FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
June 30, 2013

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

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I. INTRODUCTION

This quarterly report of the Financial Stability Oversight Board ("Oversight Board"), issued pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covers the period from April 1, 2013 to June 30, 2013 (the "quarterly period").

The Oversight Board was established by section 104 of the EESA to help oversee the Troubled Asset Relief Program ("TARP") and other emergency authorities and facilities granted to the Secretary of the Treasury ("Secretary") under the EESA. The Oversight Board is composed of the Secretary, the Chairman of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Director of the Federal Housing Finance Agency ("FHFA"), the Chairman of the Securities and Exchange Commission ("SEC"), and the Secretary of the Department of Housing and Urban Development ("HUD"). Through Oversight Board meetings and other activities, the Oversight Board reviews and monitors the development, implementation, and effect of the policies and programs established under TARP to restore liquidity and stability to the U.S. financial system.

Utilizing the authority provided by EESA, Treasury has implemented a range of programs to stabilize the financial markets and financial institutions, support the flow of credit to consumers and businesses, and help struggling homeowners remain in their homes and avoid foreclosure. Key developments under these programs are described in detail in Part III of this report and in the previous quarterly reports of the Oversight Board.

The Oversight Board met three times during the quarterly period, specifically on April 22, May 20, and June 20, 2013. As reflected in the minutes of the Oversight Board's meetings,[1] the Oversight Board regularly receives presentations and briefings from Treasury officials during these meetings to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

a. Brief review of financial market developments

Conditions in U.S. financial markets were stable in April and May, but markets became more volatile in June, primarily in response to new economic data and expectations for a less accommodative future stance of monetary policy. Yields on Treasury securities rose notably in June, as did mortgage rates and yields on corporate bonds. On net over the quarter, broad stock price indexes, both for the market as a whole and for large financial institutions, increased moderately, and 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, remained near their first quarter values, though they ticked up a bit in June.

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

Data from the financial accounts of the United States published by the Federal Reserve show that debt for households declined in the first quarter of 2013 (the latest data available), as a continuing contraction in mortgages more than offset a rapid expansion in consumer credit, especially in student and auto loans. Debt for nonfinancial businesses rose briskly during the period, owing to robust expansions in corporate bonds. Total loans at depository institutions increased somewhat, driven by a rapid increase in C&I loans, though preliminary data shows that the pace of increase in loans slowed during the second quarter.

The April 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices, conducted by the Federal Reserve, suggested that, over the previous three months, domestic banks eased their credit standards and terms on loans and that demand for many types of loans increased further. A set of special questions regarding respondents' residential real estate lending policies showed that banks' willingness to approve Government Sponsored Enterprise ("GSE")-eligible mortgages to borrowers with lower credit scores was about unchanged relative to a year ago, despite the improvements in the housing sector over the year.

Issuance of commercial mortgage-backed securities ("CMBS") and consumer asset-backed securities was robust in the second quarter, though both are still below the amounts recorded in 2007 before the financial crisis. Conditions in commercial real estate markets improved a bit more, though at a slow pace; delinquency rates on CMBS inched down, but remain near historic highs. Gross issuance of investment grade bonds for nonfinancial corporations was robust in the second quarter.

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

Actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act and actions taken by the Federal Reserve, HUD, and FHFA continued to support housing markets and provide assistance to mortgage borrowers during the second quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, which showed notable improvement this quarter despite moderation in employment and wage growth, Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit.

Continuing its efforts to expand sales of nonperforming FHA-insured loans through the Distressed Asset Stabilization Program ("DASP"), a non-TARP program, HUD began its third round of sales during the quarterly period with a sale of pools containing notes spread nationwide.[2] Loans included in these pools are ones for which normal loss mitigation servicing

[2] In early July, after the end of the quarterly period, a companion sale of geographically targeted Neighborhood Stabilization Outcome (NSO) pools was conducted. In addition to the requirements imposed for nationwide pools, NSO pools carry additional restrictions for purchasers, including the requirement that at least fifty percent of the purchased properties achieve a "neighborhood stabilizing outcome," which includes retention of the home by the current borrower, resale to another owner-occupant, or rental of the home.

efforts had been exhausted and borrowers would most likely lose their homes if no other interventions were taken. As a condition of sale, consistent with the prior DASP sales, HUD required that purchasers not foreclose on loans included in the sale for a minimum of six months, enabling them to evaluate and pursue opportunities work with borrowers to achieve mutually agreeable home-retention solutions. HUD initiated the DASP auctions in the third quarter of 2012.

Sale of these distressed FHA-insured loans to private investors through DASP may potentially offer borrowers additional opportunities to remain in their homes or achieve some other solution preferable to foreclosure. As with earlier sales, pricing associated with the recent DASP sales produced higher net proceeds for HUD than would be expected if foreclosure had been completed and HUD taken the properties into real-estate-owned ("REO") inventory for sale. A fourth round of DASP sales will take place in October of 2013.

On May 30, 2013, Treasury extended the application deadline for the Making Home Affordable (MHA) through December 31, 2015, to provide struggling homeowners additional time to access mortgage assistance.[3] MHA programs include the Home Affordable Modification Program (HAMP).

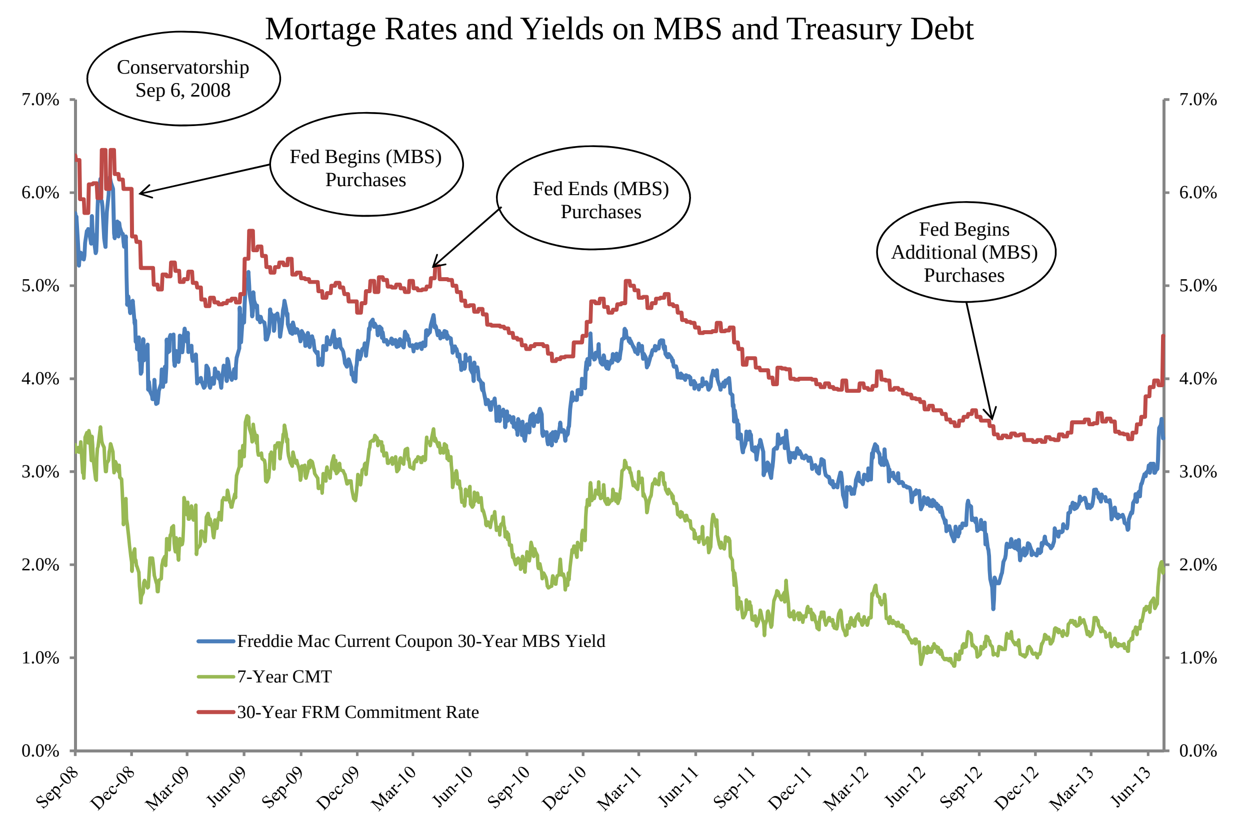
For its part, FHFA announced the extension through the end of 2015 of mortgage assistance programs for borrowers whose loans were purchased or guaranteed by Fannie Mae or Freddie Mac ("the Enterprises"). On April 11th, the agency announced the extension of the Home Affordable Refinance Program (HARP), which (as discussed later in this section) helps borrowers with Fannie Mae- and Freddie Mac-guaranteed mortgages and who are located in areas suffering from house price declines refinance their loans. HARP had previously been scheduled to expire on December 31, 2013. On May 30th, FHFA further announced that it had directed Fannie Mae and Freddie Mac to extend their participation in HAMP through the end of 2015, consistent with the Treasury extension. The same announcement noted that the Enterprises' streamlined modification initiatives also would be extended through the end of 2015.

Long-term mortgage interest rates reversed course and rose sharply over the last quarter (Figure 1). In large part the increase reflected market anticipation of a tapering off of the Federal Reserve's program of mortgage-backed securities ("MBS") purchases. As of the end of July, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, were at 4.3 percent, some 80 basis points above the rate posted in the corresponding week in 2012.

As with mortgage rates, yields on benchmark Treasuries jumped up during the quarter. Spreads between mortgage rates and yields on the reference Treasury narrowed, remaining well below the crisis levels of late 2008 and early 2009.

[3] Additional information on the extension of MHA can be found at: http://www.treasury.gov/press-center/press-releases/Pages/jl1959.aspx

Figure 1



Source: Freddie Mac and U.S. Treasury

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During March, April and May, new permanent modifications averaged 13,000 per month, while total active permanent modifications increased from 863,000 at the end of February to nearly 879,000 at the end of May. The Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second liens where the first lien mortgage has already been modified under HAMP, continued to expand. By the end of May, nearly 73,000 2MP modifications were active, up from 71,000 at the end of February. Nearly 112,000 2MP modifications had been started, cumulatively, through May, and roughly 29,000 of these involved full extinguishment of the second lien. As of the end of May there were over 20,000 active trial modifications and over 122,000 active permanent HAMP first-lien modifications with principal reduction. Also through May, the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu-of-foreclosure as lower-cost alternatives to foreclosure, showed a substantial increase in volume, to nearly 166,000 short sales and roughly 3,900 deed-in-lieu transactions.

The Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP. Hope Now reported an average of 64,100 non-HAMP modifications had been initiated per month during March, April and May, higher than the average for the foregoing three months. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

Data reported by Treasury indicated that, through the end of May, some 24.6 percent of all HAMP permanent modifications had re-defaulted, that is, had been cancelled for missing three or more payments.[4] 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 12.9 percent of HAMP modifications made permanent in the first quarter of 2012 had become delinquent by 60 days or more within 12 months of receiving a modification. Among loan modifications made permanent in the fourth quarter of 2011, 13.0 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, 25.4 percent of non-HAMP modifications made permanent in the first quarter of 2012 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 of the modification.[5] 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 third quarter of 2011, 21.7 percent had become delinquent by 60 or more days 18 months after the modification. This figure was somewhat lower than the 23.1 percent delinquency rate reported for modifications made permanent in the previous quarter. Similarly, 24 months after becoming permanent, loan modifications made during the first quarter of 2011 experienced a serious delinquency rate of 27.4 percent, 2 percent lower than the rate of modifications made permanent in the prior quarter.

[4] 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.

[5] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") Mortgage Metrics Report for the first quarter of 2013 (Table 33), and pertain to non-HAMP modifications of mortgages serviced by a selected group of national banks and a federal savings association. For this same group of financial institutions, the OCC Mortgage Metrics Report indicated that 12.9 percent of HAMP permanent modifications finalized in the first quarter of 2012 had fallen 60 days delinquent within 12 months.

These 18- and 24-month delinquency rates provide a broadening indication of performance for the overall portfolio of HAMP permanent modifications, because roughly 90 percent and 70 percent of the total portfolio, respectively, had been in place for at least 18 or 24 months as of the reporting date.

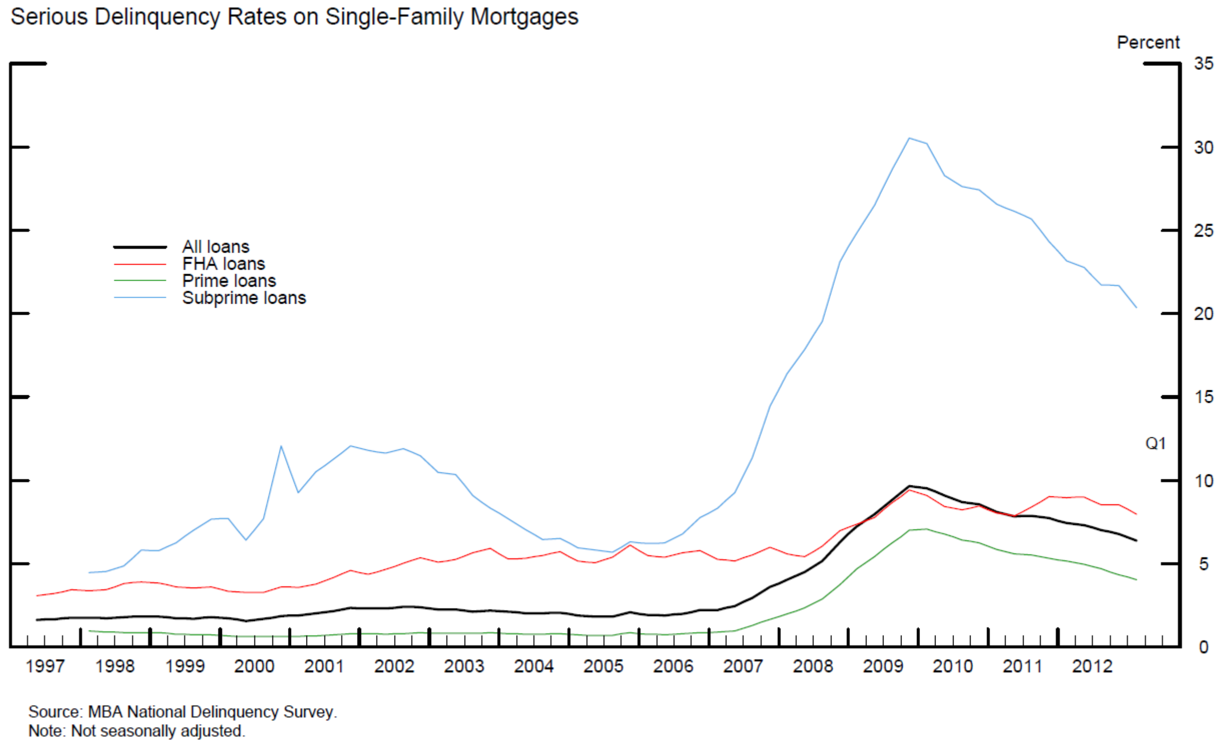
In March 2012 the Administration issued a supplemental directive expanding eligibility of HAMP with the HAMP Tier 2 option, which allows borrowers who failed a HAMP modification or evaluation, and owners of some rental properties, to receive a HAMP modification. As of May 31, 2013, there had been 7,115 HAMP Tier 2 permanent modifications started and 21,100 HAMP Tier 2 trial modifications started.

The first 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 over the last three years have contributed to the decline in serious delinquency rates. Loans originated in 2009 and 2010 experienced much lower rates of early delinquency, compared to loans originated in the middle of the decade.

For FHA mortgages, the number of new 90-day delinquencies in the quarterly period (roughly 86,800) was the lowest since the second quarter of 2008. The seasonally adjusted annual rate of new 90-day delinquencies was the lowest since the fourth quarter of 2008. The improvement in the quarterly period was in part due to implementation of new HUD early-intervention servicing rules by for loss mitigation assistance. Under the new rules, an early intervention involves having a home-retention workout plan in place before the loan reaches 90 days delinquency. Data from the first and second quarters of 2013 show that lenders started to increase the number of early interventions even before the required March 15 start date for the new rules. In the fourth quarter of 2012, when the new servicing rules were first announced, there were fewer than 1,000 early interventions using the FHA HAMP home retention option. By the first quarter of 2013 that number had increased to 2,000 and during the quarterly period the number increased further to 6,600.

Total interventions using the FHA HAMP option increased from an average of fewer than 3,000 per quarter in the first half of 2012, to 8,000 in the fourth quarter of 2012, and to 13,000 in each of the first two quarters of 2013. For the 2013 fiscal year, HUD is on pace to record its highest-ever number of assisted delinquency cures, that is, once-delinquent borrowers who are able to bring their loans back to current status as a result of interventions. As of June 30, that number had exceeded 323,000, compared to a previous high point of 362,000 for the full fiscal year 2011.

Figure 2



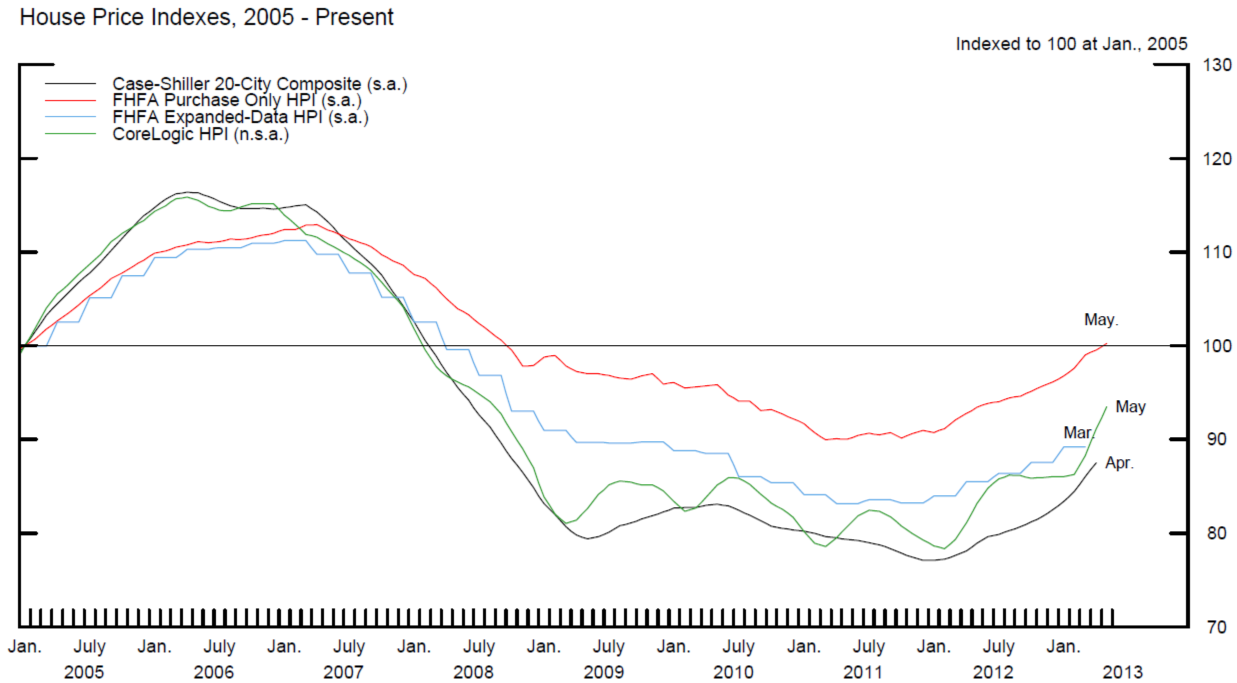
Interest rates rose significantly in May, ending a long period of near-record low rates. The low rates earlier in the quarter and in the preceding year helped lower interest costs for many borrowers, however. The non-TARP HARP program originally allowed borrowers with high loan-to-value ratios ("LTVs") 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 March, April and May of 2013 Fannie Mae and Freddie Mac refinanced about 97,000 mortgages per month on average through the HARP program, up from 91,000 over the previous three months. By the end of May, the Enterprises had refinanced nearly 333,000 loans with LTVs above 125 percent. Available data indicated that HARP 2.0 continued to generate substantial volumes into the quarterly period.

FHA single family endorsement volumes during the quarterly period ($63 billion) were closely in line with the previous two quarters. An increase in home-purchase endorsements for the quarterly period offset a decline in refinance endorsements, reversing the pattern of movement in those two series experienced during the first quarter. The nearly $31 billion in refinance activity was still high relative to earlier second-quarter activity in 2011 and 2012. The $32 billion in home-purchase endorsements was comparable to the year-earlier period.

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 5.6 million annual rate in June, up from a 5.4 million rate in January (seasonally adjusted). Sales have exceeded the 5.0 million annual rate (seasonally adjusted) for 11 consecutive months.

Data on home prices released during the quarter continued to show a rising trend. The house price index from CoreLogic increased about 8.0 percent from February to May, while the FHFA purchase-only index rose 2.7 percent. The Case-Shiller/S&P 20-city index rose nearly 5 percent from February to May (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 May 31, 2013. According to these estimates, the expected overall cost of TARP will be approximately $43.70 billion, using asset prices as of May 31, 2013 (Figure 4). Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $26.14 billion.

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 June 30, 2013, and are provided in Section III.

Figure 4

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

Programs as of June 30, 2013 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of June 30	Outstanding Investment Balance as of June 30	Estimated Lifetime Cost as of May 31[1]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 2.43	$ (10.18)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 3.00	$ 1.18
Total	$ 204.89	$ 204.89	$ 5.43	$ (15.88)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ -	$ (4.00)
Asset Guarantee Program (AGP)[3]	$ 5.00	$ 0.00	$ -	$ (4.00)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.51	$ 0.14
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.23	$ 6.25	$ -	$ (3.04)
Debt	$ 12.38	$ 12.38	$ -	$ 0.33
Total	$ 19.61	$ 18.62	$ -	$ (2.71)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.60)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	$ -	$ 15.18
Total	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ 22.64	$ 17.91
Sub-total for Investment Programs	**$ 418.07**	**$ 411.72**	**$ 28.58**	**$ 6.02**
Making Homes Affordable	$ 29.87	$ 5.84	n/a	$ 29.87
Hardest Hit Fund	$ 7.60	$ 2.68	n/a	$ 7.60
FHA-Refinance[4]	$ 1.03	$ 0.06	n/a	$ 0.21
Sub-total for Housing Programs	**$ 38.49**	**$ 8.58**	**n/a**	**$ 37.67**
Total for TARP Programs	**$ 456.56**	**$ 420.30**	**$ 28.58**	**$ 43.70**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 456.56**	**$ 420.30**	**$ 28.58**	**$ 26.14**

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

1/ Lifetime cost information are as of May 31, 2013. 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 May 31, 2013. The following common stock value information is provided for the convenience of the reader to show the increase or decrease in the aggregate value of the shares outstanding as of May 31, 2013, compared to the aggregate value of shares outstanding as of June 30, 2013, including the net proceeds from shares sold in June 2013.

Outstanding Investment	05/31/2013 Market Value	06/30/2013 Market Value	Increase (Decrease) in Cost
		In billions	
GM Common Stock	$ 7.43	$ 7.34	$ 0.09

Note: The share price for GM was $33.89 for the period ending May 31, 2013 and $33.31 for the period ending June 30, 2013.

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

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

4/ In March 2013, Treasury extended the letter of credit facility to provide coverage for loans refinanced throughout the eligibility period, which had been extended to December 2014, but reduced the amount from $8 billion to $1 billion. Treasury believes this lower amount will be sufficient to accommodate any increased usage that could result through the close of the program. The figures in this line include administrative expenses associated with the letter of credit facility.

5/ As discussed in note 9 to the Daily TARP Update, Treasury's investment in AIG common shares consisted of shares acquired in exchange for preferred stock purchased with TARP funds (TARP shares) and shares received from the trust created by the FRBNY for the benefit of Treasury as a result of its loan to AIG (non-TARP shares). Treasury managed the TARP shares and non-TARP shares together, and disposed of them pro-rata in proportion to its holdings. Only the TARP shares are included under "Other Programs—AIG" and the lifetime cost estimate shows a loss based on Treasury's cost basis in the TARP shares alone. However, a gain is shown for the non-TARP shares in the line entitled "Additional AIG Common Shares Held by Treasury" because Treasury's cost basis in such shares was deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis was $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the reporting period.

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

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from April 1 to June 30, 2013, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

As of June 30, 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 the Community Development Capital Initiative ("CDCI")) had exceeded by $25.91 billion Treasury's total original investment in these programs of $245.10 billion.

i. Update on the CPP

As of June 30, 2013, Treasury had received approximately $196.03 billion in proceeds from repayments and auction sales under the CPP, equivalent to more than 95 percent of the total funds initially invested.[6] These repayments and auction sales, along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations bring the total cash back received from the CPP to $222.75 billion. Treasury will continue to hold onto those investments for which it expects repayment of the CPP preferred shares or subordinated debt at par; this group represents the majority of the remaining banks that are not being considered for auctions. 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, 15 financial institutions delivered a total of $427.9 million in full and partial repayments. In addition, Treasury sold all of its remaining investments in an additional 14 institutions through CPP auctions for total gross proceeds of $158.3 million. Treasury had originally invested a combined total of $180.9 million in these 14 institutions. As of June 30, 2013, Treasury had received a combined total of approximately $31.8 million in dividend payments from these 14 institutions over the lifetime of Treasury's investment.[7] At

[6] This amount includes all proceeds received to date from CPP participants, including sales of common and preferred shares, institutions that refinanced to the SBLF, and institutions that exchanged out of the CPP into the CDCI.

[7] Press releases describing the most significant transactions can be found on the Treasury.gov website:

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

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

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 can be successful only if its bid is at or above the clearing price. Finally, Treasury limits the investments it is auctioning to those which it believes cannot or will not be redeemed by the bank in the near future.

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

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http://www.treasury.gov/press-center/press-releases/Pages/jl1984.aspx.
http://www.treasury.gov/press-center/press-releases/Pages/jl1903.aspx
http://www.treasury.gov/press-center/press-releases/Pages/jl1907.aspx

Figure 5

Remaining CPP Investments with more than $100 Million Outstanding by Institution as of June 30, 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	First Banks, Inc.	Clayton, MO	$	295.4
5	New York Private Bank & Trust Corp.	New York, NY	$	267.3
6	Cathay General Bancorp.	Los Angeles, CA	$	129.0
7	Anchor BanCorp Wisconsin Inc.	Madison, WI	$	110.0

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

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

b. Update on Warrant Dispositions

During the quarterly period, 19 financial institutions repurchased warrants from Treasury for proceeds of approximately $24.2 million. Treasury also sold warrant preferred shares and subordinated debentures in eight institutions in conjunction with CPP auctions and warrants from 16 other institutions in separate warrant auctions during the quarterly period. The total net proceeds from the sale of these additional warrant sales during the quarterly period were $15.6 million. On a cumulative basis, as of June 30, 2013, Treasury had disposed of warrants from 472 CPP institutions and had received approximately $7.9 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 $99.1 million. As of June 30, 2013, cumulative dividends and interest income received from CPP investments was approximately $12 billion.

d. Missed Payments by Portfolio Institutions[8]

During the quarterly period, 96 institutions did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP totaled approximately $2.1 million, which represents nearly 39 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period.

As of June 30, 2013, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the program was approximately $256 million, which represents approximately 2.1 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 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 June 30, 2013, 85 portfolio institutions participating in the CPP had missed six or more payments. In addition to the Treasury-appointed directors cited earlier, Treasury observers participated in board of directors meetings at 33 CPP recipients. These 33 institutions include those that had already missed six or more payments and several that expected to miss their sixth dividend payment in the near future.

[8] Portfolio institutions exclude institutions that have entered bankruptcy, or had a bank subsidiary placed in receivership or for which Treasury had disposed of its CPP investment (collectively referred to as non-portfolio institutions).

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. 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 such transaction occurred during the quarterly period:

- On June 28, Treasury completed the sale to MBG Investors I, L.P., of all preferred stock (including the preferred stock received upon the exercise of warrants) issued by Metropolitan Bank Group, Inc., to Treasury for an aggregate purchase price of $26.0 million, pursuant to the terms of the agreement among Treasury, MBG Investors I, L.P., and Metropolitan Bank Group, Inc. entered into on June 26, 2013.

f. Bankruptcies and Receiverships

During the quarterly period, one institution was placed into receivership and one other institution filed for bankruptcy:

- On April 5, Gold Canyon Bank was closed by the Arizona Department of Financial Institutions, and the Federal Deposit Insurance Corporation was named Receiver. Treasury's investment in Gold Canyon Bank was $1.6 million, and the bank had made no repayments to Treasury as of the date of its closure.

- On April 9, Indiana Bank Corp. filed for Chapter 11 protection in the U.S. Bankruptcy Court for the Southern District of Indiana. Treasury's investment in Indiana Bank Corp. was $1.3 million and the bank had made no repayments to Treasury as of the date of its bankruptcy filing.

As of June 30, 2013, 25 financial institutions with CPP investments totaling $3.1 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (Figure 6).

Figure 6

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

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
Gold Canyon Bank	4/5/2013
Indiana Bank Corp.	4/9/2013

ii. Update on the CDCI

Under the CDCI, credit unions, banks, and thrifts that are certified community development financial institutions ("CDFIs"), received investments of capital with an initial dividend or interest rate of 2 percent per annum, compared to the 5 percent annual rate under the CPP. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate will increase to 9 percent after eight years, compared to five years under the CPP.

CDFIs that participated in the CPP and were in good standing could exchange securities issued under the CPP for securities under the more favorable terms of this program.

As of June 30, 2013, there were 73 institutions remaining in the CDCI. During the quarterly period, the following two institutions repaid their outstanding CDCI investments and exited the program:

- On May 1, First Choice Bank repurchased all of its outstanding CDCI investment from Treasury for a total of $5.1 million plus accrued and unpaid dividends.

- On June 14, Freedom First Federal Credit Union repurchased all of its outstanding CDCI investment from Treasury for a total of $9.3 million plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $3.3 million in dividends from CDCI institutions. Two CDCI institutions missed dividend payments during the quarterly period. As of June 30, 2013, cumulative dividends and interest income received from CDCI investments was approximately $30.7 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).

Due to the longer investment horizon for CDCI investments, Treasury has taken no action to wind down the CDCI. Any disposition decisions regarding the CDCI will be made in the future.

b. Credit Market Programs

i. Update on the Legacy Securities Public-Private Investment Program ("PPIP")

On June 3, the Oaktree Public-Private Investment Fund – previously the last Public-Private Investment Fund ("PPIF") with a remaining Treasury investment under the PPIP – repaid the final $31.8 million in outstanding equity owed to Treasury, plus a $48.5 million gain on the investment, for a total of $80.37 million.

Overall, during the quarterly period, Treasury received approximately $1.1 billion in repayments and other income under PPIP. As of June 30, 2013, all PPIFs had been effectively wound down, that is, either the fund had been closed after distributing all proceeds, or the fund held no PPIP-eligible assets but continued to maintain a small cash balance from which any final distributions will be made to Treasury upon final dissolution of the fund (Figure 7).[9]

[9] At the end of the quarterly period, the following three funds had 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 six funds no longer held 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

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 during the PPIFs' respective investment periods. 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.

In utilizing the $18.6 billion they drew down during their respective investment periods, PPIFs purchased roughly 87 percent non-agency residential mortgage-backed securities (RMBS) and 13 percent commercial mortgage-backed securities (CMBS). Over the life of the PPIP program--in conjunction with TALF, other TARP and non-TARP government programs, and broader improvement in economic activity—conditions in RMBS and CMBS markets have improved significantly. For example, as of June 30, 2013, price indices for pre-crisis prime jumbo RMBS and for some of the more highly rated tranches of pre-crisis CMBS had reached or approached pre-crisis levels, with some securities trading above pre-crisis price levels. CMBS spreads had also made progress returning to levels and characteristics that were seen before the financial crisis began. Non-agency RMBS and CMBS issuance remains below the amounts recorded in 2007 before the financial crisis.

As of June 30, 2013, Treasury had fully recovered its original investment in the PPIP of $18.6 billion, plus a positive return of more than $3.7 billion through equity and debt repayments, interest, and proceeds in excess of original equity capital, including warrant proceeds. Distributions following final dissolution of the PPIFs will provide an additional positive return for taxpayers.

Management Legacy Securities PPIF MasterFund, L.P., Blackrock PPIF, L.P., Oaktree Public-Private Investment Fund, L.P., AG GECC PPIF MasterFund, and Marathon Legacy Securities Public-Private Investment Partnership, L.P.

Figure 7

Fund	Inception Date	Investment Period End Date (1)	Total Treasury Paid in Capital	Total Treasury Gross Distributions	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	$ 3,352	$ 4,213	260.0%	24.8%	1.69x
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	10/02/12	$ 3,192	$ 3,744	177.6%	18.7%	1.45x
Blackrock PPIF, L.P.	10/16/09	10/02/12	$ 1,581	$ 2,018	93.9%	23.1%	1.74x
Invesco Legacy Securities Master Fund, L.P.	10/13/09	09/26/11	$ 1,743	$ 1,904	33.5%	18.2%	1.23x
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	11/25/12	$ 1,424	$ 1,784	132.9%	24.6%	1.76x
Oaktree PPIP Fund, L.P.	02/19/10	12/18/12	$ 1,667	$ 1,880	80.0%	26.3%	1.42x
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	07/15/12	$ 1,862	$ 2,330	106.3%	24.1%	1.69x
UST/TCW Senior Mortgage Securities Fund, L.P.	10/19/09	12/04/09	$ 356	$ 377	N/A[6]	N/A[6]	1.13x
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	10/01/12	$ 3,448	$ 4,173	79.6%	20.1%	1.56x
			$ 18,625	$ 22,423			

(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. Automotive Industry Financing Program ("AIFP")

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. In December 2012, as part of its continuing efforts to wind down TARP, Treasury announced its intent to fully exit its remaining investment in GM within the following 12-15 months, subject to market conditions. As part of that announcement, GM agreed to purchase 200 million shares of GM common stock from Treasury at $27.50 per share – a transaction that closed on December 21, 2012. In January 2013, Treasury began the process of selling its remaining shares into the market.

During the quarterly period, several significant transactions occurred that reduced Treasury's remaining investment in GM:

- On April 11, 2013, Treasury completed its first pre-arranged written trading plan for the sale of its GM common stock. Under this plan, Treasury sold 58.4 million shares of GM common stock for total gross proceeds of approximately $1.6 billion.

- In May 2013, Treasury continued its sale of GM common stock, pursuant to its second pre-arranged written trading plan initiated in May 2013.

- On June 6, 2013, Treasury sold 30 million additional shares of GM common stock at $34.41 per share, in an underwritten public offering in conjunction with GM's inclusion in the S&P 500 index. The aggregate proceeds to Treasury from the sale were approximately $1.03 billion. The UAW Retiree Medical Benefits Trust (VEBA) also sold 20 million shares in the offering, making the total offering size 50 million shares.

Aggregate proceeds to VEBA from the common stock offering were approximately $688 million.

During June 2013, Treasury received total net proceeds of approximately $1.98 billion from the sales of GM common stock.[10] During the quarterly period, Treasury received approximately $4.09 billion from sales of GM common stock.

As of June 30, 2013, Treasury had collected approximately $33.35 billion of its original $49.5 billion investment in GM through repayments, sales of stock, dividends, interest, and other income.[11] Treasury intends to continue selling its remaining shares in an orderly fashion, subject to market conditions.

ii. Ally Financial

During the quarterly period, 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).[12] Of that amount, Treasury had collected a total of $2.54 billion in repayments. Treasury has also collected additional income that brings the total cash received from Ally through June 30, 2013 to $6.07 billion. During the quarterly period, Treasury collected $134 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 ("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. On June 26, the bankruptcy court in the ResCap proceedings approved the Plan Support Agreement between Ally, ResCap, and ResCap's major creditors to settle certain claims against Ally. As part of this agreement, Ally agreed to contribute $2.1 billion to the ResCap estate on the effective date of the plan. The bankruptcy court is expected to rule on the overall plan of reorganization

[10] This includes proceeds from the June 6 sale of 30 million shares of common stock described above. Additional details on the number of GM shares and average price per share that Treasury sold under its pre-arranged written trading plan 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.

[11] This amount only includes what Treasury has recovered from GM. As of June 30, 2013, the total amount that Treasury has recovered, including the investment in GM and loans for the Supplier and Warranty Programs, is $33.71 billion.

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

for ResCap in late 2013 or early 2014.[13] This quarter's progress toward a final resolution of the ResCap bankruptcy in turn provides further certainty to Ally management and market participants, which is a positive step toward allowing Treasury to exit its remaining investment in Ally. 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.

d. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering March 2013, April 2013, and May 2013, as was a quarterly MHA Servicer Assessment for the first quarter of 2013. These reports were released in conjunction with the monthly housing scorecard on the health of the nation's housing market produced by HUD.[14]

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 1.6 million homeowner assistance actions had been granted through the program. While the Home Affordable Modification Program ("HAMP") remains the cornerstone program, MHA also includes a number of other specialized programs to help homeowners facing different challenges.

On May 30, 2013, the Obama Administration extended the application deadline for MHA through December 31, 2015, to provide struggling homeowners additional time to access mortgage assistance. The new deadline was determined in coordination with the FHFA to align with extended deadlines for the Home Affordable Refinance Program (HARP) and the

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[13] The ResCap Plan Support Agreement does not address securities claims brought by Federal Housing Finance Agency and the Federal Deposit Insurance Corporation.

[14] 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.

Streamlined Modification Initiative for homeowners with loans owned or guaranteed by Fannie Mae and Freddie Mac.[15]

A total of $29.87 billion has been committed to MHA. Of that amount, Treasury had disbursed $5.84 billion of incentive payments for MHA as of June 30, 2013.[16] Based on all MHA activity in place as of June 30, 2013, Treasury estimated that $12.6 billion in incentive fees would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and receive incentives for five years.

a. HAMP

As of May 31, 2013, more than 1.3 million homeowners had received a permanent first lien modification through MHA since the start of the program, including more than 1.2 million through HAMP.

Specifically, approximately 16,000 new trial plans were started in March 2013, approximately 17,000 were started in April 2013, and approximately 18,000 new trials were reported in May 2013. Approximately 12,000 permanent modifications were started in March 2013, approximately 12,000 in April 2013, and approximately 16,000 were started in May 2013.

As of May 31, 2013, homeowners in active HAMP permanent modifications saved approximately $547 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 $20.3 billion in monthly mortgage payments.

Eighty-eight percent of eligible homeowners entering a HAMP trial modification since June 2010 have received a permanent modification, with an average trial period of 3.5 months. The majority of homeowners who have received a permanent HAMP modification have been able to sustain their payments over time.

b. HAMP Tier 2

As of May 31, 2013, there had been 7,115 HAMP Tier 2 permanent modifications started and 21,100 HAMP Tier 2 trial modifications started. Of the Tier 2 trial modifications that were started, 27 percent were previously in a Tier 1 trial or permanent modification. Some 19 percent had been evaluated previously for a Tier 1 modification and did not meet the eligibility

[15] Additional information on the extension of MHA can be found at: http://www.treasury.gov/press-center/press-releases/Pages/jl1959.aspx

[16] 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.

requirements. Of the Tier 2 trial modifications started, eight 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 May 31, 2013, and after just two and one-half years of FHA-HAMP availability, some 150,000 trial modification plan offers have been made. Of that number, more than 103,000 completed their trial period and 55 percent of those borrowers successfully transitioned to a permanent modification. HUD has seen a significant increase in FHA-HAMP activity during the last two quarters as a result of implementing new servicing rules.[17] Those rules require loan servicers to offer FHA-HAMP to all borrowers when the loan delinquency is due to income disruptions or increases in living expenses, and to bring the borrower's monthly payment into a prescribed target range. With FHA-HAMP, borrowers to date have received average payment reductions of nearly $250 per month. That amount represents a 30 percent reduction in principal-and-interest payment, and close to a 20 percent reduction in total mortgage payment.

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 May 31, 2013, nearly 112,000 homeowners in a permanent first lien modification under HAMP had received assistance through 2MP. Homeowners in 2MP with an active permanent modification save a median of $153 per month on their second mortgage, resulting in a median total first and second lien payment reduction of 41 percent. Homeowners who receive a full extinguishment of their second lien receive a median total first and second lien payment reduction of 53 percent. Those who received a full extinguishment of their second lien have typically reduced their total monthly mortgage payment by $1,047. 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 May 31, 2013, approximately 170,000 homeowners had exited their home through a short sale or deed-in-

[17] Additional information can be found in FHA Mortgagee Letter 2012-22, "Revisions to FHA's Home Retention Loss Mitigation Options," November 16, 2012, at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee/2012ml

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 April 30, 2013, more than 33,000 UP forbearance plans had been started. UP reporting is one month behind the other MHA data because it relies on surveys of servicers rather than the usual MHA reporting mechanisms.

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 of principal reduction outside of PRA. Of all non-GSE loans eligible for principal reduction that started a trial in May 2013, 69 percent included a principal-reduction feature, including 56 percent through the HAMP PRA program.

As of May 31, 2013, there had been 142,313 permanent HAMP modifications with principal reduction. These modifications typically reduced the principal amount by $67,565 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 $10.6 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 June 30, 2013, all 18 states and the District of Columbia were operating HHF programs statewide and collectively had drawn approximately $2.68 billion (more than 35 percent) of the $7.6 billion allocated under the program. Each state draws down funds as they are needed (see Figure 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.

All 19 HFAs have created extensive infrastructures to operate these programs, including selecting and training networks of housing counselors to assist with applications, creating homeowner portals to aid homeowners in applying for assistance, and hiring underwriters and other staff to review and approve applications. All major servicers are participating in HHF programs primarily through mortgage payment assistance and mortgage loan reinstatement assistance.

As of June 30, 2013, there were 63 active programs across the 19 HFAs.[18] 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 has continued its efforts to identify best practices, share lessons learned between states and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury continued to participate in bi-weekly conference calls with the 19 HFAs and the large servicers participating in the HHF to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize the HHF. Treasury also convened the fourth annual Hardest Hit Fund Summit, bringing together all 19 HFAs, several large servicers, and the GSEs to discuss programmatic, operational, and outreach enhancements that will be most meaningful in this stage of the HHF's evolution.

During the quarter, Treasury approved program changes for Arizona, California, Florida, Michigan, and Oregon. Arizona's most noteworthy changes included adding a lease-to-own option to its short sale program and increasing the maximum assistance available across its programs. California increased the maximum payment assistance available for unemployed homeowners and streamlined borrower eligibility criteria. Florida introduced the Modification Enabling Pilot Program, which provides matched principal reduction assistance in conjunction with a modification to reduce a homeowner's payment to no more than 35 percent of monthly income.

Michigan introduced the Blight Elimination program, which will focus efforts on decreasing foreclosures and stabilizing neighborhoods through the targeted demolition and "greening" of vacant and abandoned residential properties in designated areas across Michigan.[19] A total of $100 million of HHF funds was allocated to facilitate the demolition of approximately 4,000 properties in the cities of Detroit, Flint, Grand Rapids, Pontiac, and Saginaw.

[18] On January 31, 2013, the Hardest Hit Fund Rhode Island closed the application period for new homeowners, becoming the first HHF program to do so.

[19] At the same time a structure is demolished--and the property cleaned--"greening" is accomplished by adding groundcover, trees, or plants.

Under the program, the Michigan State Housing Development Authority will partner with local land banks to acquire, demolish, and "green" abandoned and blighted properties that meet the program criteria. Upon completion of these activities, Michigan Homeowner Assistance Nonprofit Housing Corporation, the actual recipient of HHF funds, will provide HHF funds to extinguish any existing lien, reimburse demolition costs, and offset maintenance expenses for a term of five years in return for a new forgivable lien. By doing so, the Blight Elimination program will help to support the values of neighboring homes and thereby reduce foreclosures among these neighboring properties. Michigan is in the process of finalizing its program guidelines and plans to launch this program in the third quarter of 2013[20].

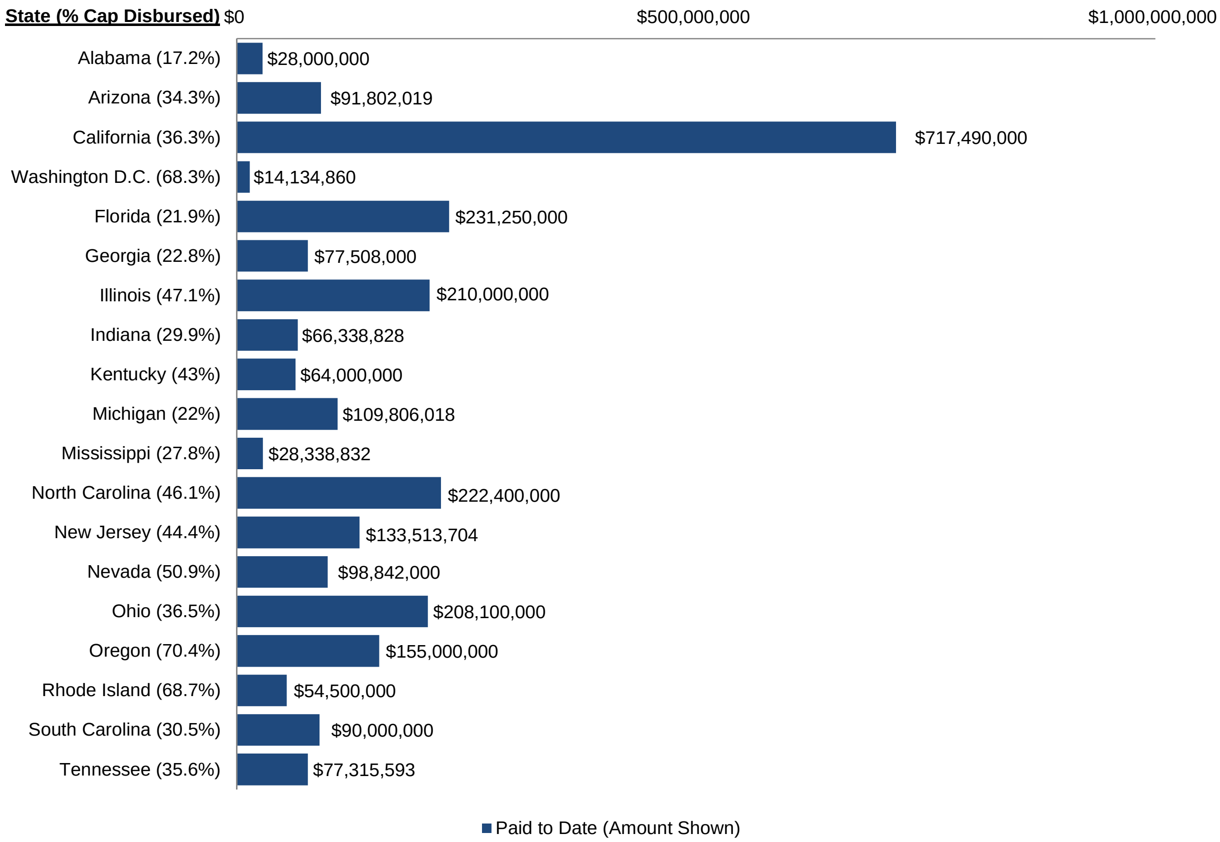
Building on targeted geographic success, Oregon expanded its mortgage assistance program to include underemployed homeowners and owners of condominiums and townhomes statewide. These program changes reflect the states' efforts to remain flexible and adaptive to current housing market trends and homeowner needs.

Performance reports through the first quarter of 2013 indicate that as of March 31, 2013, HFAs disbursed $1.32 billion on behalf of approximately 110,000 homeowners compared to just 43,580 at the end of the first quarter 2012, a 152 percent increase in the number of homeowners assisted. The HFAs continue to innovate, develop new programs, and adapt existing programs with the goal of helping homeowners amid changing market and economic conditions.

[20] Further information on Michigan's Blight Elimination Program under HHF is available at: http://www.michigan.gov/snyder/0,4668,7-277-57577_57657-305161--,00.html

Figure 8

Hardest Hit Fund as of June 30, 2013



APPENDIX A

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

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

A meeting of the Financial Stability Oversight Board ("Board") was held at 10:00 a.m. (EST) on Monday, April 22, 2013, via teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White
Mr. DeMarco

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

Mr. 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

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

Chairperson Bernanke called the meeting to order at approximately 10:00 a.m. (EDT).

The Board then considered draft minutes for the meeting of the Board on March 21, 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 Term Asset-Backed Securities Loan Facility ("TALF"); the Legacy Securities Public-Private Investment Program ("PPIP"); and the Making Home Affordable ("MHA") initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs. As of April 19, 2013, approximately $33 billion of the $411.7 billion non-housing-related TARP disbursements remained outstanding; however, Treasury's total recovery through repayments, dividends, interest, and other income (including the proceeds from sales of all Treasury AIG shares) was $413.9 billion, exceeding the amount disbursed under the TARP investment programs. The estimated lifetime cost for TARP programs was revised downward by approximately $7.9 billion from the prior month to $47.6 billion, due to a reduction in the estimated lifetime cost for the FHA-Refinance Program. Treasury estimates the total cost for TARP programs at approximately $30 billion, when adjusted for the proceeds Treasury received from the sale of its additional AIG shares.

Treasury officials then provided the Members with an update on the CPP. Treasury reported that the April 2013 auctions of CPP securities in eight financial institutions provided approximately $104 million in gross proceeds to Treasury. The offerings were priced through modified Dutch auctions. The transactions were expected to close on or about April 29, 2013, subject to customary closing conditions. Officials also 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. During March, four institutions repurchased all or part of their outstanding CPP preferred shares or subordinated debentures from Treasury's investment in those institutions resulting in total proceeds of approximately $139.5 million.

Treasury officials then provided Members with an update on the AIFP. Officials noted that on April 11, 2013, Treasury completed its first pre-arranged written trading plan to sell its remaining shares of General Motors common stock. As part of the AIFP discussion, officials also discussed recent developments in the bankruptcy proceeding of Ally Financial's ("Ally") non-bank mortgage affiliate, Residential Capital LLC. Officials noted that Treasury has appointed six directors to the board of directors of Ally, including former Treasury official Mathew Pendo.

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 Treasury continues to receive distributions of excess accumulated fees and income earned by TALF LLC.

Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. Officials noted that Oaktree is the only fund remaining in the program with debt and equity outstanding to Treasury and is continuing to repay Treasury's investment under TARP. As of March 31, 2013, Treasury's remaining investment under the PPIP was less than

$600 million. As part of this discussion, Treasury officials reviewed the net equity returns to Treasury and performance of the PPIP funds since the inception of the program. Officials also highlighted the performance of certain market indicators in the market for mortgage-backed securities through the life of the program.

Treasury officials then provided Members with an overview of the report issued by the Office of the Special Inspector General for TARP ("SIGTARP") on April 9, 2013, titled "Banks that Used the Small Business Lending Fund to Exit TARP." Officials noted that Congress authorized the Small Business Lending Fund ("SBLF") as part of the Small Business Jobs Act of 2010, with the objective of providing capital to community banks to increase the availability of credit to small businesses. The SBLF draws from a source of funding separate from TARP, and it is administered by a separate organization within Treasury. Congress designed the SBLF to provide incentives for small business lending through the program's dividend rate structure. As part of this discussion, Treasury officials reviewed the recommendations provided by the SIGTARP in the report.

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"). The application deadline for MHA is currently December 31, 2013. As part of this discussion, Treasury officials described the streamlined modification option recently announced by the Government Sponsored Enterprises ("GSEs"), which is aimed at borrowers who may not be able to provide full documentation or might not qualify for alternative GSE modification options. Borrowers will continue to be offered a modification under the MHA initially, and Treasury officials noted that if the borrower is eligible, an MHA modification would typically have more favorable terms.

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF. Officials noted that Treasury will hold a summit with HFAs, FHFA, mortgage servicers, and the GSEs in May to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize HHFs.

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 10:25 a.m. (EDT).

[Signed electronically]

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Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
May 20, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Monday, May 20, 2013, via teleconference.

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Ms. White

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

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

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

The Board considered draft minutes for the meeting of the Board on April 22, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); Automotive Industry Financing Program ("AIFP"); the Term Asset-Backed Securities Loan Facility ("TALF"); the Legacy Securities Public-Private Investment Program ("PPIP"); and the Making Home Affordable ("MHA") initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs. The estimated lifetime cost for TARP programs as of April 30, 2013, remained unchanged at $47.6 billion, or $30 billion, when adjusted for the proceeds Treasury received from the sale of its additional AIG shares.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. Treasury reported that gross proceeds of $167 million related to CPP investments had been received, including $114.1 million from auctions of outstanding preferred stock and subordinated debt in eight CPP institutions since the last meeting. As of May 20, 2013, Treasury continued to hold $5.6 billion in remaining CPP-related assets. As part of this discussion, Members and officials discussed prospects for additional near-term recoveries under the program.

Treasury officials then provided Members with an update on the AIFP. In April, Treasury completed its first pre-arranged trading plan to sell a portion of its remaining common shares of General Motors (“GM”); since January, this trading plan had yielded receipts of approximately $1.6 billion. Officials noted that in May, Treasury commenced its second pre-arranged written trading plan.

As part of the AIFP discussion, officials also discussed the status of Treasury’s investment in Ally Financial (“Ally”), including recent developments in the bankruptcy proceeding of Ally’s non-bank mortgage affiliate, Residential Capital LLC (ResCap). Ally announced on May 14, 2013, that it had entered into a comprehensive plan support agreement with the ResCap estate and its major creditors to support a Chapter 11 plan. The plan will settle all existing and potential claims between Ally and ResCap and all potential claims held by third parties related to ResCap that could be brought against Ally and subsidiaries that are not Chapter 11 debtors, except for securities claims by the Federal Housing Finance Agency (FHFA) and the Federal Deposit Insurance Corporation (FDIC), as receiver for certain failed banks.

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 Treasury will continue to receive distributions of excess accumulated fees and income earned by TALF LLC.

Officials then provided an update on the performance of the Public-Private Investment Funds (“PPIFs”) established under the PPIP. Officials noted that as of April 30, 2013, Oaktree was the only fund remaining in the program with equity outstanding to Treasury and all debt funding provided by Treasury under PPIP had been repaid. As of April 30, 2013, Treasury had fully recovered its original PPIP investment of $18.6 billion and received a positive return of $3 billion.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). The application deadline for MHA is currently December 31, 2013. Treasury officials noted the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through March 31, 2013. Treasury officials indicated that they were continuing to assess the public benefit of extending the program period beyond 2013. As part of this discussion, Treasury officials discussed the most recent Office of the Special Inspector General for TARP ("SIGTARP") Quarterly Report to Congress, dated April 2013. Officials provided an overview of the SIGTARP's recommendations related to redefault rates on loan modifications under the Home Affordable Modification Program ("HAMP").

Treasury officials also provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status and funding of the programs to date, and discussed certain revised approaches under consideration by the HFAs participating in HHF. Officials noted that Treasury held its annual summit with HFAs, FHFA, mortgage servicers, and the GSEs earlier in May to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize HHFs.

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 2:20 p.m. (EDT).

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Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting June 20, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Thursday, June 20, 2013, at the offices of the Department of Treasury ("Treasury").

MEMBERS PARTICIPATING:

Mr. Bernanke, Chairperson
Mr. Lew
Mr. Donovan
Mr. DeMarco

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

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

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

The Board considered draft minutes for the meeting of the Board on May 20, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-Backed Securities Loan Facility ("TALF"); the Legacy Securities Public-Private Investment Program ("PPIP"); and the Making Home Affordable ("MHA") initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs. As of May 31, 2013, taxpayers have recovered $398.2 billion of the $420.0 billion in TARP funds disbursed by Treasury. Officials noted that, when excluding disbursements under the housing programs, Treasury has disbursed $411.7 billion and recovered $415.7 billion (including the proceeds from sales of all Treasury AIG shares). Treasury's outstanding investment balance in these investment programs was $31.28 billion. With regard to housing-related programs, $8.25 billion had been disbursed to eligible borrowers to prevent avoidable foreclosures, from the total obligated funds of $38.49 billion.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. Treasury reported that the June 2013 auctions of CPP securities of six institutions for aggregate gross proceeds of approximately $56 million. Also in June, Treasury conducted auctions for its warrant positions in 16 institutions that were received in consideration for investments made under the CPP. These auctions resulted in additional returns to taxpayers of approximately $13.4 million from Treasury's investments in these banks beyond any dividend or interest payment. In addition, two CPP institutions redeemed their CPP shares for total proceeds of approximately $4.7 million. Upon settlement of the June 2013 CPP auction, Treasury officials noted that 143 banks will remain in the TARP CPP program, which had an outstanding investment balance of approximately $5.5 billion. As part of this discussion, Members and officials discussed prospects for additional near-term recoveries under the program.

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

Treasury officials then provided Members with an update on the AIFP. Officials noted that in May, Treasury commenced its second pre-arranged written trading plan to sell a portion of its remaining common shares of General Motors ("GM"). In early June, Treasury sold 30 million additional shares of GM common stock through an underwritten public offering that was timed to coincide with the addition of GM to the S&P 500 index. This offering provided Treasury with $1.03 billion in proceeds.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial

("Ally"), including recent developments in the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC (ResCap). On May 14, 2013, Ally entered into an agreement with the ResCap estate and its creditors where Ally would contribute $2.1 billion to support ResCap's Chapter 11 plan. Treasury officials noted that John Durrett had resigned on May 27 from the Ally board of directors and Brian MacDonald, former chief executive officer of Sunoco, had joined the firm's board of directors.

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 Treasury will continue to receive distributions of excess accumulated fees and income earned by TALF LLC.

Officials then provided an update on the performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP. Officials noted that on June 3, 2013, the Oaktree PPIF, the only fund with a remaining outstanding Treasury investment, had fully repaid the $31.8 million equity outstanding to Treasury, plus an additional $48.5 million gain on the investment. As a result, Treasury had fully recovered its original PPIP investment of $18.6 billion along with a positive return of nearly $3.7 billion under the PPIP.

Treasury officials then provided an update on the MHA and other related housing initiatives, including HAMP and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Treasury officials noted that the application deadline for MHA—previously set to expire in December 2013—had been extended for two more years to December 2015, to help eligible borrowers to prevent avoidable foreclosures. Treasury officials also reported the results of Treasury's MHA programs, including the homeowner assistance actions taken under Home Affordable Modification Program ("HAMP") through April 2013.

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

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, re-default rates of modified mortgages, refinancing activity, 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. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 2:40 p.m. (EDT).

William F. Treacy,
Executive Director