FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
March 31, 2013

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

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Board of Governors of the Federal Reserve System

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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 January 1 to March 31, 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 January 24, February 25, and March 21, 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

During the first quarter of 2013, conditions in U.S. financial markets improved a bit further, due, in part, to the resolution of the "fiscal cliff" and to the accommodative monetary policies of the Federal Reserve, and despite continuing concerns about the situation in Europe. Broad stock price indexes, both for the market as a whole and for large financial institutions, increased notably, on net, over the quarter. 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, continued to decline.

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

Data from the flow of funds accounts published by the Federal Reserve show that debt for households increased modestly in the fourth quarter of 2012 (the latest data available), as a rapid increase in consumer credit, especially in student and auto loans, more than offset continuing declines in mortgages. Debt for nonfinancial businesses rose briskly during the period, owing to robust expansions in corporate bonds. Total loans at depository institutions increased somewhat, reflecting the strength in commercial and industrial ("C&I") lending.

The January 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices, conducted by the Federal Reserve, suggested that, over the previous three months, banks eased their credit standards and terms somewhat for most types of loans and that demand for many types of loans increased further. A set of special questions regarding respondents' outlook for asset quality in 2013 revealed that moderate to large net fractions of domestic banks expected improvements in credit quality in most major loan categories.

Issuance of commercial mortgage-backed securities ("CMBS") and consumer asset-backed securities was robust in the first quarter, though both were still well below the amounts recorded in 2007, before the financial crisis. However, growth in commercial real estate markets remained slow and gradual, and delinquency rates on CMBS hovered near historic highs in the quarter. Gross issuance of investment grade bonds for nonfinancial corporations was instead very robust in the first 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 fourth quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, which showed notable improvement this quarter despite moderation in employment and wage growth, due in part to lower interest rates and minimal new supply. Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit.

In March 2013, HUD undertook a second round of large-scale auctions of loans already in the foreclosure process under the Distressed Asset Stabilization Program ("DASP"), a non-TARP program. This second round of auctions received successful bids on over 16,000 loans and yielded a higher proportion of unpaid balance and estimated as-is value than the first sale. In both cases, DASP sales produced higher net proceeds for HUD than would have been expected if foreclosure had been completed and HUD had taken the properties into real-estate-owned ("REO") inventory for sale. HUD initiated the DASP auctions in the third quarter of 2012. DASP auctions involve loans for which normal loss mitigation servicing efforts had been exhausted and borrowers would most likely lose their homes if no other interventions were taken. Sale of these distressed loans to private investors enhances the chances borrowers can keep their homes because the private purchasers can engage in additional actions to contact and negotiate with homeowners in default, even to the point of principal write-downs. Also, HUD required, as a condition of sale, that purchasers not permit foreclosure auctions for six months, to permit time to work with borrowers on home-retention solutions. In addition, HUD established separate so-called Neighborhood Stabilization Outcome (NSO) pools in four hard hit geographies throughout the country. These pools carried 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. A third round of DASP sales will take place in June and July of 2013.

In late January, FHFA announced an extension on a foreclosure moratorium instituted for the victims of Hurricane Sandy. The moratorium, which FHA also joined, prohibited the filing of new foreclosure actions in certain states for 90 days.

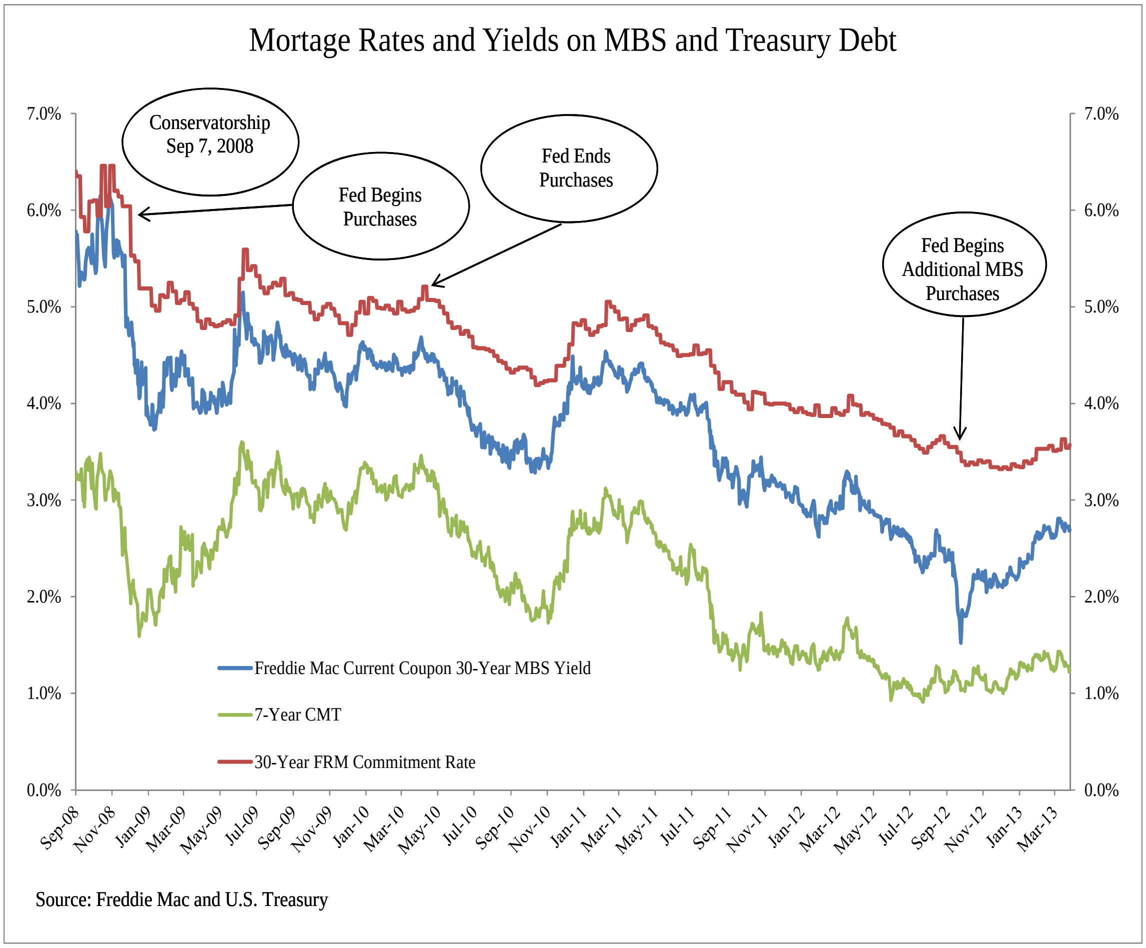
In early March, FHFA announced the release of its 2013 Conservatorship Scorecard, a document that set forth goals for the operation of the Fannie Mae and Freddie Mac (“the Enterprises”) during the year. The major strategic goals outlined in the Scorecard included three basic components:

- “Build”—This initiative directs the Enterprises to work on establishing “a new infrastructure of the secondary mortgage market.”
- “Contract”—Furthering efforts from previous years, this goal entails reducing the Enterprises’ footprints with risk-sharing activities, asset sales and other programs.
- “Maintain”—Continuing FHFA’s foreclosure prevention initiatives and efforts aimed at ensuring credit access are the thrusts of this initiative.

Long-term mortgage interest rates generally have trended down slightly over the last three years, starting near 5 percent and remaining below 4 percent for all but one week of 2012 (figure 1). Mortgage rates in the first quarter increased slightly while remaining at very low levels, as the Federal Reserve continued with its program of additional mortgage-backed securities (“MBS”) purchases that was initiated in September 2012. As of the end of March, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, were at 3.6 percent, some 42 basis points below the rate posted in the corresponding week in 2012.

As with mortgage rates, yields on benchmark Treasuries remained at very low levels during the quarter. Spreads between mortgage rates and yields on the reference Treasury remained close to their average over the last two years and well below the crisis levels of late 2008 and early 2009.

Figure 1



Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During December, January, and February, new permanent modifications averaged 15,000 per month, continuing the slow downward trend in first lien Home Affordable Modification Program ("HAMP") modifications. Total active permanent modifications increased from 846,000 at the end of November to over 862,000 at the end of February. 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 trend upward. By the end of February, nearly 71,000 2MP modifications were active, up from 69,000 at the end of November. Nearly 107,400 2MP modifications had been started, cumulatively, through February, and roughly 27,300 of these involved full extinguishment of the second lien. As of the end of February there were nearly 17,400 active trial modifications and nearly 111,000 active permanent modifications with principal reduction. Also through February, 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 123,000 short sales and roughly 3,100 deed-in-lieu transactions.

At the end of the first quarter, FHFA announced the introduction of a new foreclosure prevention program for borrowers with mortgages guaranteed by the Enterprises. The program, deemed the "Streamlined Modification Initiative," provides borrowers with an easy way of modifying their mortgages. Under the program, which is already in effect, borrowers who are at least 90 days late on their mortgage payments are to be offered loan modifications that maintain or lower payments. Minimal documentation is required for the modifications, minimizing the burden on loan servicers and borrowers. This new option supplements the existing suite of loan modifications, including HAMP and the Enterprises' standard modification programs. Servicers will continue to work with borrowers throughout the trial period to evaluate all their foreclosure prevention options, as documenting income and financial hardship could result in a modification with additional savings for the borrower. The streamlined program supports housing and mortgage markets by introducing another way for borrowers with Fannie Mae- and Freddie Mac-guaranteed mortgages to avoid foreclosures.

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 65,000 non-HAMP modifications had been initiated per month during December, January and February, roughly the same as in 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 February, some 25.1 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 indicated that 14.6 percent of HAMP modifications made permanent in the fourth quarter of 2011 had become delinquent by 60 days or more within 12 months of receiving a modification. Among loan modifications made permanent in the third quarter of 2011, 15.5 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, 27.0 percent of non-HAMP modifications made permanent in the fourth quarter of 2011 at a selected group of institutions regulated by the Office of the Comptroller of the Currency ("OCC") had become 60 or more days delinquent within 12 months

[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/results/mha-reports/pages/default.aspx.

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. For loan modifications made permanent in the second quarter of 2011, 23.1 percent had become delinquent by 60 or more days 18 months after the modification. This figure was somewhat higher than the 22.1 percent delinquency rate reported for modifications made permanent in the previous quarter, but was still lower than previous quarterly cohorts. Similarly, 24 months after becoming permanent, loan modifications made during the fourth quarter of 2010 experienced a serious delinquency rate of 29.4 percent, the same rate as 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 four-fifths and two-thirds of the total portfolio, respectively, had been in place for at least 18 or 24 months as of the reporting date.

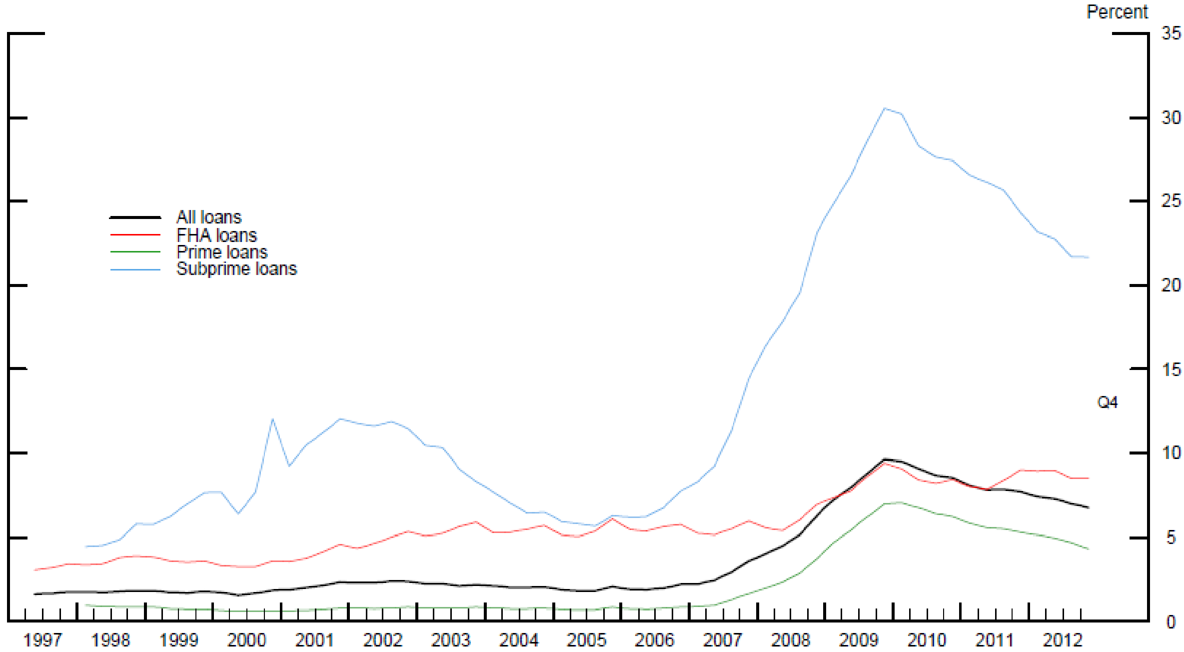
In March 2012 the Administration issued a supplemental directive extending the termination date of HAMP by one year, to December 2013, and expanding eligibility of HAMP with the HAMP Tier 2 option, which allows borrowers who failed a HAMP modification or evaluation, and owners of some rental properties, to receive a HAMP modification. Tier 2 became effective on June 1, 2012, although not all servicers began offering Tier 2 modifications on that date. As of February 28, there had been 2,761 HAMP Tier 2 permanent modifications started and 7,591 HAMP Tier 2 trial modifications started.

The fourth 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 at the levels seen in the middle of 2008. Both reductions in newly delinquent loans and a high number of foreclosures during 2010 and 2011 have contributed to the decline in serious delinquency rates. Loans originated in 2009 and 2010 experienced much lower rates of early delinquency, compared to loans originated in the middle of the decade. For FHA mortgages, the seasonally adjusted annual rate of new 90-day delinquencies was under six percent for the second consecutive quarter. FHA delinquency rates were last below that level in early 2007.

[3] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency (“OCC”) Mortgage Metrics Report for the fourth quarter of 2012 (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 13.0 percent of HAMP permanent modifications finalized in the fourth quarter of 2011 had fallen 60 days delinquent within 12 months.

Figure 2

Serious Delinquency Rates on Single-Family Mortgages



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

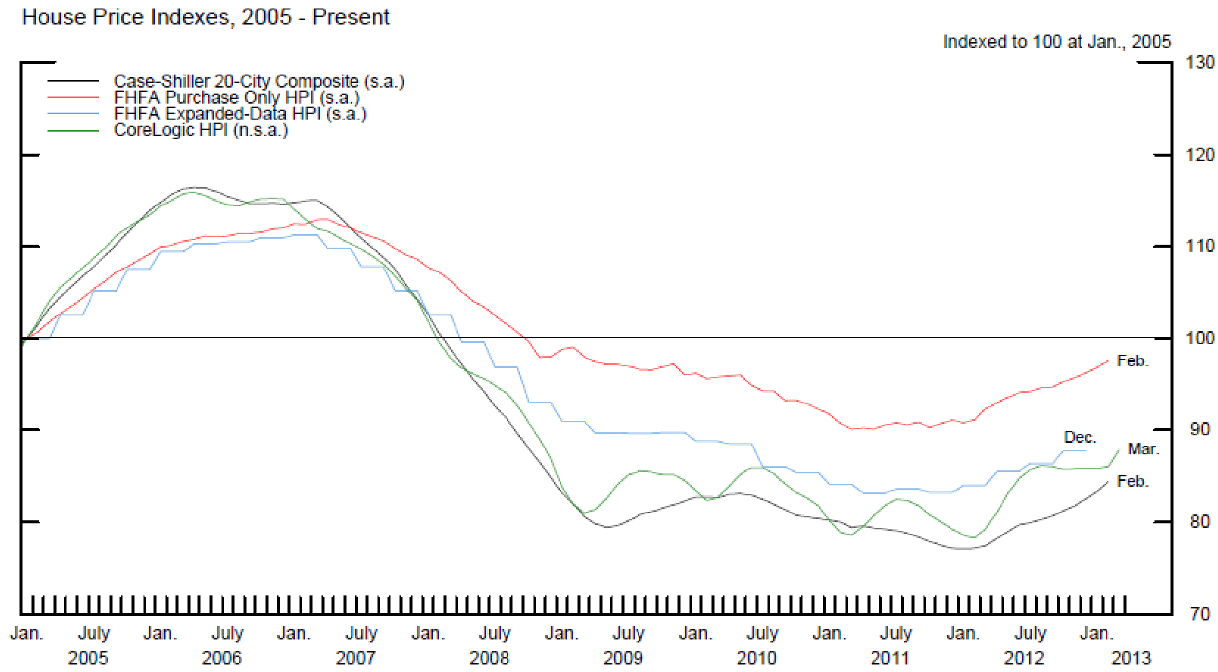
Record low interest rates generated a substantial refinancing wave that continued through March. Refinanced loans help lower borrowing costs for many borrowers. The non-TARP Home Affordable Refinance Program ("HARP") is designed to help borrowers whose loans were purchased or guaranteed by Fannie Mae or Freddie Mac and who are located in areas suffering from house price declines. HARP originally allowed borrowers with high loan-to-value ratios ("LTVs") to refinance their mortgages to take advantage of lower interest rates, if their loan-to-value ratios were no more than 125 percent. FHFA and the Enterprises subsequently rolled out HARP 2.0, which allowed borrowers to refinance loans with LTVs above 125 percent and which servicers began to implement early in 2012. If the original loan had private mortgage insurance the insurer must agree to transfer that insurance to the new loan, and if the property has a junior lien(s) the other lenders must agree to re-subordination. HARP 2.0 seeks to streamline these processes. The policy rationale for HARP is straightforward because Fannie Mae or Freddie Mac already had the credit risk on the original loan. HARP refinancing generally lowers the risk of default by reducing the borrower's monthly payment. During November and December of 2012 and January of 2013 Fannie Mae and Freddie Mac refinanced about 101,000 mortgages per month on average through the HARP program, essentially unchanged from the previous three months. By the end of January, the Enterprises had refinanced some 252,000 loans with LTVs above 125 percent. Available data indicated that HARP 2.0 continued to generate substantial volumes into the first quarter.

FHA single family endorsement volumes during the quarterly period were very close to those of the previous quarter and were above $60 billion for the third straight quarter. Growing refinance volumes continued to offset declining home-purchase endorsements. At roughly $36 billion, refinance activity during the quarterly period was the highest since the fourth quarter of 2010. The nearly $28 billion in home-purchase activity was comparable to the year-earlier period; its decline from more recent quarters reflected seasonal effects.

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 5.3 million annual rate in March, down from a 5.4 million rate in November 2012 (seasonally adjusted). Sales exceeded the 5.0 million annual rate (seasonally adjusted) that had prevailed in January 2012.

The house price index from CoreLogic increased about 0.9 percent from November to February, while the FHFA purchase-only index rose nearly 2 percent and the Case-Shiller/S&P 20-city index rose more than 3 percent over this period (figure 3).

Figure 3



c. Projected Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs four times per year and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The most recent lifetime cost estimates of TARP that were available during the reporting period were as of December 31, 2012. According to these estimates, the expected overall cost of TARP will be approximately $47.6 billion, using asset prices as of December 31, 2012 (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 $30.0 billion. During the quarterly period, Treasury also reduced its obligation under the FHA Short Refinance Program, resulting in a lower cost estimate for the program. That reduction is discussed in further detail later in this report under the section titled, “Housing Stabilization and Foreclosure Mitigation.”

The ultimate cost of TARP remains subject to uncertainty and will depend on how financial markets and the economy perform in the future. The individual TARP program costs have also been updated as of March 31, 2013, and are provided in Section III.

Figure 4

Programs as of March 31, 2013 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of March 31	Outstanding Investment Balance as of March 31	Estimated Lifetime Cost as of December 31[1,2]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ 0.00	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 2.43	$ (10.01)
Banks with assets less than $10 billion[3]	$ 14.57	$ 14.57	$ 3.70	$ 1.78
Total	$ 204.89	$ 204.89	$ 6.13	$ (15.12)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00	$ (4.00)
Asset Guarantee Program (AGP)[4]	$ 5.00	$ 0.00	$ 0.00	$ (3.88)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.52	$ 0.14
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.23	$ 6.25	$ 0.24	$ (2.52)
Debt	$ 12.38	$ 12.38	$ 0.42	$ 0.33
Total	$ 19.61	$ 18.62	$ 0.66	$ (2.19)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ 0.00	$ (0.54)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ 0.00	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	$ -	$ 15.22
Total	$ 67.84	$ 67.84	$ -	$ 15.22
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ 26.58	$ 20.26
Sub-total for Investment Programs	**$ 418.07**	**$ 411.72**	**$ 33.89**	**$ 9.90**
Making Homes Affordable	$ 29.87	$ 5.17	$ -	$ 29.87
Hardest Hit Fund	$ 7.60	$ 2.08	$ -	$ 7.60
FHA-Refinance[5]	$ 1.03	$ 0.06	$ -	$ 0.21
Sub-total for Housing Programs	**$ 38.50**	**$ 7.31**	**$ -**	**$ 37.68**
Total for TARP Programs	**$ 456.57**	**$ 419.03**	**$ 33.89**	**$ 47.57**
Additional AIG Common Shares Held by Treasury[6]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 456.57**	**$ 419.03**	**$ 33.89**	**$ 30.02**

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

1/ Lifetime cost information is as of December 31, 2012.

2/ Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. The value of outstanding investments in publicly-traded securities is calculated by using the aggregate value of the investments at market prices as of December 31, 2012. The following common stock value information is provided for the convenience of the reader to show the increase or decrease in the aggregate value of the shares outstanding as of December 31, 2012, compared to the aggregate value of shares outstanding as of March 31, 2013, including the GM shares sold during January through March 2013.

Outstanding Investment	12/31/2012 Market Value	03/31/2013 Market Value	Increase (Decrease) in Cost
		In billions	
GM Common Stock	$ 8.65	$ 8.36	$ 0.29

Note: The share price for GM was $28.83 for the period ending December 31, 2012, and $27.82 for the period ending March 31, 2013.

3/ The law creating the Small Business Lending Fund ("SBLF") provided that banks could refinance securities issued under the Capital Purchase Program ("CPP") and the Community Development Capital Initiative ("CDCI") programs with securities issued under the SBLF. A total of 137 CPP banks refinanced under the SBLF resulting in repayments of $2.21 billion in CPP investments.

4/ Estimated lifetime costs for AGP includes $276 million for the termination fee Bank of America paid Treasury-OFS for the value received from the announcement of the negotiations on the guarantee and share losses on a pool of assets.

5/ 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.

6/ 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 Federal Reserve Bank of New York ("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 in the line entitled "Additional AIG Common Shares Held by Treasury" because Treasury's cost basis in such shares is deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis is $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the reporting period.

III. DISCUSSION OF THE ACTIONS TAKEN BY TREASURY UNDER THE EESA DURING THE QUARTERLY PERIOD

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from January 1 to March 31, 2013, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Banking Organizations

As of March 31, 2013, the combined total amount of bank repayments, dividends, and other income received from banking-related programs (CPP, Targeted Investment Program ("TIP"), Asset Guarantee Program ("AGP"), and CDCI) had exceeded by $25.14 billion Treasury's total original investment in these programs of $245.10 billion.

i. Capital Purchase Program Update

As of March 31, 2013, Treasury had received approximately $195.03 billion in repayments under the CPP, equivalent to nearly 95 percent of the total funds initially invested. These repayments along with auction sales, dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations bring the total cash back received from the CPP to $221.61 billion. Treasury expects that the majority of the remaining banks that are not being considered for auctions to repay Treasury's CPP preferred shares or subordinated debt at par, so Treasury will continue to hold onto those investments for the time being. In limited cases, Treasury will consider proposals by financial institutions to restructure their CPP investments, typically in connection with a merger or a plan to raise new capital, but only where such a workout arrangement represents the best outcome possible for taxpayers.

a. Repayments, Dispositions, and Auction Sales

During the quarterly period, 16 financial institutions delivered a total of $289.6 million in full and partial repayments. In addition, Treasury sold all of its remaining investments in an additional 30 institutions through CPP auctions for total gross proceeds of $783.2 million. As of March 31, 2013, Treasury had received a combined total of approximately $116.8 million in dividend payments from these 30 institutions over the lifetime of Treasury's investment.[4] At

[4] Press releases describing the most significant transactions can be found on the Treasury.gov website:
http://www.treasury.gov/press-center/press-releases/Pages/tg1834.aspx,
http://www.treasury.gov/press-center/press-releases/Pages/tg1849.aspx,
http://www.treasury.gov/press-center/press-releases/Pages/jl1867.aspx, and
http://www.treasury.gov/press-center/press-releases/Pages/jl1882.aspx.

quarter's end, Treasury still held warrant investments in seven of these institutions, the disposition of which will yield additional proceeds. Treasury had originally invested a combined total of $948.3 million in these 30 institutions

During the quarterly period, Treasury individually auctioned its preferred stock or subordinated debentures holdings in 30 CPP institutions. 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 auctioning the warrants received by Treasury through the CPP. As with these warrant 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.

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

Figure 5 shows the remaining CPP Investments with more than $100 million outstanding by institution as of March 31, 2013.

Figure 5

Remaining CPP Investments with more than $100 Million Outstanding by Institution as of March 31, 2013

	Institution	City, State	Outstanding Investment ($millions)	
1	**Synovus Financial Corp.**	**Columbus, GA**	**$**	**967.9**
2	Popular, Inc.	San Juan, PR	$	935.0
3	**First BanCorp[a]**	**San Juan, PR**	**$**	**400.0**
4	Citizens Republic Bancorp, Inc.[b]	Flint, MI	$	300.0
5	**First Banks, Inc.**	**Clayton, MO**	**$**	**295.4**
6	New York Private Bank & Trust Corp.	New York, NY	$	267.3
7	**Cathay General Bancorp**	**El Monte, CA**	**$**	**129.0**
8	Anchor BanCorp Wisconsin Inc.	Madison, WI	$	110.0

Notes to Remaining CPP Investments with more than $100 Million Outstanding as of March 31, 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.

b/ On February 21, 2013, Treasury entered into a securities purchase agreement with FirstMerit Corporation ("FirstMerit") and Citizens Republic Bancorp, Inc. ("Citizens Republic") pursuant to which Treasury agreed, subject to certain conditions, to (i) sell its CPP preferred in Citizens Republic to FirstMerit and (ii) exchange its existing warrant in Citizens Republic for a warrant issued by FirstMerit. Subsequent to the reporting period, on April 12, 2013, this transaction closed and the outstanding CPP balance was fully repaid.

b. Update on Warrant Dispositions

During the quarterly period, six financial institutions repurchased warrants from Treasury for proceeds of approximately $1.7 million. In conjunction with CPP auction sales, Treasury also sold warrant preferred shares or subordinated debentures for 23 institutions for total net proceeds of $15.9 million during the quarterly period. Treasury also exercised its warrants to purchase M&T Bank Corporation common stock and immediately sold the resulting common shares during the period for proceeds of $19.0 million. On a cumulative basis, as of March 31, 2013, Treasury had disposed of warrants from 421 CPP institutions and had received approximately $7.8 billion in net proceeds.

c. Update on CPP Dividends and Interest

During the quarterly period, Treasury received dividends and interest income from CPP investments of approximately $64.6 million. As of March 31, 2013, cumulative dividends and interest income received from CPP investments was approximately $11.9 billion.

d. Missed Payments by Portfolio Institutions[5]

During the quarterly period, 126 institutions, or approximately 64 percent of the remaining 195 CPP recipients did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP totaled approximately $35.3 million, which represents nearly 47 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period.

During the quarterly period, three CPP institutions that had previously fallen behind on their payments made progress in bringing their payments up to date. A total of 18 previously

[5] 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).

missed payments by these three institutions were made for a total amount of approximately $5 million, including accrued interest.

As of March 31, 2013, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the program was approximately $320.4 million,[6] which represents approximately 2.6 percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury.

Under the CPP preferred-stock agreements, Treasury cannot demand payment of dividends. Instead, under the terms of the CPP, Treasury has the contractual right to appoint up to two members to the board of directors of a CPP recipient if the institution has missed six or more dividend or interest payments on the preferred stock issued to Treasury. As of the end of the quarter, Treasury had appointed 25 directors to a total of 15 CPP institutions.

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

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

As of March 31, 2013, 97 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 37 CPP recipients. These 37 institutions include those that had already missed six or more payments and several that expected to miss their sixth dividend payment in the near future.

e. Exchanges and Restructurings

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.

[6] 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).

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.

The following four such transactions occurred during the quarterly period yielding $63.7 million in proceeds for Treasury:

- On February 12, Treasury entered into an agreement with Florida Bank Group, Inc. (FBG) pursuant to which Treasury agreed to sell its CPP preferred stock back to FBG at a discount subject to the satisfaction of the conditions specified in the agreement.[7]

- On February 20, Treasury sold its CPP preferred stock and warrant issued by First Sound Bank (First Sound) back to First Sound at a discount, pursuant to the terms of the agreement between Treasury and First Sound entered into on November 30, 2012.

- On February 22, Treasury completed the exchange of its Standard Bancshares, Inc. preferred stock for common stock and immediately sold the resulting Standard Bancshares, Inc. common stock, pursuant to agreements dated as of November 5, 2012.

- On February 25, Treasury entered into an agreement with First Security Group, Inc. to exchange Treasury's CPP warrant and preferred stock for common stock at a discount. The exchange is subject to the fulfillment by First Security Group, Inc. of certain conditions, including the satisfactory completion of a capital plan.[8]

f. Receiverships and Bankruptcies

As of March 31, 2013, 23 financial institutions with CPP investments totaling $3.08 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 6).

[7] At the end of the quarterly period, Treasury still held an outstanding investment amount of $20.47 million in Florida Bank Group, Inc.

[8] This transaction was completed after the quarterly period ended. Therefore as of March 31, 2013, Treasury still held an outstanding investment of $33 million.

Figure 6

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

Institution	Date of Bankruptcy/ Receivership
CIT Group Inc.	11/1/2009
UCBH Holdings, Inc.	11/6/2009
Pacific Coast National Bancorp	11/13/2009
Midwest Banc Holdings, Inc.	5/14/2010
Sonoma Valley Bancorp	8/20/2010
Pierce County Bancorp	11/5/2010
Tifton Banking Company	11/12/2010
Legacy Bancorp, Inc.	3/11/2011
Superior Bancorp Inc.	4/15/2011
FPB Bancorp, Inc.	7/15/2011
One Georgia Bank	7/15/2011
Integra Bank Corporation	7/29/2011
Citizens Bancorp	9/23/2011
CB Holding Corp.	10/14/2011
Tennessee Commerce Bancorp, Inc.	1/27/2012
Blue River Bancshares, Inc.	2/10/2012
Fort Lee Federal Savings Bank, FSB	4/20/2012
Gregg Bancshares, Inc.	7/13/2012
Premier Bank Holding Company	8/14/2012
GulfSouth Private Bank	10/19/2012
Investors Financial Corporation of Pettis County, Inc.	10/19/2012
First Place Financial Corporation	10/29/2012
Princeton National Bancorp, FSB	11/2/2012

ii. Community Development Capital Initiative

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 certified 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 March 31, 2013, there were 75 institutions remaining in the CDCI. During the quarterly period, the following two institutions repaid their outstanding CDCI investments and exited the program:

- On March 13, Bancorp of Okolona, Inc. repurchased all of its outstanding CDCI investment from Treasury for a total of $3.3 million plus accrued and unpaid dividends.

- On March 20, UniteHere Federal Credit Union (originally Workers United Federal Credit Union) repurchased all of its outstanding CDCI investment from Treasury for a total of $100,000 plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $2.5 million in dividends from CDCI institutions. Three CDCI institutions missed dividend payments during the quarterly period. As of March 31, 2013, cumulative dividends and interest income received from CDCI investments was approximately $27.3 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).

b. Credit Market Programs

i. Update on the Term Asset-Backed Securities Loan Facility

Treasury originally committed to provide credit protection of up to $20 billion in its subordinated loan to the Term Asset-Backed Securities Loan Facility (“TALF, LLC”) to support up to $200 billion of lending from the FRBNY. Treasury’s commitment was subsequently reduced to $4.3 billion in June 2010.

On January 15, the Board of Governors of the Federal Reserve System agreed to terminate Treasury’s credit commitment to TALF and Treasury announced the full repayment with interest of its TALF loans. As of March 31, 2013, the amount of outstanding investment income available for distribution to Treasury and the FRBNY ($399 million) exceeded the remaining loans outstanding ($382 million), which means that there is no risk of overall taxpayer losses on this program.

TALF remains a joint Treasury-Federal Reserve program. Given that Treasury's investment has been repaid in full with interest, each additional dollar Treasury collects through TALF going forward represents an additional positive return for taxpayers. The final TALF loan is scheduled to mature on March 30, 2015. All loans remain well collateralized and current in payments of principal and interest. As of March 31, 2013, Treasury had received approximately $320 million in additional return from TALF.

ii. Update on the Legacy Security Public-Private Investment Program ("PPIP")

As of March 31, 2013, all of the Public-Private Investment Funds ("PPIFs") had completed the third and final year in which they could draw capital and make new investments. Five funds had been effectively wound down and three funds remained in the program (figure 7).[9]

Under the program, Treasury originally committed $22.4 billion of equity and debt in nine PPIFs. Of this committed amount, a total of $18.6 billion was ultimately drawn down. These funds were established by private sector fund managers for the purpose of purchasing Eligible Assets. After completing their fundraising, the PPIFs closed on approximately $7.5 billion of private sector equity capital commitments, which were matched 100 percent by Treasury, representing approximately $15 billion of total original equity capital commitments. This gave the program a total of nearly $30 billion of original purchasing power.

As of March 31, 2013, Treasury has fully recovered its original investment in the PPIP of $18.6 billion, plus a positive return of $2.6 billion through equity and debt repayments, interest, and proceeds in excess of original equity capital, including warrant proceeds. Future debt, equity and interest payments from the outstanding PPIFs will provide an additional positive return for taxpayers.

[9] The following three funds have been completely wound down: UST/TCW Senior Mortgage Securities Fund, L.P., Invesco Legacy Securities Master Fund, L.P., and RLJ Western Asset Public/Private MasterFund, L.P. The following three funds no longer hold any eligible assets but continue to hold minimal amounts of cash for any unintended expenses prior to cancellation: Alliance Bernstein Legacy Securities MasterFund, L.P., Wellington Management Legacy Securities PPIF MasterFund, L.P., and Blackrock PPIF, L.P. The following three funds still hold eligible assets: AG GECC PPIF MasterFund, L.P. Oaktree PPIF Fund, L.P., and Marathon Legacy Securities Public-Private Investment Partnership, L.P.

Figure 7

Fund	Inception Date	Investment Period End Date (1)	Net Time Weighted Cumulative Return Since Inception (2)(3)	Net Internal Rate of Return Since Inception (2)(4)	Net Multiple of Paid in Capital (2)(5)
AG GECC PPIF Master Fund, L.P.	11/12/09	10/30/12	151.1%	24.5%	1.67x
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	10/02/12	177.6%	18.7%	1.45x
Blackrock PPIF, L.P.	10/16/09	10/02/12	93.9%	23.1%	1.74x
Invesco Legacy Securities Master Fund, L.P.	10/13/09	09/26/11	33.5%	18.2%	1.23x
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	11/25/12	127.1%	24.7%	1.76x
Oaktree PPIP Fund, L.P.	02/19/10	12/18/12	85.8%	27.2%	1.40x
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	07/15/12	106.3%	24.1%	1.69x
UST/TCW Senior Mortgage Securities Fund, L.P.	10/19/09	12/04/09	N/A(6)	N/A(6)	1.13x
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	10/01/12	79.6%	20.1%	1.56x

(1) Expires on or before the third anniversary of the PPIF's Initial Closing.
(2) Net of management fees and expenses attributable to Treasury's equity.
(3) Time-weighted geometrically linked return calculated on a consistent basis across all PPIFs.
(4) Dollar-weighted rate of return calculated on a consistent basis across all PPIFs.
(5) Calculated as the sum of Net Cumulative Distributions received and Ending Capital balance of Treasury's equity position as a multiple of Paid in Capital.
(6) Not materially significant

c. American International Group, Inc.

During the financial crisis, Treasury and the Federal Reserve committed approximately $182 billion to prevent the collapse of American International Group ("AIG"). That amount included $70 billion that Treasury committed through TARP as well as $112 billion committed by the FRBNY.

At its peak in January 2011, Treasury owned 1.655 billion shares of AIG common stock. Over the next 19 months, Treasury conducted six public offerings of AIG common stock, selling all 1.655 billion shares (originally 92 percent of AIG's outstanding common stock) at an average price of $31.18 per share. As a result of the combined efforts of AIG, Treasury, and the Federal Reserve, the $182 billion committed to stabilize the company has been fully recovered – plus an additional positive return of $22.7 billion.[10]

On March 1, 2013, AIG repurchased warrants issued to Treasury in 2008 and 2009 for approximately $25 million. Following this sale, Treasury had no residual interest in AIG.

d. Automotive Industry Financing Program

i. General Motors

Under the Automotive Industry Financing Program ("AIFP"), Treasury invested a total of $49.5 billion to help stabilize and restructure Old GM. When the quarter began, Treasury held 300.1 million shares of GM common stock with a market value of $14.15 billion,[11] representing

[10] Treasury realized a positive return of $5.0 billion (when including Treasury's other interest in AIG) and the Federal Reserve has realized a positive return of $17.7 billion.

[11] For the period ending December 31, 2012 the share price for GM was $28.83.

approximately 22 percent (or less than 19 percent on a fully diluted basis) of the outstanding shares of common stock in the company.

In December 2012, Treasury announced that it intends to sell its shares into the market in an orderly fashion and fully exit its remaining GM investment within the following 12-15 months, subject to market conditions.[12] On January 18, Treasury announced that it took the next step in that plan with the initiation of a pre-arranged written trading plan.

During the quarterly period, Treasury received net proceeds of approximately $1.26 billion from the sales of GM common stock.[13] As of March 31, 2013, Treasury had collected $30.4 billion of its original $49.5 billion investment in GM through repayments, sales of stock, dividends, interest, and other income.[14]

Treasury intends to continue selling its remaining shares in an orderly fashion, subject to market conditions.[15] Treasury expects to launch another trading plan when this trading plan concludes.

ii. Ally Financial

During the quarterly period, Treasury's investment in Ally Financial ("Ally") remained unchanged at $13.75 billion. Treasury originally provided a total of $16.29 billion to Ally (formerly GMAC). Of that amount, Treasury had collected a total of $2.54 billion in repayments. Treasury has also collected additional income that brought the total cash received from Ally through March 31, 2013, to $5.94 billion. During the quarterly period, Treasury collected $133.6 million in dividend payments from Ally.

As previously announced in 2012, Ally is in the process of completing two strategic initiatives – the Chapter 11 proceeding of Ally's mortgage subsidiary, Residential Capital LLC

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[12] More information can be found in Treasury's press release: http://www.treasury.gov/press-center/press-releases/Pages/tg1826.aspx.

[13] Additional details on the number of GM shares that Treasury sold and average price per share will be disclosed upon the completion of each pre-arranged trading plan and provided in the Monthly Report to Congress that is issued subsequent to the sale.

[14] Treasury's assistance to GM under TARP consisted of a $49.5 billion loan to Old GM, $884 million loan to Old GM to purchase GMAC rights in addition to $651 million in loans for supplier and warranty programs.

[15] On January 18, 2013, Treasury gave Citigroup Global Markets, Inc. and J.P. Morgan Securities, LLC discretionary authority, as its sales agent, to sell subject to certain parameters up to 58.3 million shares of common stock from time to time during the period ending on April 17, 2013 (or upon completion of the sale). Completion of the sale under this authority occurred on April 11, 2013.

("ResCap"), to address Ally's legacy mortgage liabilities and the sale of its international auto finance operations. Ally's completion of these two initiatives is a key element of Treasury's strategy for exiting its remaining investments in Ally. Both of these initiatives continued to move forward during the quarterly period. Additional discussions were held between ResCap and the creditors in the Chapter 11 proceedings. Ally also continues to receive additional proceeds from the sales of its international auto finance operations. As these initiatives are completed, Treasury expects to further recover its remaining investment in Ally through a stock sale (either through a public or private sale) or further asset sales, subject to market conditions.

e. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering December 2012, January 2013, and February 2013, as was a quarterly MHA Servicer Assessment for the fourth quarter of 2012. 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, more than 1.5 million homeowner assistance actions had been granted through the program. While the HAMP remains the cornerstone program, MHA also includes a number of other specialized programs to help homeowners facing different challenges. MHA is currently scheduled to end accepting new applications for assistance on December 31, 2013.

A total of $29.87 billion has been committed to MHA. Of that amount, Treasury had disbursed $5.17 billion of incentive payments for MHA as of March 31, 2013.[17] Based on all MHA activity in place as of March 31, 2013, Treasury estimated that $11.8 billion in incentive

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[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.

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.

a. HAMP

As of February 28, nearly 1.3 million homeowners had received a permanent first lien modification through MHA since the start of the program, including more than 1.1 million through HAMP.

Specifically, approximately 13,000 new trial plans were started in December 2012, approximately 12,000 were started in January 2013, and approximately 13,000 new trials were reported in February 2013. Approximately 14,000 permanent modifications were started in December 2012, approximately 15,000 in January 2013, and approximately 15,000 were started in February 2013.

As of February 28, 2013, homeowners in active HAMP permanent modifications saved approximately $546 per month, representing a reduction of more than one-third from their before-modification mortgage payment. Since HAMP began, homeowners in permanent modifications have saved an estimated total of $18.5 billion in monthly mortgage payments.

Eighty-seven 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. The vast majority of homeowners who have received a permanent HAMP modification have been able to sustain their payments over time.

b. HAMP Tier 2

On January 27, 2012, Treasury announced an expansion of the eligibility for HAMP to reduce additional foreclosures and help stabilize neighborhoods. The eligibility was expanded for non-GSE loans to (1) allow for more flexible debt-to-income criteria and (2) include properties that are currently occupied by a tenant, as well as vacant properties which the borrower intends to rent. This expanded HAMP criteria, referred to as HAMP “Tier 2,” became effective on June 1, 2012.

While Tier 2 guidance became effective on June 1, 2012, not all servicers were able to fully implement HAMP Tier 2 until the middle of October 2012. Treasury imposed additional requirements for servicers with delayed implementation to ensure that no borrower was adversely impacted by the delay, including but not limited to, offering proprietary modifications with a similar structure to HAMP Tier 2. On November 30, 2012, Treasury issued guidance expanding the acceptable range for a borrower’s debt-to-income ratio under HAMP Tier 2 from 25 - 42 percent to 10 - 55 percent. Servicers have the flexibility to select a debt-to-income range suitable for their portfolio. This guidance became effective February 1, 2013.

As of February 28, there had been 2,761 HAMP Tier 2 permanent modifications started and 7,591 HAMP Tier 2 trial modifications started. Of the Tier 2 trial modifications that were started, 36 percent were previously in a Tier 1 trial or permanent modification. Some 22 percent had been evaluated previously for a Tier 1 modification and did not meet the eligibility requirements. Of the Tier 2 trial modifications started, nine percent were for non-owner-occupied properties.

c. FHA-HAMP

FHA-HAMP is designed to provide incentives for borrowers and servicers to modify FHA-insured first lien mortgages for struggling homeowners in order to reduce payments to more affordable levels. As of February 28, there had been approximately 23,000 trial modifications and nearly 12,000 permanent modifications started under FHA-HAMP.

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 February 28, more than 107,000 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 $155 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 $1,049. More than 50 percent of the borrowers benefiting from 2MP reside in three states: California (36 percent), Florida (nine percent), and New York (seven percent).

d. HAFA

Under the Home Affordable Foreclosure Alternatives Program ("HAFA"), Treasury provides incentives for short sales and deeds-in-lieu of foreclosure for circumstances in which borrowers are unable or disinclined to complete the HAMP modification process. As of February 28, more than 126,000 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.

e. UP

The Home Affordable Unemployment Program ("UP") requires participating servicers to grant qualified unemployed borrowers a forbearance period during which their mortgage payments are temporarily reduced or suspended while they look for new 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 January 31, 2013, approximately 31,300 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.

f. PRA

Under the Principal Reduction Alternative ("PRA"), servicers of non-GSE loans are required to evaluate the benefit of principal reduction for mortgages with a loan-to-value ratio of 115 percent or greater when evaluating a homeowner for a HAMP first-lien modification. While servicers are required to evaluate homeowners for PRA, they are not required to reduce principal as part of the modification.

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 principal reductions outside of PRA. Of all non-GSE loans eligible for principal reduction that started a trial in February 2013, 70 percent included a principal reduction feature, including 54 percent through the HAMP PRA program.

As of February 28, 2013, there had been 128,277 permanent HAMP modifications with principal reduction. These modifications typically reduced the principal amount by $67,409 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 $9.6 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 March 31, 2013, all 18 states and the District of Columbia were operating HHF programs statewide and collectively had drawn approximately $2.08 billion (more than 27 percent) of the $7.6 billion allocated under the program. Each state draws down funds as they are needed (see figure 8). States have until December 31, 2017 to expend funds and must have no more than 5 percent of their allocation on hand before they can draw down additional funds.

At this point 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.

At the end of the quarterly period, there were 62 active programs across the 19 HFAs. Approximately 67 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 was continuing its efforts to identify best practices, share lessons learned between states and provide additional assistance and oversight to HFAs in need of improvement.

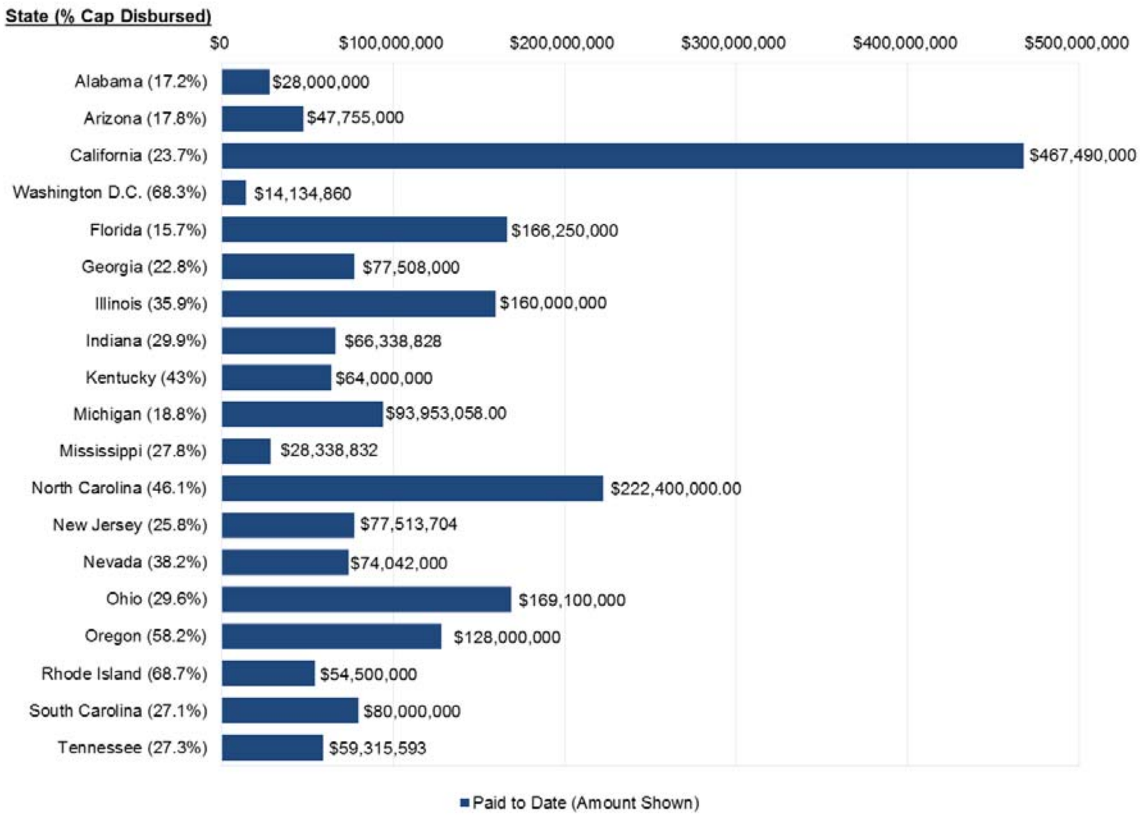
During the quarterly period, Treasury continued to participate in bi-weekly conference calls with the 19 HFAs and the large servicers participating in the HHF to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively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

During the quarterly period, Treasury approved program changes for Oregon, Alabama, Indiana, Illinois, and Ohio. Typically, program changes are designed to make them more flexible, expand the eligible population of homeowners, and offer deeper levels of assistance to enable particularly hard-hit-homeowners to recover from unemployment or achieve a more sustainable mortgage payment.

Performance reports through the fourth quarter of 2012 indicated that the HFAs had assisted more than 94,000 homeowners with $1 billion in assistance disbursed. The HFAs continued to innovate, develop new programs, and adapt existing programs with the goal of helping homeowners amid changing market and economic conditions.

Figure 8

Hardest Hit Fund as of March 31, 2013



iii. FHA Short Refinance Program

Treasury also continues to support the FHA Short Refinance Program. Under this program, eligible borrowers who are current on their mortgage or complete a trial payment plan but owe more than their home is worth, can refinance into an FHA-insured loan if the lender writes off at least 10 percent of the existing loan.

The program was implemented in 2010. At that time, Treasury committed TARP funds to purchase an $8 billion letter of credit facility from Citibank in order to fund a portion of any losses associated with the program. This allowed the program to be cost-neutral to HUD. The letter of credit facility was designed to provide loss coverage on loans refinanced through March 2013, following the close of the program's original eligibility period.

HUD subsequently extended eligibility for the program to December 2014. During the quarterly period, Treasury extended the facility to provide loss coverage for loans refinanced throughout the new eligibility period. In analyzing the potential program needs for the new eligibility period, Treasury determined that the $8 billion letter of credit facility was in excess of what is needed to support potential losses incurred through the program. As a result, when Treasury extended the letter of credit facility, Treasury also reduced the size of the letter of credit facility from $8 billion to $1 billion. Accordingly, Treasury reduced the obligation from $8.1 billion to $1 billion and decreased the cost estimate for the program by $7.9 billion (from $8.1 billion to $205 million). This results in a decline in the overall TARP housing program cost estimate from $45.6 billion to $37.7 billion.

These revised terms will result in millions of dollars in savings to the taxpayer while ensuring that the amount of the Facility is sufficient to accommodate any increased usage that could result through the close of the program.

APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
January 24, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EST) on Thursday, January 24, 2013, by teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Geithner
Ms. Walter
Mr. DeMarco

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. McArdle, Deputy Chief Homeownership 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. Ashton, Deputy General Counsel, Federal Reserve Board

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

Mr. Ramsay, Acting Director, Division of Trading and Markets, Securities and Exchange Commission

Chairperson Bernanke called the meeting to order at approximately 3:10 p.m. (EST). At the outset of the meeting, the Members noted Mr. Geithner's expected departure from the Department of the Treasury ("Treasury") and thanked him for his contributions and service to the Oversight Board.

The Board then considered draft minutes for the meeting of the Board on December 17, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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"); Automotive Industry Financing Program ("AIFP"); the credit market programs, including the Term Asset-Backed Securities Loan Facility ("TALF") and 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 discussed with Members the latest cost estimates for TARP. Officials referred to Treasury's daily TARP update report as of January 2, 2013, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual investments as of December 31, 2012.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury had received thus far. As part of its ongoing efforts to wind down and recover its remaining CPP investments, Treasury announced in a public release on December 18, 2012, that it intends to commence auctions of CPP securities of 53 financial institutions where the CPP securities represent a large portion of the equity capital or the CPP securities may be in arrears on dividend payments such that they would generally be considered voting securities under banking laws or regulations. Treasury expected to commence auctions of certain of these CPP securities, on or about January 28, 2013.

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, on January 15, 2013, Treasury and the Federal Reserve announced the credit protection Treasury has provided for the TALF was no longer necessary because the accumulated fees collected through TALF exceed the amount of TALF loans outstanding. The TALF remains a joint Treasury-Federal Reserve program, and the Treasury and Federal Reserve will continue to consult on the administration of the program. Treasury announced that this action amounted to the full repayment with interest of its investment through TALF. Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. Officials noted that, as of December 18, all five of the then-remaining PPIFs had completed their investment periods. Only four PPIFs have not substantially wound down.

Treasury officials then provided Members with an update on the AIFP. Officials noted that, on December 19, Treasury announced that General Motors ("GM") agreed to purchase 200 million shares of GM common stock from Treasury at $27.50 per share for total proceeds of $5.5 billion. Treasury further announced its intention to fully exit its remaining investment in GM within the next 12 to 15 months, in an orderly fashion, subject to market conditions. Consistent with this approach, Treasury announced on January 18 the initiation of a pre-arranged written trading plan for the sales of the remaining GM shares. As part of the discussion of AIFP, officials provided an update on Ally's sale of its international operations and recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC.

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 noted the results of Treasury's MHA programs, including the first results of HAMP Tier 2 activity as highlighted in Treasury's MHA Program Performance Report as of December 2012. As part of this discussion, officials noted Treasury's continuing outreach and borrower assistance efforts under HAMP, including exploring additional ways to reach potentially eligible borrowers. Officials also discussed the recent extension of the Mortgage Forgiveness Debt Relief Act through 2013. Using prepared materials, officials then provided an update on the HHF. Officials noted that, as of September 30, 2012, HFAs had spent more than $740 million in assistance and assisted more than 77,000 homeowners through locally tailored programs. Officials provided an overview of the steps taken by each of the 19 HFAs to establish the program infrastructure needed to operate these programs and the efforts made by the HFAs to meet and exchange their respective experiences with the program.

Officials from the Federal Reserve Board then provided the Members with an overview of the agreement-in-principle announced on January 7, 2013, between the Federal Reserve, the Office of the Comptroller of the Currency and ten servicers participating in the Independent Foreclosure Review (IFR). Officials noted that the agreement would replace the IFR with a broader framework that allows eligible borrowers to receive compensation more quickly. Servicers also will provide loss mitigation and other foreclosure prevention actions under the agreement.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending September 30, 2012, that will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

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

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
February 25, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Monday, February 25, 2013, by teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Walter
Mr. DeMarco

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

Ms. Uy, Deputy 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

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

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

The Board then considered draft minutes for the meeting of the Board on January 24, 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"); Automotive Industry Financing Program ("AIFP"); 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 discussed with Members the latest cost estimates for TARP. Officials referred to Treasury's daily TARP update report as of February 1, 2013, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual investments as of January 31, 2012. Officials noted that the estimated lifetime cost of TARP had decreased to approximately $55.5 billion as of January 31, 2013, and $37.9 billion with the additional AIG shares Treasury received from the trust created by the Federal Reserve Bank of New York for the benefit of Treasury.

Treasury officials then provided Members with an update on the CPP. Officials discussed 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 Treasury had received thus far. Officials noted that, as of January 31, 2012, Treasury held CPP investments in 210 institutions totaling approximately $6.67 billion. As part of this discussion, Treasury provided Members with an update on Treasury's progress in winding down the CPP. Consistent with its exit strategy, Treasury held auctions in January and early February for outstanding preferred stock and subordinated debt in sixteen CPP institutions that resulted in combined gross proceeds of approximately $269 million.

Treasury officials then provided Members with an update on the Asset Guarantee Program ("AGP"). Treasury, in conjunction with the Federal Deposit Insurance Corporation ("FDIC") and the Federal Reserve utilized the AGP in December 2008 to provide Citigroup with protection against the possibility of unusually large losses on a designated pool of approximately $306 billion in assets. On December 28, 2012, Treasury received $800 million in Citigroup trust preferred securities and accumulated dividends from the FDIC as part of the program. Officials noted that Treasury sold these securities on February 5, 2013, for proceeds totaling approximately $895 million.

Treasury officials then provided Members with an update on the AIFP. Officials noted that Treasury was continuing to follow its pre-arranged written trading plan to sell its remaining shares of General Motors ("GM") common stock. As part of the AIFP discussion, officials provided an update on Ally Financial's ("Ally") sale of its international operations and discussed recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC. Officials noted that on February 1, 2013, Ally completed the sale of its Canadian auto finance operation, Ally Credit Canada Limited, and ResMor Trust to Royal Bank of Canada.

Officials then provided an update on the PPIP. Officials discussed the current aggregate status of all debt and equity repayments made by the Public-Private Investment Funds ("PPIFs") participating in the program, as well as the interest and proceeds in excess of original equity capital, including warrant proceeds, that Treasury had received. As of January 31, 2013, Treasury's remaining investment under the PPIP totaled approximately $2 billion.

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"). As part of this discussion, Treasury officials noted the results of the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides transition alternatives to foreclosure in the form of a short sale or deed-in-lieu of foreclosure. Officials noted that Treasury had observed an increase in the number of HAFA transactions since the short sale and deed-in-lieu-of-foreclosure programs at Fannie Mae and Freddie Mac were streamlined (as directed by FHFA) together with Treasury's version of HAFA in November 2012. As part of this discussion, officials noted Treasury's continuing outreach and borrower assistance efforts under HAMP, including the assistance Treasury is seeking for outreach to potentially eligible borrowers through an agreement with NeighborWorks America. As part of this discussion, Mr. Donovan provided the Members with an update on the National Mortgage Settlement announced in 2012. Mr. Donovan provided an overview of the distributions made under the settlement, including the number of principal reduction and debt forgiveness actions.

Officials then discussed the release of Treasury's Office of Financial Stability's ("OFS") Citizens' Report for Fiscal Year 2012. The report presents the OFS audited financial statements, the latest lifetime cost estimates, and an update on the TARP.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board's quarterly report to Congress for the quarter ending December 31, 2012, which will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

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

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
March 21, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EST) on Thursday, March 21, 2013, at the offices of the Department of Treasury ("Treasury").

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. Walter
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. Kingsley, Chief, Homeownership Preservation Office, 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

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

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

The Board then considered draft minutes for the meeting of the Board on February 25, 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"); Automotive Industry Financing Program ("AIFP"); 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 the CPP. Officials discussed 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 Treasury had received thus far. As of February 28, 2013, Treasury held approximately $6.9 billion in remaining CPP-related assets. Officials noted that Treasury held auctions in March for outstanding preferred stock and subordinated debt in seven CPP institutions that resulted in combined gross proceeds of approximately $432.8 million. The offerings were priced through modified Dutch auctions. The transactions were expected to close on or about March 28, 2013, subject to customary closing conditions.

Treasury officials then provided Members with an update on the AIFP. Officials noted that Treasury was continuing to follow its pre-arranged written trading plan to sell its remaining shares of GM common stock. As part of the AIFP discussion, officials discussed recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC.

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, pursuant to the Federal Reserve's authorization in January 2013, TALF LLC had begun distributions of excess accumulated fees and income earned by TALF LLC to the Treasury and the Federal Reserve Bank of New York ("Reserve Bank"). Under terms of the Term Asset-Backed Securities Loan Facility ("TALF") program, Treasury receives 90 percent of any distributions and the Reserve Bank will receive 10 percent. Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. As of the meeting date, only one fund (Oaktree) still had debt and equity outstanding to Treasury. As of February 28, 2013, Treasury's remaining investment under the PPIP totaled approximately $940 million.

Treasury officials then provided the Members with an update on the U.S. government's investment in AIG. On March 1, 2013, AIG completed the repurchase or warrants issued to Treasury for an agreed upon price of approximately $25 million. The warrants held by Treasury provided the right to purchase approximately 2.7 million shares of AIG common stock. Officials noted that Treasury will no longer have any residual interest in AIG following the repurchase of these warrants.

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"). Officials noted that, as of January 31, 2013, more than 1.5 million borrower assistance actions had occurred under the MHA programs. Officials also reviewed the aggregate performance of the Second Lien Modification Program ("2MP") and the Home Affordable Assistance Program ("HAFA"). As part of this discussion, Messrs. Donovan and

Demarco commented that there could be potential benefits over time to studying the mortgage loss mitigation experience of Treasury, the Department of Housing and Urban Development and FHFA through the crisis. Members and officials then discussed the results of the quarterly servicer assessments Treasury had published with the January 2013 MHA Public Report, which summarize performance for the nine largest MHA participating servicers based on reviews conducted during the fourth quarter of 2012. Officials noted that two servicers were found to need only minor improvement on the areas reviewed for program performance, and seven servicers were found to need moderate improvement. All servicers will need to continue to demonstrate progress in areas identified in subsequent program reviews. Treasury officials also discussed the FHA short-refinancing program, which enables homeowners whose mortgages exceed the value of their homes to refinance into more affordable FHA mortgages. Among the matters discussed were the aggregate value of the letter of credit facility Treasury purchased under TARP to support the FHA short-refinancing program and the reserve account that has been pre-funded for completed loans under the program to absorb potential future losses that might be experienced by these loans. Treasury updated officials that in March 2013 it had extended the letter of credit facility to provide coverage for loans refinanced through December 2014, but reduced the facility to an amount likely to be sufficient to accommodate continued usage and any potential increase in program volume.

Treasury officials then provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under the HHF and provided an overview of certain revised approaches under consideration by the HFAs participating in the program.

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 delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and inventory. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Staff of the Oversight Board then provided Members with an update regarding the Oversight Board’s quarterly report to Congress for the quarter ending March 31, 2013, which will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:50 p.m. (EST).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary