18 institutions and still holds $7.4 million worth of outstanding investments in one institution whose CPP securities

[6] The Monthly Report to Congress can be accessed at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Monthly-Report-to-Congress.aspx

[7] This amount includes all proceeds received to date 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.

were auctioned. At quarter's end, Treasury still held warrant investments in five of these institutions, the disposition of which will yield additional proceeds.

These securities were offered through modified Dutch auctions and bids were submitted to Treasury's auction agents using the same procedures that had previously been developed for earlier auctions. As with these auctions or common stock offerings, winning bidders in the CPP preferred stock or subordinated debenture auctions receive no exemption from any statutes and regulations pertaining to ownership of securities in financial institutions.

As of September 30, 2013, there were two remaining CPP institutions for which Treasury's investment exceeded $100 million (figure 5).

Figure 5

Remaining CPP Investments with more than $100 Million Outstanding by Institution as of September 30, 2013

	Institution	City, State	Outstanding Investment ($ millions)
1	Popular, Inc.	San Juan, PR	$ 935.0
2	First BanCorp[a]	San Juan, PR	$ 239.0

Note to Remaining CPP Investments with more than $100 Million Outstanding as of September 30, 2013:

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. Treasury sold 12 million such shares on August 16, 2013 and 1.2 million shares on September 13, 2013.

b. Update on Warrant Dispositions and Dividends and Interest

During the quarterly period, Treasury received proceeds of approximately $38.3 million from CPP warrants that were repurchased, auctioned or otherwise sold. During the quarterly period, Treasury also received dividends and interest income from CPP investments of approximately $39.1 million.

c. *Missed Payments by Portfolio Institutions*[8]

During the quarterly period, 72 institutions did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP totaled approximately $11.3 million, which represents nearly 43 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period.

As of September 30, 2013, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the program was approximately $140.24 million, which represents approximately 1.2 percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury. [9]

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 June 30, 2013, 85 portfolio institutions participating in the CPP had missed six or more payments. In addition to the Treasury-appointed directors cited earlier, Treasury observers participated in board of directors meetings at 33 CPP recipients. These 33 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.

d. *Exchanges and Restructurings*

In limited cases, in order to protect the taxpayers' interest in the value of an investment and to promote the objectives of EESA, Treasury may exchange the CPP preferred stock for other securities or may sell the preferred stock. Treasury evaluates whether to participate in an exchange or sale on the basis of enabling the bank to (i) get new investors to provide additional capital, (ii) conduct a capital restructuring or (iii) strengthen its capital and financial condition. Exchanges made on this basis may be at a rate less than par, and sales by Treasury to a new investor may be made at a discount.

[8] 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).

[9] 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).

e. Bankruptcies and Receiverships

During the quarterly period, two institutions filed for bankruptcy:

- On July 5, Rogers Bancshares, Inc. filed for Chapter 11 protection in the U.S. Bankruptcy Court for the Eastern District of Arkansas. Treasury's original investment in Rogers Bancshares, Inc. was $25 million.

- On August 12, Anchor BanCorp Wisconsin, Inc. filed a voluntary petition for Chapter 11 protection in the U.S. Bankruptcy Court for the Western District of Wisconsin to implement a "pre-packaged" Plan of Reorganization in order to facilitate the restructuring of Anchor. On September 27, the Plan of Reorganization became effective in accordance with its terms, pursuant to which Treasury's preferred stock was exchanged for 60 million shares of common stock and Treasury's warrant was cancelled. Treasury sold the Common Stock to purchasers pursuant to securities purchase agreements entered into on September 19 for total proceeds of $6.0 million. Treasury's original investment in Anchor BanCorp, Inc. was $110 million.

As of September 30, 2013, 27 financial institutions with CPP investments totaling $3.21 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 6).

Figure 6

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

($ Amounts in Millions)

Institutions in Bankruptcy/Receivership			
Institution Name	**Bankruptcy/ Receivership Date**	**Realized or Expected Loss Amount**	**Original Investment Amount**
CIT Group Inc.*	11/1/2009	$ 2,330.00	$ 2,330.00
Pacific Coast National Bancorp	11/13/2009	$ 4.12	$ 4.12
UCBH Holdings, Inc.	11/6/2009	$ 298.73	$ 298.73
Midw est Banc Holdings, Inc.	5/14/2010	$ 84.78	$ 84.78
Sonoma Valley Bancorp	8/20/2010	$ 8.65	$ 8.65
Pierce County Bancorp	11/5/2010	$ 6.80	$ 6.80
Tifton Banking Company	11/12/2010	$ 3.80	$ 3.80
Legacy Bancorp, Inc.	3/11/2011	$ 5.49	$ 5.50
Superior Bancorp Inc.	4/15/2011	$ 69.00	$ 69.00
FPB Bancorp Inc.	7/15/2011	$ 5.80	$ 5.80
One Georgia Bank	7/15/2011	$ 5.50	$ 5.50
Integra Bank Corporation	7/29/2011	$ 83.58	$ 83.59
Citizens Bancorp	9/23/2011	$ 10.40	$ 10.40
CB Holding Corp.	10/14/2011	$ 4.11	$ 4.11
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30.00	$ 30.00
Blue River Bancshares, Inc.	2/10/2012	$ 5.00	$ 5.00
Fort Lee Federal Savings Bank	4/20/2012	$ 1.30	$ 1.30
Gregg Bancshares, Inc.	7/13/2012	$ 0.82	$ 0.83
Premier Bank Holding Company	8/14/2012	$ 9.50	$ 9.50
GulfSouth Private Bank	10/19/2012	$ 7.50	$ 7.50
Investors Financial Corporation of Pettis County,	10/19/2012	$ 4.00	$ 4.00
First Place Financial Corporation	10/29/2012	$ 72.90	$ 72.93
Princeton National Bancorp	11/2/2012	$ 25.08	$ 25.08
Gold Canyon Bank	4/5/2013	$ 1.60	$ 1.61
Indiana Bank Corp.	4/9/2013	$ 1.31	$ 1.31
Rogers Bancshares, Inc.	7/5/2013	$ 6.80	$ 25.00
Anchor Bancorp Wisconsin, Inc.*	8/12/2013	$ 104.00	$ 110.00
*Institution has exited the bankruptcy/receivership process			

ii. Update on the CDCI

Under the CDCI, credit unions, banks, and thrifts that are certified community development financial institutions ("CDFIs"), received investments of capital with an initial dividend or interest rate of 2 percent per annum, compared to the 5 percent annual rate under the CPP. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate will increase to 9 percent after eight years, compared to five years under the CPP. CDFIs that participated in the CPP and were in good standing could exchange securities issued under the CPP for securities under the more favorable terms of this program.

As of September 30, 2013, there were 71 institutions remaining in the CDCI. During the quarterly period, the following two institutions repaid their outstanding CDCI investments and exited the program:

- On August 30, First M&F Corporation repurchased all of its outstanding CDCI investment from Treasury for a total of $30 million plus accrued and unpaid dividends.

- On September 4, UNO Federal Credit Union repurchased all of its outstanding CDCI investment from Treasury for a total of $700,000 plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $2.5 million in dividends from CDCI institutions. Two CDCI institutions missed dividend payments during the quarterly period. As of September 30, 2013, cumulative dividends and interest income received from CDCI investments was approximately $33.2 million. Since the program started in 2010, just one CDCI institution has been closed (Premier Bancorp, Inc., Wilmette, IL, with the FDIC having been named receiver).

Treasury originally invested approximately $570 million in 84 institutions under the CDCI. Due to the longer investment horizon for CDCI investments, Treasury has taken no action to wind down the CDCI. Any disposition decisions regarding the CDCI will be made in the future.

b. Automotive Industry Financing Program ("AIFP")

i. General Motors

Under the Automotive Industry Financing Program ("AIFP"), Treasury invested a total of $51.0 billion to help stabilize and restructure Old GM. In December 2012, as part of its continuing efforts to wind down TARP, Treasury announced its intent to fully exit its remaining investment in GM within the following 12-15 months, subject to market conditions. As part of that announcement, GM agreed to purchase 200 million shares of GM common stock from Treasury at $27.50 per share – a transaction that closed on December 21, 2012. In January 2013, Treasury began the process of selling its remaining shares into the market.

On September 13, Treasury completed its second pre-arranged written trading plan initiated in May 2013 for the sale of GM common stock. Under this second plan, Treasury sold

110.3 million shares of GM common stock and received total gross proceeds of approximately $3.8 billion. On September 26, Treasury announced the initiation of its third pre-arranged written trading plan.[10]

During the quarterly period, Treasury received approximately $2.3 billion from sale of GM common stock. As of quarter-end, Treasury had collected approximately $36 billion of its original $51.0 billion investment in GM through repayments, sales of stock, dividends, interest, and other income.[11] Treasury intends to continue selling its remaining shares in an orderly fashion, subject to market conditions.

ii. Ally Financial

During the quarterly period, Ally Financial (formerly GMAC) announced a series of transactions that were expected to result in Ally repaying approximately $6 billion to Treasury during the fourth quarter of 2013. These transactions were made possible by several strategic initiatives that Ally had put in place over the preceding quarters. The fruits of these initiatives, which Treasury announced in May of 2012, have in turn provided a pathway for Treasury to exit the vast majority of its remaining investment in Ally in the near future.[12] These transactions, along with several additional steps taken by Ally, are discussed in greater detail below.

a. MCP and SAR

During the quarterly period, Ally entered into agreements with Treasury to repurchase all of the outstanding shares of the Mandatorily Convertible Preferred ("MCP") securities held by Treasury and to terminate Treasury's Share Adjustment Right ("SAR"). Ally also entered into private placement agreements, pursuant to which it agreed to sell common stock to various investors for an aggregate price of approximately $1 billion.[13]

[10] Additional information can be found in Treasury's press release: http://www.treasury.gov/press-center/press-releases/Pages/jl2173.aspx.

[11] This amount includes the total amount that Treasury has recovered, including the investment in GM and loans for the Supplier and Warranty Programs.

[12] 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

[13] Additional information can be found in Ally's press release: http://media.ally.com/2013-08-20-Ally-Announces-Private-Placement-of-Common-Stock-and-Plan-to-Repurchase-Securities-from-U-S-Treasury

These agreements to sell common stock and repurchase the MCP require the funding of the private placement to take place no later than November 30, 2013 and require the approval of the Federal Reserve as Ally's primary federal regulator. Upon completion of these transactions Treasury's remaining investment would be reduced to an approximate 64 percent common equity stake in the company.

b. Strategic Initiatives

As previously announced in 2012, Ally has been in the process of completing two strategic initiatives – the Chapter 11 proceeding of Ally's mortgage subsidiary, Residential Capital LLC ("ResCap"), to address Ally's legacy mortgage liabilities and the sale of its international auto finance operations. Ally's completion of these two initiatives has been a key element of Treasury's strategy for exiting its remaining investment in Ally. Substantial progress was made on both of these initiatives. By the end of the quarterly period, both of these initiatives were largely completed.

On August 23, the bankruptcy court in the ResCap proceedings approved a proposed disclosure statement describing the plan of reorganization, which assists ResCap's creditors in determining whether to vote for or against the plan. The bankruptcy court is expected to rule on the overall plan of reorganization for ResCap during the fourth quarter of 2013.

Ally also continued to receive additional proceeds from the sales of its international auto finance operations. At the close of the quarterly period, Ally was nearing completion of the sale of its operations in Brazil.[14] At quarter's end, Ally had closed on all but the sale of its Chinese operations and had received $8.3 billion or 90 percent of expected proceeds.

Assuming completion of the repurchase of the MCP described above, Treasury expects to recover its remaining investment in Ally through a stock sale (either through a public or private sale) or additional asset sales, subject to market conditions.

Treasury originally provided a total of $16.3 billion to Ally.[15] Of that amount, as of quarter-end, Treasury had collected a total of $2.5 billion in repayments. Treasury had also collected additional income that brings the total cash received from Ally through September 30, 2013 to $6.2 billion. During the quarterly period, Treasury collected approximately $134 million in dividend payments from Ally. Upon closing of all of these transactions noted above, Treasury will have received more than $12.2 billion.

[14] This sale closed on October 1, 2013.

[15] This number does not include $884 million of TARP funds that Treasury lent to GM for the purchase of additional ownership interests in a rights offering by GMAC.

j. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering June 2013, July 2013, and August 2013, as was a quarterly MHA Servicer Assessment for the second quarter of 2013. These reports were released in conjunction with the monthly housing scorecard on the health of the nation's housing market 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 1.8 million homeowner assistance actions had been granted through the program. While the Home Affordable Modification Program ("HAMP") remains the cornerstone program, MHA also includes a number of other specialized programs to help homeowners facing different challenges.

A total of $29.9 billion of TARP funds has been committed to MHA. Of that amount, Treasury had disbursed $6.5 billion of incentive payments for MHA as of September 30, 2013.[17] Based on all MHA activity in place as of September 30, 2013, OFS estimates that a further $6.8 billion in incentive fees would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and receive incentives for five years

[16] The MHA Program Performance Reports include data on the characteristics of permanent modifications, servicer activity, re-default rates, homeowner experience, HAMP activity by state and metropolitan area, modifications by investor type, and compliance reviews. The quarterly Servicer Assessments summarize performance on metrics in three categories of program implementation: identifying and contacting homeowners; homeowner evaluation and assistance; and program reporting, management, and governance. The reports are available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.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.

On September 30, OFS issued new guidance to participating servicers to begin providing financial counseling to borrowers following the completion of a mortgage modification under MHA.[18]

a. HAMP

As of August 31, 2013, more than 1.4 million homeowners had received a permanent first lien modification through MHA since the start of the program, including more than 1.2 million through HAMP.

Specifically, 15,710 new trial plans were started in June 2013, 15,830 were started in July 2013, and 13,589 new trials were reported in August 2013. In addition, 17,323 permanent modifications were started in June 2013, 13,183 in July 2013, and 19,069 were started in August 2013.

As of August 31, 2013, homeowners in active HAMP permanent modifications saved approximately $546 per month, representing a reduction of nearly 40 percent from their before-modification mortgage payment. Since HAMP began, homeowners in permanent modifications have saved an estimated total of $22.3 billion in monthly mortgage payments.

Eighty-eight percent of eligible homeowners entering a HAMP trial modification since June 2010 have received a permanent modification, with an average trial period of 3.5 months.

b. HAMP Tier 2

As of August 31, 2013, there had been 17,472 HAMP Tier 2 permanent modifications started and 34,174 HAMP Tier 2 trial modifications started. Of the Tier 2 trial modifications that were started, 25 percent were previously in a Tier 1 trial or permanent modification. Some 18 percent had been evaluated previously for a Tier 1 modification and did not meet the eligibility requirements. Of the Tier 2 trial modifications started, 7 percent were for non-owner-occupied properties.

c. Treasury FHA-HAMP

Treasury 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 August 31, 2013, there had been approximately 31,500 trial

[18] Supplemental Directive 13-08: Making Home Affordable Program - Borrower Post-Modification Counseling and Servicer Incentives is available at: https://www.hmpadmin.com/portal/news/docs/2013/hampupdate093013b.pdf

modifications. Of that number, nearly 17,500 permanent modifications started under Treasury FHA-HAMP.[19]

d. 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.

As of August 31, 2013, more than 117,000 homeowners in a permanent first lien modification under HAMP had received assistance through 2MP. Homeowners in 2MP with an active permanent modification save a median of $153 per month on their second mortgage, resulting in a median total first and second lien payment reduction of 41 percent. Homeowners who receive a full extinguishment of their second lien receive a median total first and second lien payment reduction of 53 percent. Those who received a full extinguishment of their second lien have typically reduced their total monthly mortgage payment by $1,046. More than 50 percent of the borrowers benefiting from 2MP reside in three states: California (36 percent), Florida (9 percent), and New York (7 percent).

e. 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 disinclined to complete the HAMP modification process. As of August 31, 2013, nearly 215,000 homeowners had exited their home through a short sale or deed-in-lieu of foreclosure under the HAFA Program. In addition to the incentives provided to the servicers, HAFA provides $3,000 for relocation assistance after a homeowner exits their home.

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[19] 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, 2015; and (4) the permanent modification must be effective on or before September 30, 2016. 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

f. 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 employment. 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 July 31, 2013, more than 35,000 UP forbearance plans had been started. UP reporting is one month behind the other MHA data because it relies on surveys of servicers rather than the usual MHA reporting mechanisms.

g. 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.

In February 2012, a $25 billion settlement was reached between the five largest mortgage servicers, the Federal government, and 49 state attorneys general relating to mortgage servicing deficiencies. The terms of the settlement have caused servicers to increase the use of principal reduction outside of PRA. Of all non-GSE loans eligible for principal reduction that started a trial in August 2013, 74 percent included a principal-reduction feature, including 62 percent through the HAMP PRA program.

As of August 31, 2013, there had been 158,713 permanent HAMP modifications with principal reduction. These modifications typically reduced the principal amount by $67,598 or nearly one-third of the principal balance before modification. Homeowners currently in HAMP permanent modifications with some form of principal reduction have been granted an estimated $11.7 billion in principal reduction.

ii. HHF

The Hardest Hit Fund ("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 September 30, 2013, all 18 states and the District of Columbia were operating HHF programs statewide and collectively had drawn approximately $2.9 billion (more than 35 percent) of the $7.6 billion allocated under the program. Each state draws down funds as they are needed (see figure 7). States have until December 31, 2017 to expend funds and must have no more than 5 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. All major servicers are participating in HHF programs primarily through mortgage payment assistance and mortgage loan reinstatement assistance.

As of September 30, 2013, there were 66 active programs across the 19 HFAs.[20] Approximately 69 percent of total program funds were being targeted to help unemployed borrowers, primarily through reinstatement and programs that help homeowners pay their mortgage while looking for work. Treasury has continued its efforts to identify best practices, share lessons learned between states, and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury continued to participate in bi-weekly conference calls with the 19 HFAs and the large servicers participating in the HHF to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize the HHF.

During the quarter, Treasury approved changes to existing programs in California, the District of Columbia, Florida, Illinois, Mississippi, Nevada, North Carolina, Ohio, Oregon, and Rhode Island. Treasury also approved new programs in Florida, Nevada, North Carolina, and Ohio. These program changes reflect the states' efforts to remain flexible and adaptive to current housing market trends and homeowner needs. Program changes or enhancements during the quarter included:

- California expanded its borrower and property eligibility criteria, increased the allocation for its Principal Reduction program, and closed its Sacramento Short Sale Gateway program due to lack of participation.

- Oregon expanded its purchase and refinance pilot program, initially offered only in one county, to additional select counties. The District of Columbia increased the maximum amount and duration of assistance available to homeowners, while Mississippi increased the maximum duration of unemployment assistance and expanded eligible hardships to include financial hardship resulting from the death or divorce of a spouse.

- Illinois and Rhode Island adjusted their respective budgets and program allocations and Illinois made clarifying edits to their buy-and-modify program.

[20] On January 31, 2013, the Hardest Hit Fund Rhode Island closed the application period for new homeowners, becoming the first HHF program to do so. On September 30, Illinois stopped accepting new applications for its HHF-funded mortgage payment assistance program, as previously announced in July.

Illinois and Rhode Island anticipate reaching full commitment of program funds in early 2014.

- Florida received approval in September to introduce two new programs: the Elderly Mortgage Assistance Program (Elmore) and the Principal Reduction Program (PRP).

    - Elmore provides assistance to at-risk low-to moderate income reverse mortgage borrowers who have suffered a hardship that has resulted in the inability to repay the amounts their servicer has advanced on their behalf for the payment of property taxes, homeowners' insurance, and homeowners' and/or condominium association dues.

    - PRP offers up to $50,000 in principal reduction to severely underwater homeowners who are current on their mortgage payments. Florida formally announced PRP to the public on September 20, 2013, and received 25,000 applications in one week. Florida has suspended accepting additional PRP applications as they expect to reach their target capacity for the number of homeowners they can assist. Should additional funds become available to assist more homeowners, the application process may re-open.

- Nevada introduced the new Home Retention Program, a note purchase program which provides up to $100,000 for principal reduction to facilitate a permanent modification.

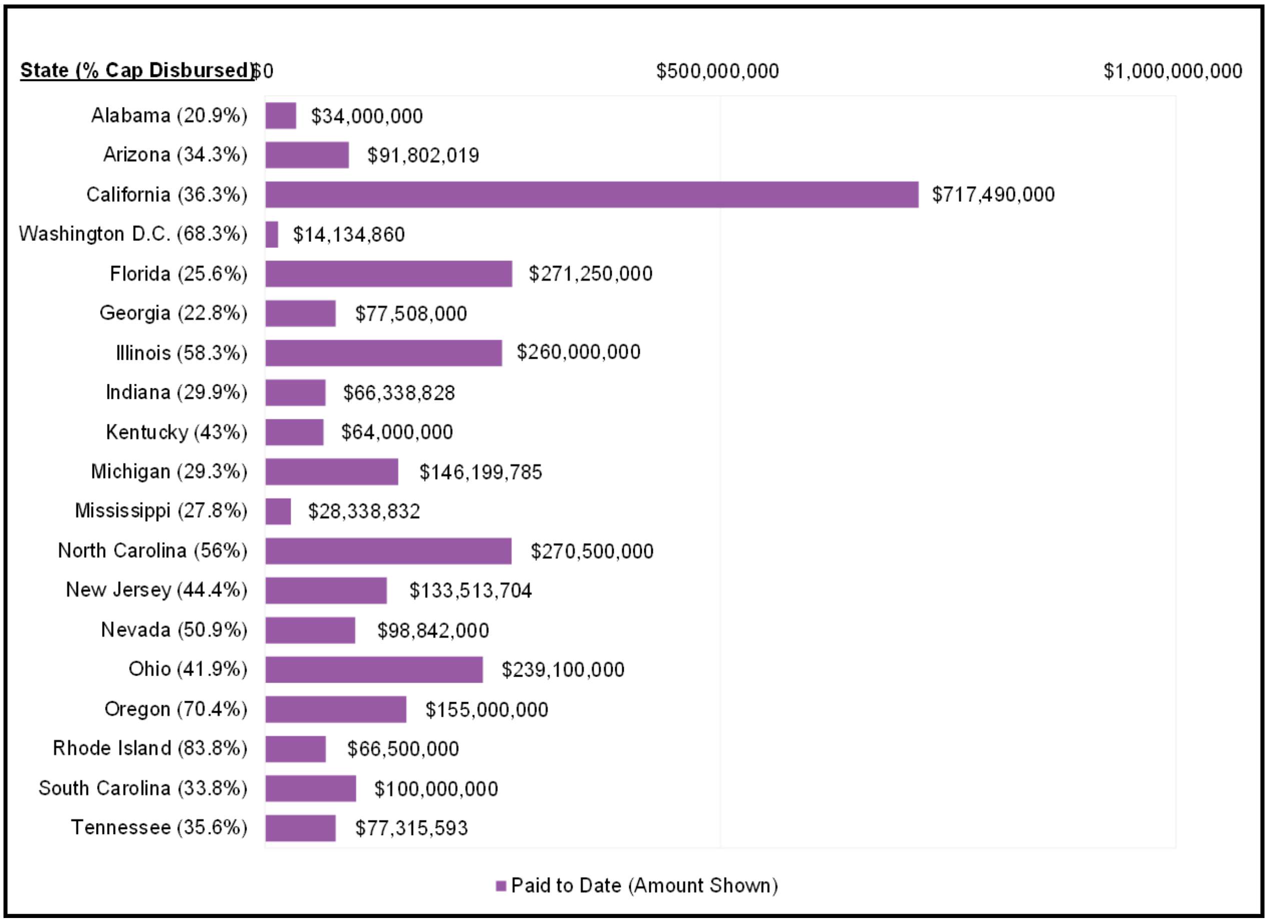
- North Carolina expanded its unemployment mortgage payment assistance program to better assist military families and veterans, as well as homeowners who have experienced a permanent reduction in income. North Carolina also introduced a Principal Reduction Recast Program, which offers up to $50,000 in principal reduction in conjunction with a loan re-amortization in order to reduce the monthly payment over the remaining term.

- In addition, in August, Treasury approved Ohio's Neighborhood Initiative Program ("NIP"), a blight elimination program that will focus efforts on decreasing foreclosures and stabilizing neighborhoods through targeted demolition and "greening" of vacant and abandoned residential properties throughout Ohio. Ohio's NIP is broadly similar to the Blight Elimination program introduced earlier in 2013 by the Michigan State Housing Development Authority.

During the quarter, Treasury initiated publication of a new Quarterly Performance Summary for the Hardest Hit Fund.[21] This initial summary, covering the second quarter of 2013, reported steady growth over the past year—both in the number of homeowners assisted and total funds utilized. As of June 30, 2013, HFAs had disbursed $1.65 billion on behalf of approximately 127,000 homeowners compared to just 58,000 a year earlier, a 117 percent increase in the number of homeowners assisted. The HFAs continue to innovate, develop new programs, and adapt existing programs with the goal of helping homeowners amid changing market and economic conditions.

Figure 7

Hardest Hit Fund as of September 30, 2013



[21] Treasury's Performance Summary for the HHF is available at: http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/hhf/Documents/FINAL%20Q2%202013%20Hardest%20Hit%20Fund%20Program%20Performance%20Summary.pdf

APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
July 22, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Thursday, July 22, 2013, by teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White
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. Grom, Senior Advisor to the Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Mr. Berman, Senior Advisor to the Secretary, Department of Housing and Urban Development

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

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

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

The Board considered draft minutes for the meeting of the Board on June 20, 2013, 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.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-Backed Securities Loan Facility ("TALF"); the Legacy Securities Public-Private Investment Program

("PPIP"); and the Making Home Affordable ("MHA") 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.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs. As of June 30, 2013, Treasury had disbursed $411.7 billion and recovered $420.4 billion related to non-housing investment programs under TARP. Treasury's outstanding investment balance in these investment programs was $26.2 billion. With regard to housing-related programs, $8.9 billion had been disbursed to assist homeowners and prevent avoidable foreclosures, from the total obligated funds of $38.5 billion.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. In early July, Treasury sold to private investors its preferred stock and subordinated debentures in eight financial institutions for aggregate gross proceeds of approximately $57.4 million. As of June 30, Treasury held CPP investment in 142 institutions with only seven investments greater than $100 million. As part of this discussion, Members and officials discussed prospects for additional near-term recoveries under the program.

Treasury officials then provided Members with an update on the AIFP. Officials noted that in May, Treasury commenced its second pre-arranged written trading plan to sell a portion of its remaining common shares of General Motors ("GM"). In July, Treasury continued its sale of GM stock pursuant to this trading plan.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial ("Ally"), including recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC (ResCap). On June 26, the bankruptcy court in the ResCap proceedings approved the Plan Support Agreement between Ally, ResCap, and ResCap's major creditors to settle certain claims against Ally. Consistent with the terms of the agreement, on June 13, ResCap paid Ally approximately $1.13 billion to satisfy Ally's claims against ResCap on account of its secured credit facilities provided to ResCap. Ally also has agreed to contribute $1.95 billion to the ResCap estate, as well as the first $150 million from insurance proceeds Ally is pursuing related to insurable losses, in exchange for broad releases under the plan from potential mortgage-related claims against Ally related to ResCap's businesses. Ally will make the payment to ResCap on the effective date of the Plan, which Ally expects to occur in the fourth quarter of this year.

Using prepared materials, Treasury officials then provided the Members with an update on the credit market programs established under TARP, including the TALF and PPIP. As of June 30, 2013, all Public-Private Investment Funds ("PPIFs") had been effectively wound down, that is, either the fund held no eligible assets or the fund had been closed after distributing all proceeds. As a result, Treasury had fully recovered its original PPIP investment of $18.6 billion along with a positive return of nearly $3.8 billion under the PPIP. Officials noted that Treasury will continue to receive distributions of excess accumulated fees and income earned by TALF LLC and by PPIFs.

Treasury officials then provided an update on the CDCI, which was established to provide lower-cost capital to community development financial institutions. Through CDCI, Treasury originally invested approximately $570 million in 84 such institutions. Seventy-three institutions remained in the CDCI program with outstanding investments of approximately $512 million, with roughly one-half of that amount attributable to institutions located in Mississippi. Treasury officials indicated they would continue to monitor the performance of CDCI and make decisions regarding the program's wind-down at a later date.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Treasury officials reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through May 2013. Treasury officials noted that Treasury had posted an analysis of HAMP delinquency and default rates on its blog, and had recently outlined some of the steps taken to keep re-default rates as low as possible in a letter to the Special Inspector General for the Troubled Asset Relief Program on this topic.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF.

Treasury officials then discussed a pilot program under which Michigan, with Treasury's approval, reallocated a portion of its HHF funds to blight elimination. Under this program, the Michigan State Housing Development Authority (MSHDA) partners with local land banks. MSHDA loans funds to these land banks for use in acquisition, demolition, and "greening" of abandoned and blighted properties that meet the program criteria. Upon completion of these activities, HHF funds will be provided to a subsidiary of MSHDA to extinguish any existing lien, reimburse demolition costs, and offset maintenance expenses for a term of five years in return for a new forgivable lien. By doing so, the Blight Elimination program will help to support the values of neighboring homes and thereby reduce foreclosures among these neighboring properties. Michigan is in the process of finalizing its program guidelines and plans to launch the acquisition phase of this program in the third quarter of 2013.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:25 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
August 26, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Monday, August 26, 2013, by teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White
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. Grom, Senior Advisor to the Assistant Secretary for Financial Stability, Department of the Treasury

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

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

Mr. Berman, Senior Advisor to the Secretary, Department of Housing and Urban Development

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

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

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

The Board considered draft minutes for the meeting of the Board on July 22, 2013, 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.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-Backed Securities Loan Facility ("TALF"); the Legacy Securities Public-Private Investment Program ("PPIP"); and the Making Home Affordable ("MHA") 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.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs. As of July 31, 2013, Treasury had collected almost as much as it had disbursed under TARP programs. Disbursements totaled $420.62 billion, including $8.9 billion disbursed through Treasury's housing-related programs to assist at-risk mortgage borrowers. Collections, including Treasury's return from non-TARP AIG shares, totaled $420.40 billion. Treasury's outstanding investment balance in its investment programs was $26.2 billion. Total obligated funds for Treasury's housing programs were $38.5 billion.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. A total of seven institutions fully repaid their CPP investments in July, resulting in total proceeds of $1.3 billion. The repayments included $967.9 million from Treasury's largest outstanding CPP investment, preferred shares in Synovus Financial Corporation. Treasury's fifth largest outstanding CPP investment (New York Private Bank & Trust Corporation) also fully repaid. Separately, Treasury conducted an auction for five CPP institutions in late July that returned $129 million. This amount was substantially below Treasury's initial invested amount in these institutions (not considering dividends paid to Treasury), which represented a significant change from recent CPP auctions. This was due to the fact that the investment in First Banks, which had been one of the largest remaining positions under CPP, sold at 35 percent of par.

As of the meeting date, Treasury held remaining CPP investments in approximately 120 banks totaling $2.8 billion. As part of this discussion, Members and Officials discussed prospects for additional repayments under the program and the role of the Federal Deposit Insurance Corporation should a CPP bank fail or enter receivership.

Treasury officials then provided Members with an update on the AIFP. In July, Treasury continued its sale of General Motors ("GM") stock pursuant to its second pre-arranged trading plan announced in May. During July, Treasury received total net proceeds of approximately $876.9 million from the sale of GM common stock. As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial ("Ally"), including recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC (ResCap). In mid-August, Ally entered into an agreement with Treasury to repurchase $5.938 billion par value of Mandatorily Convertible Preferred shares and terminate the share adjustment right held by Treasury for $5.925 billion. The transaction is contingent on a number of conditions, including Ally's completion of a $1 billion private placement of common shares as well as approval by the Federal Reserve and other regulators. Treasury officials noted that the Ally repayment, if completed as planned, would reduce the estimated lifetime cost of TARP programs by $3 billion.

Using prepared materials, Treasury officials then provided the Members with an update on the credit market programs established under TARP, including the TALF and PPIP. Officials noted that in July, Treasury continued to receive small distributions of excess accumulated fees and income earned by TALF LLC and by PPIFs.

Treasury officials then provided an update on the CDCI, which was established to provide lower-cost capital to community development financial institutions. Seventy-three institutions remained in the CDCI program with outstanding investments of approximately $512 million.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Treasury officials reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through June 2013.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF.

Treasury officials then provided an update on the blight elimination programs under HHF in Michigan. Officials also noted that Ohio recently announced a similar $60 billion blight elimination initiative under HHF.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:30 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
September 19, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EST) on Thursday, September 19, 2013 at the offices of the Department of Treasury ("Treasury").

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. White[1]
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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

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

ATTENDEES FROM THE OFFICE OF FINANCIAL STABILITY, DEPARTMENT OF TREASURY:

Mr. Kowalsky, Ms. Victorino, Mr. Silver, Ms. Desai, Mr. Hodge, Ms. Moore, and Ms. Heller-Stein

Chairperson Bernanke called the meeting to order at approximately 3:00 p.m. (EDT).

At the outset of the meeting, Members acknowledged the five-year anniversary of the Troubled Asset Relief Program ("TARP") and expressed their appreciation for the continued hard work and commitment to public service exhibited by staff of the Office of Financial Stability, the Oversight Board, and the member agencies.

The Board then considered draft minutes for the meeting of the Board on August 26, 2013, 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

[1] Participated by telephone.

technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the TARP. Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); and the Making Home Affordable ("MHA") 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 ("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. Treasury also distributed a report entitled, "The Financial Crisis Five Years Later: Response, Reform and Progress," dated September 2013. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs and their expected lifetime costs. As of August 31, 2013, Treasury had collected $0.9 billion more than disbursements of $420.9 billion under all TARP programs, including the proceeds of non-TARP common shares in American International Group. Treasury's outstanding investment balance in these investment programs was $23.8 billion. Under housing-related programs, Treasury had disbursed $9.2 billion to assist at-risk mortgage borrowers.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. As part of this discussion, Members and Officials discussed the prospects for additional repayments under the program.

As of August 31, Treasury had outstanding CPP investments totaling $2.8 billion in 119 institutions of which approximately $1.2 billion was in two institutions, Popular and First BanCorp. Officials noted that during the month of August three institutions fully repaid their CPP investments, resulting in total proceeds of $12.4 million; Treasury sold 12 million shares of First Bancorp common stock for $81 million; and Treasury completed late-August auctions for preferred stock and subordinated debt in five CPP institutions resulting in proceeds to Treasury of approximately $129 million. Officials also noted that in September Treasury initiated its 20th auction of CPP investments, in this case involving six institutions.

Treasury officials then provided Members with an update on the AIFP. In August, Treasury continued its sale of General Motors ("GM") stock pursuant to its second pre-arranged trading plan initiated in May, receiving total net proceeds from the sale of GM stock of $811.1 million during the month of August. In mid-September, Treasury completed that second pre-arranged trading plan. Treasury received total net proceeds from the sale of GM stock of $3.8 billion during the second pre-arranged written trading plan.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial ("Ally"), including recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC ("ResCap"). Ally has entered into an agreement with the U.S. Treasury with respect to the repurchase of all its Mandatorily Convertible Preferred shares and elimination of its share adjustment right subject to certain conditions, including receiving a non-objection from the Federal Reserve related to Ally's Comprehensive Capital Analysis and Review ("CCAR") resubmission and successfully completing Ally's $1 billion private placement. Upon fulfillment of the conditions, Ally will make a total cash payment to the U.S. Treasury of $5.925 billion (plus accrued dividends) to repurchase $5.938 billion par value of MCP and to terminate the share adjustment right. Treasury's remaining investment in Ally will then be comprised of a 66 percent ownership in the common stock of the company.

Treasury officials then provided an update on the CDCI. Seventy-one institutions remained in the CDCI program with outstanding investments of roughly $500 million. Treasury officials indicated they would continue to monitor the performance of CDCI and make decisions regarding the program's wind-down at a later date.

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"). Treasury officials reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under HAMP through June 2013. Officials also noted efforts to work with servicers to do more counseling of home-owners who have had loan modifications, to reduce the probability of default. In its most recent compliance assessment of the largest MHA servicers, Treasury concluded that all servicers were in need of moderate improvement.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates and Treasury yields, housing price indices and sales, and refinancing activity. During this discussion, FHFA officials also presented data related to delinquencies, recovery rates, re-default rates on modified mortgages, and foreclosure prevention actions taken by the Government Sponsored Enterprises.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending June 30, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:20 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary