FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
September 30, 2015

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

<u>Statutory Members</u>

Janet Yellen
Chair
Board of Governors of the Federal Reserve System

Jacob J. Lew
Secretary
Department of the Treasury

Mary Jo White
Chair
Securities and Exchange Commission

Julián Castro
Secretary
Department of Housing and Urban Development

Mel Watt
Director
Federal Housing Finance Agency

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I. INTRODUCTION

This quarterly report of the Financial Stability Oversight Board ("Oversight Board"), issued pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covers the period from July 1, 2015 to September 30, 2015 (the "quarterly period").

The Oversight Board was established by section 104 of the EESA to help oversee the Troubled Asset Relief Program ("TARP") and other emergency authorities and facilities granted to the Secretary of the Treasury ("Secretary") under the EESA. The Oversight Board is composed of the Secretary, the Chairman of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Director of the Federal Housing Finance Agency ("FHFA"), the Chairman of the Securities and Exchange Commission ("SEC"), and the Secretary of the Department of Housing and Urban Development ("HUD"). In accordance with the bylaws of the Oversight Board, each Member has designated an official of the same agency to serve as that Member's Representative on the Oversight Board ("Representative").[1]

Through Oversight Board meetings and other activities, the Oversight Board reviews and monitors the development, implementation, and effect of the policies and programs established under TARP to restore liquidity and stability to the U.S. financial system.

The Oversight Board met three times during the quarterly period, specifically on July 31, August 24, and September 21, 2015. As reflected in the minutes of the Oversight Board's meetings,[2] the Oversight Board regularly receives presentations and briefings from Treasury officials during these meetings to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

[1] The respective Members named the following Representatives: Mr. David Wilcox, Division Director, Federal Reserve Board; Mr. Seth Carpenter, Acting Assistant Secretary for Financial Markets, Department of Treasury; Mr. Richard Green, Senior Advisor, Office of Housing, Department of Housing and Urban Development; Mr. Michael Liftik, Deputy Chief of Staff, Securities and Exchange Commission; and Ms. Megan Moore, Special Advisor, Federal Housing Finance Agency.

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

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

In past quarterly reports, the Oversight Board has indicated that financial-market shocks from the crisis have been lessened by Treasury's actions under EESA, that TARP and other government programs have contributed to preventing the adverse effects of the crisis from becoming significantly more severe, and that the accumulated effects of Treasury's actions under TARP continued to contribute significantly and positively to conditions in many financial markets during subsequent quarters.

In past quarterly reports the Oversight Board has indicated that 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 have continued to support housing markets and provide assistance to mortgage borrowers. These accumulated and ongoing actions continue to be a stabilizing influence on housing markets and to reduce avoidable foreclosures.

TARP housing-sector programs remain open to new applications from eligible borrowers, have continued to provide thousands of new assistance actions each month, and will provide assistance to additional mortgage borrowers going forward. Over time it has become more difficult to evaluate the incremental contributions of new TARP borrower-assistance actions to overall housing market conditions relative to broader powerful contributing influences, such as the strength of economic recovery and developments with regard to credit standards. Accordingly, the Oversight Board evaluation of TARP housing-sector programs concentrates on the volume of new borrower assistance actions and the resilience over time of past mortgage modifications and similar TARP actions, rather than on their relationship to overall housing market conditions.

Repayments and recoupments of financial sector investments, in contrast, have brought the remaining outstanding balances of these programs to only a small fraction of their peak levels. The Capital Purchase Program ("CPP") and the Community Development Capital Initiative ("CDCI") remain the only TARP financial-sector programs that still have outstanding balances. Accordingly, the Oversight Board evaluation of the effects of Treasury's financial-sector programs under TARP focuses on Treasury's administration of the financial-sector assets Treasury still owns, emphasizing the management of these assets toward exit strategies that protect taxpayers rather than the connection of these assets to overall conditions in financial markets. Such evaluations are integrated with broader discussion of program developments in section III.

a. **Volume of TARP mortgage borrower assistance actions**

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During April, May and June 2015, new HAMP Tier 1 and Tier 2 permanent modifications totaled about 11,900 per month, while total active permanent modifications increased from roughly 974,200 at the end of March 2015 to more than 985,000 at the end of June 2015.[3] The Second Lien

[3] The term "HAMP Tier 1 and Tier 2 modifications" is used to highlight distinctions between these modifications as a group, on the one hand, and FHA- HAMP modifications, on the other.

Modification Program ("2MP"), which is designed to encourage modifications or full extinguishments of second liens where the first lien mortgage has already been modified under HAMP, continued to expand. By the end of June 2015, more than 84,400 2MP modifications were active, slightly below the 84,800 that were active at the end of March 2015. Nearly 149,600 2MP modifications had been started, cumulatively, through June, and more than 41,700 of these involved full extinguishment of the second lien. As of the end of June there were more than 186,800 active permanent HAMP Tier 1 and Tier 2 first-lien modifications with principal reduction. Also through June, completed transactions under 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, had reached about 328,350 short sales and more than 45,500 deed-in-lieu transactions.

The HOPE NOW Alliance reported that the number of non-HAMP modifications continued to exceed the number established under HAMP. HOPE NOW reported an average of roughly 27,900 non-HAMP modifications had been initiated per month during April, May and June 2015, slightly below the average for the previous three months (29,200). Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

b. Performance of past TARP mortgage borrower assistance actions

Data reported by Treasury during the quarter indicated that, through the end of June, some 31.5 percent of all HAMP Tier 1 and Tier 2 permanent modifications had re-defaulted, that is, were disqualified 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 13.0 percent of HAMP Tier 1 modifications made permanent in the second quarter of 2014 had become delinquent by 60 days or more within 12 months of receiving a modification (figure 1). Similarly, among loan modifications made permanent in the first quarter of 2014, some 13.1 percent had become delinquent by 60 or more days within the same 12-month interval. At that level, the 12-month re-default rate for the second quarter of 2014 cohort remained close to the highest reported since the second quarter of 2012, although that rate is well below the comparable-interval delinquency rates seen prior to 2012.

[4] Comparing cumulative re-defaults to the cumulative number of permanent modifications provides a single rough indication of portfolio-wide re-default frequency. The cost of this simplicity is that the single re-default metric does not take account of analytically useful distinctions within the portfolio of permanent modifications, for example, the different periods of time that have passed since the modifications were put into place. A more detailed analysis of delinquency patterns in HAMP permanent modifications is available in the most recent MHA Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx. Summary data on MHA programs are also being reported on a monthly basis in Treasury's Monthly Report to Congress (also known as the "105(a) report").

Figure 1

HAMP Tier 1 Permanent Modifications

Delinquency: Months After Conversion to Permanent Modification						
Modification Effective in:	**12**		**24**		**36**	
	#	**60+ Days**	**#**	**60+ Days**	**#**	**60+ Days**
2009Q3	4,624	26.00%	5,056	37.00%	5,155	44.10%
2009Q4	51,346	20.40%	55,488	31.60%	56,307	39.70%
2010Q1	160,992	20.40%	167,781	31.90%	166,046	39.70%
2010Q2	173,387	19.50%	178,681	31.00%	174,891	39.20%
2010Q3	104,151	18.20%	106,169	29.50%	104,438	37.10%
2010Q4	65,108	18.40%	66,419	29.60%	65,932	36.30%
2011Q1	79,520	17.00%	80,744	27.60%	80,896	33.80%
2011Q2	92,536	16.20%	91,385	27.30%	91,462	33.20%
2011Q3	86,831	15.60%	85,052	25.80%	86,800	31.00%
2011Q4	67,698	14.70%	67,578	23.40%	67,678	28.50%
2012Q1	50,729	14.10%	50,629	22.50%	50,176	27.90%
2012Q2	45,151	13.60%	44,878	22.10%	44,800	27.00%
2012Q3	49,610	13.00%	50,409	20.90%	*16,840*	*26.00%*
2012Q4	42,347	12.30%	42,741	19.90%		
2013Q1	41,953	12.60%	42,104	19.90%		
2013Q2	33,659	11.80%	34,066	19.00%		
2013Q3	34,752	12.10%	*11,096*	*19.30%*		
2013Q4	29,861	12.30%				
2014Q1	26,389	13.10%				
2014Q2	20,434	13.00%				
2014Q3	*6,222*	*12.40%*				
2014Q4						
2015Q1						
2015Q2						
All	**1,267,300**	**16.60%**	**1,180,276**	**27.20%**	**1,011,421**	**35.20%**

Notes:

- Performance of HAMP Tier 1 Permanent Modifications as of June 2015, showing selected details for the full set of quarterly cohorts that lay behind more summarized cohort information contained in the Quarterly MHA Program Performance Reports. See notes in MHA Performance Reports for further details.
- The number of modifications shown in the most recent quarter includes less than a full quarter of originations.

Comparison with other data over the 12-month horizon: As discussed in its past Quarterly Reports, the Oversight Board has found performance comparisons of HAMP versus non-HAMP delinquency experience at a selected group of institutions regulated the Office of the Comptroller of the Currency ("OCC") to be useful as reference information for assessing the performance and sustainability of HAMP modifications put in place under TARP.[5] According to the most recent OCC data available to the Oversight Board during the quarterly period, some 19.8 percent of what are described as HAMP modifications made permanent in the second quarter of 2014 had become 60 or more days delinquent within 12 months of the modification. This figure is substantially higher than the comparable figure (13.0 percent) described above. For this same group of financial institutions, some 20.8 percent of "non-HAMP permanent modifications" finalized in the second quarter of 2014 had fallen 60 days delinquent within 12 months.

Upon further analysis and discussion, it has become clear that differences in methodology between data reported for the eight OCC banks and the official MHA data have become more consequential for modifications made permanent in recent quarters. One significant difference in methodology is that the OCC bank data include as "HAMP modifications" those modifications done under the FHA-HAMP program (only a small portion of which involve any TARP funds),[6] while MHA data are restricted to HAMP Tier 1 and (more recently) Tier 2 modifications. Recent shifts in the relative levels of new permanent modifications between the HAMP Tier 1 and Tier 2 programs and the FHA-HAMP programs have magnified in recent quarters the significance of this methodological difference for comparisons between delinquency rates for HAMP Tier 1 and Tier 2 delinquency rates published in MHA Performance reports and blended HAMP Tier 1/HAMP Tier 2/FHA-HAMP delinquency rates published in OCC Mortgage Metrics reports.

The Oversight Board believes that FHA-HAMP modifications, which provide important relief for struggling FHA borrowers, can reasonably be expected to have higher typical delinquency rates than HAMP Tier 1 and Tier 2 modifications, because of differences in underlying loan characteristics, potential differences in modification structure, and possibly other factors.[7] Comparative delinquency

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[5] Data for this report were drawn from the OCC Mortgage Metrics Report for the second quarter of 2015 (Table 35). The Oversight Board expresses its appreciation to the OCC for useful staff-level discussions on the properties of the Mortgage Metrics data.

[6] Some analysts of commercially-available mortgage data have also combined HAMP Tier 1 and (possibly) Tier 2 modifications with FHA-HAMP. See for example DS News, "Recent HAMP Loan Mods Re-Defaulting At Higher Rates," October 21, 2015 citing data from Black Knight Financial Services.

[7] The terms of an FHA-HAMP modification are established using a specific decision process. Prior to participation in FHA-HAMP, FHA requires its lenders to engage in a prescribed series of loss mitigation and home retention strategies (special forbearance, loan modification, and partial claim). Under FHA-HAMP, FHA lenders are authorized to reduce interest rates for the life of the loan, while HAMP Tier 1 grants a temporary interest rate reduction for five years, and gradually increases the rate to the mortgage rate prevailing at the time the modification was initiated. Additionally, FHA-HAMP offers a principal deferment option, under which borrowers can get up to a 30 percent principal reduction, which is held as a junior deferred balance ("soft second") at zero percent interest and is only due when there is a change to the ownership of the property. Unlike MHA's Principal Reduction Alternative, FHA-HAMP does not offer a principal reduction feature.

data on HAMP Tier 1, HAMP Tier 2 and FHA-HAMP modifications (figure 2) highlight the clear and persistent differences in the level of performance across modification types, even taking account of differing threshold definitions of serious delinquency.[8] At the 60-day definition, serious delinquencies for HAMP Tier 2 have been systematically and materially higher than those for HAMP Tier 1. At the 90-day definition, FHA-HAMP serious delinquencies have been systematically and substantially higher than those for HAMP Tier 1 and, at least over the past year, those for HAMP Tier 2.

In addition to the different tendencies of the individual modification types toward serious delinquency, the effect of blending performance data for FHA-HAMP with those for HAMP Tier 1 will depend upon the level and mix of these two types of modifications. HAMP Tier 1 volumes in recent quarters have been well below 2010-2011 levels, and have continued to exhibit a gradual decline. FHA HAMP volumes, in contrast, were small until early 2013 and have been larger than those of HAMP Tier 1 modifications since then.[9]

[8] MHA performance data emphasize the 60-day standard for serious delinquencies, and also report data using the 90-day standard. FHA reports serious delinquencies only using the 90-day standard, while OCC's bank data are reported only using the 60-day standard.

[9] This passage and the following paragraphs highlight data for HAMP Tier 1 modifications for continuity with prior Quarterly Reports. As noted above, delinquency rates for HAMP Tier 2 modifications have been materially and systematically higher than those for HAMP Tier 1, and have been published only recently.

Figure 2

Performance of HAMP Tier 1, Tier 2, and FHA HAMP Modifications by Vintage Delinquency 12 Months After Conversion to Permanent Modification

Modifications Effective In (Calendar Qtr)	HAMP Tier 1			HAMP Tier 2			FHA-HAMP		
	#	60+ Days	90+ Days	#	60+ Days	90+ Days	#	60+ Days	90+ Days
2009Q3	*4,624*	*26.0%*	*21.3%*	-	-	-	-	-	-
2009Q4	*51,346*	*20.4%*	*15.9%*	-	-	-	-	-	-
2010Q1	*160,992*	*20.4%*	*16.1%*	-	-	-	*338*	-	*28.7%*
2010Q2	*173,387*	*19.5%*	*16.1%*	-	-	-	*1,734*	-	*32.2%*
2010Q3	*104,151*	*18.2%*	*14.5%*	-	-	-	*1,321*	-	*24.1%*
2010Q4	*65,108*	*18.4%*	*14.5%*	-	-	-	*1,452*	-	*21.9%*
2011Q1	*79,520*	*17.0%*	*13.6%*	-	-	-	*2,210*	-	*28.6%*
2011Q2	*92,536*	*16.2%*	*13.2%*	-	-	-	*3,114*	-	*47.0%*
2011Q3	*86,831*	*15.6%*	*12.3%*	-	-	-	*2,166*	-	*29.5%*
2011Q4	*67,698*	*14.7%*	*11.4%*	-	-	-	*2,174*	-	*24.9%*
2012Q1	*50,729*	*14.1%*	*10.9%*	-	-	-	*2,915*	-	*24.4%*
2012Q2	*45,151*	*13.6%*	*10.9%*	-	-	-	*3,608*	-	*24.9%*
2012Q3	*49,610*	*13.0%*	*10.1%*	-	-	-	*4,781*	-	*18.3%*
2012Q4	*42,347*	*12.3%*	*9.4%*	*1,177*	*22.9%*	*16.6%*	*7,833*	-	*14.0%*
2013Q1	*41,953*	*12.6%*	*9.6%*	*2,826*	*23.5%*	*17.9%*	*14,990*	-	*13.3%*
2013Q2	*33,659*	*11.8%*	*9.4%*	*5,049*	*21.8%*	*17.3%*	*14,570*	-	*16.9%*
2013Q3	*34,752*	*12.1%*	*9.2%*	*13,623*	*22.2%*	*16.7%*	*29,293*	-	*17.1%*
2013Q4	*29,861*	*12.3%*	*9.5%*	*12,598*	*22.1%*	*17.0%*	*35,959*	-	*19.5%*
2014Q1	*26,389*	*13.1%*	*10.3%*	*12,031*	*21.5%*	*16.9%*	*41,464*	-	*20.9%*
2014Q2	*20,434*	*13.0%*	*10.7%*	*11,311*	*19.8%*	*15.6%*	*55,032*	-	*21.2%*
2014Q3									
2014Q4									
ALL	***1,261,078***	***16.6%***	***13.2%***	***58,615***	***21.5%***	***16.6%***	***224,954***		***20.0%***

Sources:

- For HAMP Tier 1 and Tier 2: MHA Performance Report for 2nd Quarter 2015
  HAMP Tier 1 information is identical to that in Figure 1.
- For FHA-HAMP: Internal data from FHA. The data include modifications receiving incentive payments under Treasury FHA-HAMP.

The Oversight Board believes that these level and mix effects in recent quarters are key reasons that blended performance data (that is, including FHA-HAMP modifications as well as those under HAMP Tier 1) like that reported by OCC tend to understate the difference in performance between HAMP Tier 1 modifications (supported by TARP funds) and all other ("non-HAMP") modifications. Taking account of these level and mix effects in the comparison data from OCC, the judgment of the Oversight Board is that the likelihood of serious delinquency for HAMP Tier 1 modifications made permanent in the second quarter of 2014 was once again significantly below that for non-HAMP modifications, and thus are more sustainable. As in past quarters, this lower rate of delinquency for HAMP permanent modifications was likely influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

Performance over longer horizons for HAMP Tier 1 modifications: Delinquency rates reported by Treasury for HAMP Tier 1 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 HAMP Tier 1 loan modifications made permanent in the second quarter of 2013, some

19.0 percent had become delinquent by 60 or more days 24 months after the modification. Similarly, 36 months after becoming permanent, HAMP Tier 1 loan modifications made during the second quarter of 2012 experienced a serious delinquency rate of 27.0 percent using the 60-day standard.

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 September 30, 2015 (figure 3). According to these estimates, the expected overall cost of TARP will be approximately $37.33 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $19.78 billion.

The ultimate cost of TARP remains uncertain and will depend on how financial markets and the economy perform in the future. The individual TARP program costs have also been updated as of September 30, 2015, and are provided in Section III.

Figure 3

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

Programs as of September 30, 2015 (dollar amounts in billions)

	Obligation/ Commitment	Disbursed as of September 30	Outstanding Investment Balance as of September 30	Estimated Lifetime Cost as of June 30[1]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 0.12	$ (10.22)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 0.14	$ 0.84
Total	$ 204.89	$ 204.89	$ 0.27	$ (16.27)
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	$ 0.45	$ 0.09
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 6.25	$ 6.25	$ -	$ (3.06)
Debt	$ 12.38	$ 12.38	$ -	$ 0.33
Total	$ 18.63	$ 18.63	$ -	$ (2.73)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.61)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	$ -	$ 15.18
Total	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ -	$ 12.26
Sub-total for Investment Programs[4]	**$ 417.08**	**$ 411.72**	**$ 0.71**	**$ (0.08)**
Making Home Affordable	$ 29.78	$ 12.24	n/a	$ 29.78
Hardest Hit Fund	$ 7.60	$ 5.73	n/a	$ 7.60
FHA-Refinance[5]	$ 0.13	$ 0.02	n/a	$ 0.03
Sub-total for Housing Programs	**$ 37.51**	**$ 17.99**	**n/a**	**$ 37.41**
Total for TARP Programs	**$ 454.59**	**$ 429.71**	**$ 0.71**	**$ 37.33**
Additional AIG Common Shares Held by Treasury[6]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 454.59**	**$ 429.71**	**$ 0.71**	**$ 19.78**

Notes:

[1] Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. Figures include interest on re-estimates. Lifetime cost information for Making Home Affordable and Hardest Hit Fund reflect the total obligations as of the most recent month end.

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

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

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

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from July 1 to September 30, 2015, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

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

As of September 30, 2015, 19 institutions remained in the CPP program with total outstanding CPP obligations of $267.93 million. As of that date, Treasury had received approximately $207.62 billion in gross proceeds from repayments and auction sales under the CPP, exceeding the $204.89 billion in total funds initially disbursed.[10] These repayments and auction sales, along with dividends, interest, warrant sales, and fee income from participating bank organizations brought the total cash received from the CPP to $226.64 billion.

During the quarterly period, three financial institutions fully repaid their CPP investments of $19.44 million. Treasury also restructured and subsequently sold its investments in three institutions for total proceeds of $18.57 million. Treasury had initially invested a combined $46.45 million in these institutions.

During the quarterly period, Treasury received proceeds of approximately $3.29 million from CPP warrants that were repurchased or sold. During the quarterly period, Treasury also received dividends and interest income from CPP investments of approximately $9.98 million. As of the end of the quarterly period, only one CPP institution was currently paying dividends.

As of September 30, 2015, the cumulative total of non-current dividend or interest payments by CPP portfolio institutions was approximately $41.65 million.[11] Under the CPP preferred-stock agreements, Treasury cannot demand payment of dividends. Instead, 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 quarterly period, no directors had been appointed by Treasury to any of these remaining CPP institutions. Eleven of the remaining CPP institutions have Treasury observers.

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[10] This amount received includes all proceeds received as of September 30, 2015 from CPP participants, including sales of common and preferred shares; institutions that refinanced to the SBLF; and exchanges out of the CPP into the CDCI.

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

No institutions participating in the CPP program had their subsidiary banks placed in receivership during the quarterly period. A total of 32 CPP recipients have been placed in receivership or bankruptcy since the inception of the program, 12 of which have exited the bankruptcy or receivership process (figure 4).

Figure 4
CPP Investments in Bankruptcy or with Banking Subsidiary In Receivership (cumulative since 2008)

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

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

As of September 30, 2015, there were 62 institutions remaining in the CDCI. During the quarterly period, Treasury collected $2.27 million in dividend and interest payments from CDCI institutions. Two CDCI institutions missed a dividend payment during the quarterly period. As of September 30, 2015, cumulative dividends and interest income received from CDCI investments was approximately $52.39 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. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, a quarterly Making Home Affordable ("MHA") Program Performance Report was released covering program activity during the period April 2015 through June 2015, including a quarterly MHA Servicer Assessment for the same period.[12] A Performance Summary for HHF was also released covering the second quarter of 2015.[13] In addition, housing scorecards on the health of the nation's housing market produced by HUD were released for each month of the quarter.[14]

i. MHA

MHA programs provide assistance actions through first and second lien permanent modifications under HAMP, Treasury FHA HAMP, RD-HAMP, 2MP, and other assistance provided through HAFA transactions and UP forbearance plans (figure 5). For some programs, assistance includes that provided by the Government Sponsored Enterprises ("GSEs").

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[12] The MHA Program Performance Report includes 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 management and reporting. The reports are available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx .

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

[14] 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 .

Figure 5
MHA Program Activity

	As of June 30, 2015	**Q2 2015**
MHA First Lien Permanent Modifications	1,861,622	57,154
HAMP Tier 1	1,396,741	17,886
HAMP Tier 2	116,554	17,852
GSE Standard Modifications (SAI)	260,499	11,705
Treasury FHA and RD HAMP	87,828	9,711
2MP Modifications Started	149,577	2,652
HAFA Transactions Completed	373,863	16,475
UP Forbearance Plans Started	44,006	1,035
Cumulative Activity	2,429,068	77,316

Notes:

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

A total of $29.78 billion has been committed to MHA. As of September 30, 2015, Treasury had disbursed $12.24 billion in incentive payments for MHA, $0.96 billion of which was disbursed during the third quarter of 2015.[15] Based on all MHA activity in place as of June 30, 2015, Treasury estimated that $22.0 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and receive incentives for six years. This estimate does not include funds to support additional borrower assistance actions initiated under existing MHA programs from the end of the quarterly period through the remaining active life of MHA programs, which are scheduled to conclude at the end of December 2016.

a. HAMP

Through June 2015, more than 1.5 million HAMP permanent modifications had been completed since the start of the program. As of June 30, 2015, homeowners that received HAMP permanent modifications saved approximately $483 per month (median savings), representing a reduction of more than one third from their before-modification mortgage payment. Since HAMP began, homeowners who received permanent modifications had saved an estimated $36.7 billion in monthly mortgage payments. During the period April to June 2015, more than 35,700 new permanent modifications were initiated, as reported in Treasury's Making Home Affordable Program Performance Report.[16] An additional 31,000 new HAMP trial period plans were begun during that same period.

b. HAMP Rate Step-ups

The HAMP Tier 1 modification was designed to provide relief to homeowners facing a financial hardship by providing a modification that would reduce their monthly mortgage payment to an affordable level. The interest rate is reduced in increments to achieve the target 31 percent debt-to-income ("DTI") with an interest rate floor of 2 percent. After five years, the interest rate may begin to increase 1 percent per year (or less) until the Primary Mortgage Market Survey (PMMS) rate at time of modification is reached (PMMS averaged 5.04 percent in 2009, 4.17 percent in 2014, and 3.83 percent through September 2015), at which time the interest rate will be fixed for the remaining loan term.

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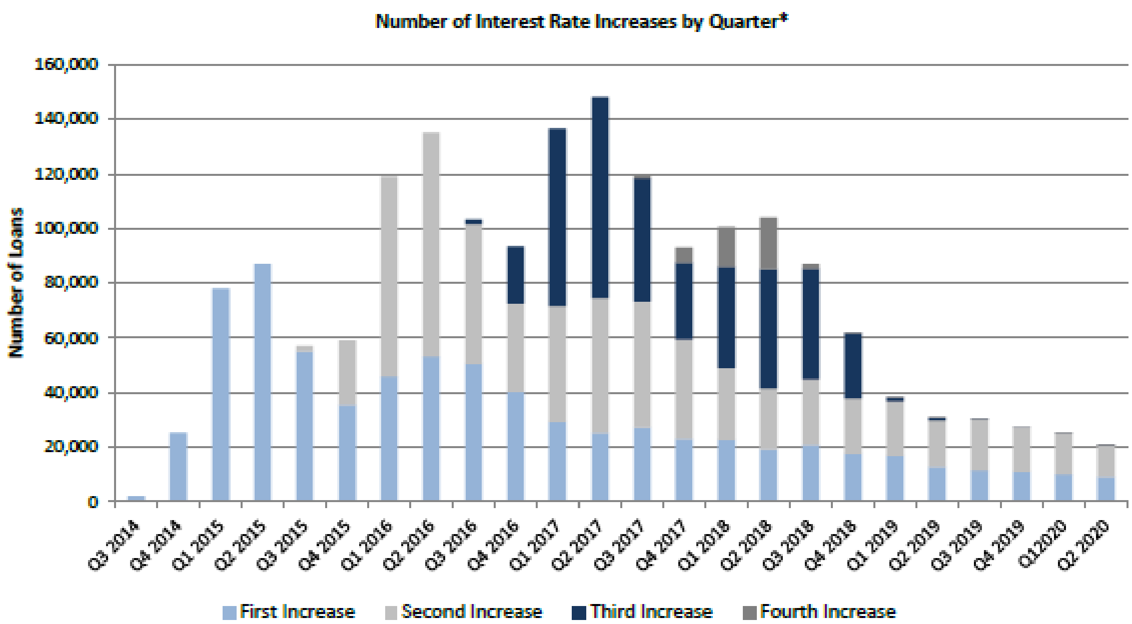
[15] Treasury's Transactions Reports (Housing), available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/TARP-Housing-Transaction-Reports.aspx, show the adjusted cap amounts for each servicer, and the total disbursements to each servicer with respect to non-GSE loans. Incentive payments for GSE loans are borne by the GSEs and not Treasury. The pace of quarterly incentive payment disbursements increased in the quarterly period due to the onset of sixth-year incentive payments.

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

Some 83 percent of HAMP Tier 1 homeowners will experience an interest rate increase after five years. The majority of HAMP homeowners will experience two to three interest rate increases. Homeowners who received a modification in 2009-2011 are more likely to experience three to four increases than homeowners who received a modification in 2012-2013, most of whom will experience two increases (figure 6).

The first interest rate increase went into effect in the third quarter of 2014 for the earliest group of HAMP modifications. Treasury is monitoring these cohorts closely for signs or trends that re-defaults are increasing as borrowers experience interest rate step-ups. As of June 2015, twelve vintages have experienced one interest rate step-up, and three vintages have experienced a second step-up. At this stage, there does not appear to be a notable performance impact for the modifications that have experienced step-ups.

Figure 6



* As of June 2015. Assumes no re-defaults of active HAMP Tier 1 modifications.

c. *HAMP PRA*

As of June 30, 2015, nearly 242,500 permanent HAMP modifications with principal reduction had been made, according to data reported during the quarterly period. Of all non-GSE loans eligible for principal reduction entering HAMP in the fourth quarter of 2014 (the most recent semi-annual tabulation available in the quarterly period), 69 percent of HAMP Tier 1 loans included a principal reduction feature and 65 percent of HAMP Tier 2 loans included a principal reduction feature.

ii. HHF

As of September 30, 2015, all 18 states and the District of Columbia were operating HHF programs throughout their respective jurisdictions, and collectively had drawn approximately $5.73 billion (75 percent) of the $7.60 billion allocated under the program. Each of these eligible jurisdictions draws down funds as they are needed (figure 7). The jurisdictions have until December 31, 2017, to expend funds and must have no more than five percent of their allocation on hand before they can draw down additional funds.

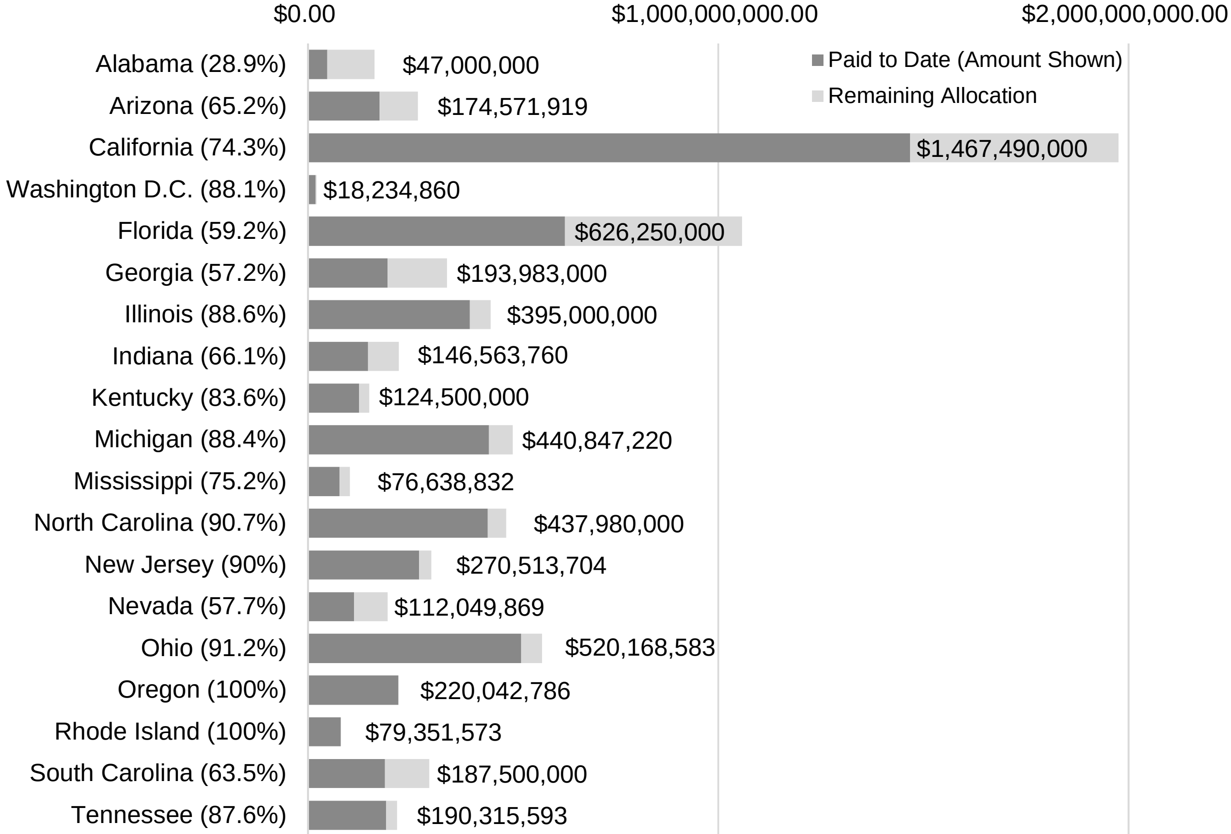
As of September 30, 2015, there were 77 active programs across the 19 HHF jurisdictions. Approximately 66 percent of total program funds were targeted to help unemployed borrowers, primarily through programs that help homeowners pay their mortgage while looking for work, or for borrowers needing assistance reinstating a delinquent mortgage. Treasury continued its efforts to identify best practices, share lessons learned among programs and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury approved program changes for California, Florida, Georgia, Illinois, North Carolina, South Carolina, and Tennessee. Program changes are outlined each month in the Monthly Report to Congress.[17]

[17] In addition, Illinois, New Jersey, Ohio, Oregon, Rhode Island, Tennessee, and Washington D.C. previously closed their registration processes for new applicants.

Figure 7

Hardest Hit Fund as of September 30, 2015



APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
July 31, 2015

A meeting of the Financial Stability Oversight Board ("Board") was held at 11:00 a.m. (EDT) on Friday, July 31, 2015, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Carpenter, Acting Assistant Secretary for Financial Markets, Department of Treasury

Mr. Green, Senior Advisor, Office of Policy Development and Research, Department of Housing and Urban Development

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

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

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

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

Ms. Johnson-Kutch, Deputy Director, Office of Financial Stability, Department of the Treasury

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Wilcox at approximately 11:00 a.m. (EDT). Mr. Wilcox welcomed Mr. Green and Ms. Moore as new Representatives on the Oversight Board. Oversight Board staff briefly outlined the principal responsibilities, activities, and practices the Oversight Board has followed to meet its mandate under the Emergency Economic Stabilization Act of 2008, including the special ethics requirements that apply to Representatives and agency staff regarding the information they receive by virtue of their participation in the Oversight Board.

The Representatives then considered draft minutes for the meeting of the Board on June 22, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("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, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP program. As of July 31, Treasury had disbursed a total of approximately \$428.7 billion, including \$411.7 billion under TARP investment programs and \$17.0 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were \$441.9 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was about \$740 million, all associated with CPP and CDCI.

Treasury officials then provided the Representatives with an update on recent developments in the CPP. As of the meeting date, Treasury's remaining aggregate CPP investment was approximately \$286 million in 22 institutions, of which approximately \$125 million was its common stock holding in First BanCorp ("FBP"). Treasury officials reported that three institutions exited the program during July. Officials then noted that Grand Financial Corporation and Allegiance Bancshares, Inc. had exited the program by completing a full repurchase at par and Suburban Illinois Bancorp, Inc. exited the program through restructuring.

Treasury officials then briefly discussed the CDCI program, noting that 64 institutions remained in the program

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Officials noted that some 11,000 new permanent HAMP modifications were initiated in May 2015. As of May 2015, there were approximately 984,000 active permanent HAMP modifications. Officials also reported that through May, homeowners with HAMP modifications who had experienced their first interest rate did not appear to experience a notable change in performance.

Treasury officials then discussed recent changes to, and funding disbursed by HHF programs in the 19 eligible jurisdictions. Officials briefly noted recent program changes in Nevada and North Carolina, to better assist at-risk borrowers. Since the inception of HHF, participating housing finance agencies have disbursed an estimated $4.3 billion in Hardest Hit Fund assistance, or 63 percent of the total program allocations. Officials also noted that some 243,000 borrowers had been assisted since the beginning of the program.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the timing of the next quarterly report.

The meeting was adjourned at approximately 11:30 a.m. (EDT).

[signed electronically]

Mr. Gonzalez, General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
August 24, 2015

A meeting of the Financial Stability Oversight Board ("Board") was held at 11:00 a.m. (EDT) on Monday, August 24, 2015, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Green, Senior Advisor, Office of Policy Development and Research, Department of Housing and Urban Development

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

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

Mr. Roberts, Financial Analyst, Office of Financial Stability, Department of the Treasury

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

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

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Wilcox at approximately 11:00 a.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on July 31, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("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, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP program. As of July 31, Treasury had disbursed a total of approximately $428.8 billion, including $411.7 billion under TARP investment programs and $17.1 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were $441.9 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was about $740 million, all associated with CPP and CDCI.

Treasury officials then provided the Representatives with an update on recent developments in the TARP programs, beginning with CPP.

As of the meeting date, Treasury's remaining aggregate CPP investment was approximately $277 million in 21 institutions, of which approximately $125 million was its common stock holding in First BanCorp ("FBP"). Treasury officials reported that since the last Oversight Board meeting, City National Bancshares Corporation exited the program through restructuring, recovering roughly $2.5 million on an initial CPP investment of approximately $9.4 million.

Treasury officials then discussed the CDCI program, noting that 63 institutions remained in the program with total invested amount of approximately $455 million. Officials then noted that Faith Based Federal Credit Union had exited the program by completing a full repurchase at par.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Officials noted that some 10,000 new permanent HAMP modifications were initiated in June. As of June 2015, there were approximately 985,000 active permanent HAMP modifications. Officials also reported that through June, homeowners with HAMP modifications who had experienced their first interest rate step-up did not appear to experience a notable change in performance. Officials then briefly noted that the second interest rate step-up began in July for the small number of HAMP modifications that reached their sixth anniversary.

Treasury officials then discussed recent changes to, and funding disbursed by HHF programs in the 19 eligible jurisdictions. Officials noted recent program changes in Georgia to its unemployment and reinstatement programs. In addition, officials also noted that two states – Illinois and North Carolina – had received approval to introduce new Down Payment Assistance programs to better assist at-risk borrowers.

Since the inception of HHF, participating housing finance agencies have disbursed an estimated $4.4 billion in Hardest Hit Fund assistance, or 65 percent of the total program allocations. Officials also noted that some 245,000 borrowers had been assisted since the beginning of the program.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the timing of the next quarterly report.

The meeting was adjourned at approximately 11:20 a.m. (EDT).

[signed electronically]

Mr. Gonzalez, General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting September 21, 2015

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Monday, September 21, 2015, at the offices of the Department of Treasury ("Treasury").

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Carpenter, Acting Assistant Secretary for Financial Markets, Department of Treasury

Mr. Green, Senior Advisor, Office of Policy Development and Research, Department of Housing and Urban Development

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

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

Mr. Roberts, Financial Analyst, Office of Financial Stability, Department of the Treasury

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

Mr. Leventis, Principal Economist, Federal Housing Finance Agency

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Wilcox at approximately 3:05 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on August 24, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI");

and the Making Home Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("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, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP program. As of August 31, Treasury had disbursed a total of approximately $429.4 billion, including $411.7 billion under TARP investment programs and $17.3 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were $441.9 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was about $730 million, all associated with CPP and CDCI.

Treasury officials then provided the Representatives with an update on recent developments in the CPP and CDCI. As of the meeting date, Treasury's remaining aggregate CPP investment was approximately $268 million in 19 institutions, of which approximately $125 million was its common stock holding in First BanCorp ("FBP"). Treasury officials reported that two institutions had exited the program since the last Oversight Board meeting: Patapsco Bancorp, Inc., by completing a full repurchase, and Goldwater Bank, N.A. through restructuring.

Treasury officials then discussed the CDCI program, noting that 62 institutions remained in the program with a total investment amount of approximately $446 million. Treasury officials reported that Prince Kuhio Federal Credit Union had exited the program by completing a full repurchase at par for $273,000. In addition, officials reported that Security Capital Corporation had made a partial repurchase at par for $9.25 million.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Officials noted that some 9,700 new permanent HAMP modifications were initiated in July 2015. As of July 2015, there were approximately 986,000 active permanent HAMP modifications. Officials also reported that, through July, homeowners with HAMP modifications who had experienced their first interest rate reset had not experienced a notable change in performance, and that a small number had experienced a second interest rate adjustment.

Treasury officials then discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Since the inception of HHF, participating housing finance agencies had disbursed an estimated $4.4 billion in Hardest Hit Fund assistance, or 66 percent of the total program allocations. Officials reported that some 248,000 borrowers had been assisted since the beginning of the program. Officials then briefly noted that one state, North Carolina, had made a recent program change to provide reinstatement assistance under its Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages program to better assist at-risk borrowers.

Representatives and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistant to at-risk mortgages borrowers. As a part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") summarized key reasons for the upward trend in the 12-month re-defaults rates for HAMP modifications, including the effects of the passage of time and the significant shift from bank to non-bank servicers. Officials then briefed members on developments in the housing and housing and finance markets. The information reviewed included data related to mortgage rates and Treasury yields, housing price indices and sales, and refinancing activities.

During this discussion, FHFA officials also presented data related to delinquencies, GSE foreclosure prevention actions, and re-default experience on GSE-modified mortgages.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the timing of the next quarterly report.

The meeting was adjourned at approximately 3:30 p.m. (EDT).

[signed electronically]

William F. Treacy,
Executive Director