FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
December 31, 2012

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 October 1 to December 31, 2012 (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,[1] 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 October 29, November 26, and December 17, 2012. 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.

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

a. Brief review of financial market developments

During the fourth quarter of 2012, conditions in financial markets improved somewhat, on net, despite uncertainty about the resolution of the "fiscal cliff" and continuing concerns about the crisis in Europe. Broad stock price indexes declined a bit, on net, but indexes of stock prices of large financial institutions rose over the quarter. Credit default swap spreads for large bank holding companies, generally considered a key indicator of investors' views about the

[1] On February 28, 2013, following the close of the quarterly period, Jacob J. Lew was sworn into office as the Secretary of the Treasury.

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

health and prospects of these institutions, continued to decline.

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

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

Issuance of commercial mortgage-backed securities ("CMBS") and consumer asset-backed securities was robust in the fourth quarter, capping off the strongest year for both categories since 2007 (but still well below the amounts recorded that year). However, growth in commercial real estate markets remained slow and gradual, and delinquency rates on CMBS hovered near historic highs in the quarter. Gross issuance of investment grade bonds for nonfinancial corporations was instead again robust in the fourth quarter.

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

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

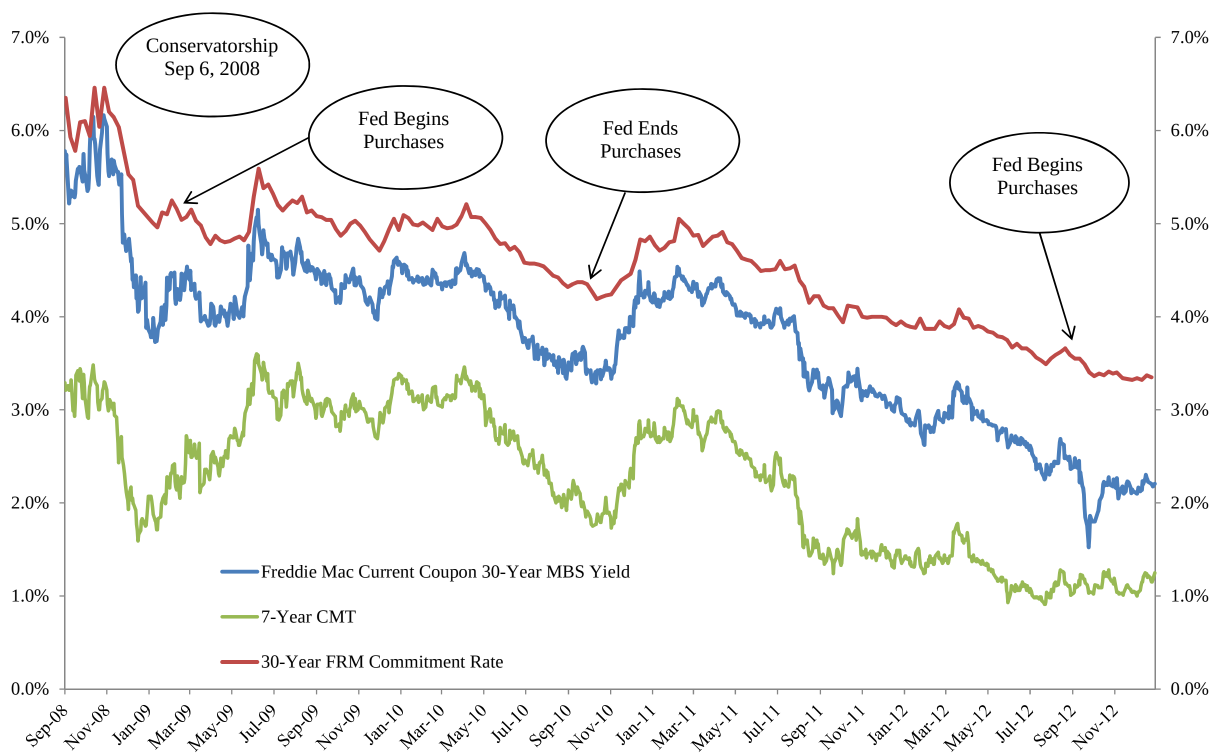
In the third quarter of 2012, HUD initiated the first in a series of large-scale auctions of loans already in the foreclosure process under the Distressed Asset Stabilization Program ("DASP"), a non-TARP program. These are loans for which normal loss mitigation servicing efforts had been exhausted and borrowers would most likely lose their homes if no other interventions were taken. Sale of these distressed loans to private investors enhances the chances borrowers can keep their homes because the private purchasers can engage in additional actions to contact and negotiate with homeowners in default, even to the point of principal write-downs. Also, HUD required, as a condition of sale, that purchasers not permit foreclosure auctions for six months, to permit time to work with borrowers on home-retention solutions. These sales produced higher net proceeds for HUD than were expected if foreclosure had been completed and HUD taken the properties into real-estate-owned ("REO") inventory for sale. The next loan auction is planned for the first quarter of 2013.

Long-term mortgage interest rates generally have trended down slightly over the last three years, starting near 5 percent and remaining below 4 percent for all but one week of 2012 (figure 1). Mortgage rates in the fourth quarter were flat and at very low levels, as the Federal Reserve continued with the program of additional mortgage-backed securities ("MBS") purchases initiated in September. As of the last week of 2012, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, were at 3.42 percent, some 45 basis points below the rate posted in the corresponding week in 2011

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

Figure 1

Mortage Rates and Yields on MBS and Treasury Debt



Source: Freddie Mac and U.S. Treasury

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During September, October and November new permanent modifications averaged over 15,000 per month, continuing the slow downward trend in first lien HAMP modifications. Total active permanent modifications increased from 831,661 at the end of August to over 846,000 at the end of November. The Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second liens where the first lien mortgage has already been modified under HAMP, continued to trend upward. By the end of November, some 69,000 2MP modifications were active, up from 67,000 at the end of August. Nearly 102,000 2MP modifications had been started, cumulatively, through November. Some 25,000 of these modifications involve full extinguishment of the second lien. Also through November, 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 84,000 short sales and roughly 2,100 deed-in-lieu transactions. The number of HAMP modifications with principal reductions increased and as of the end of November there were nearly 21,000 active trial modifications and 99,000 active permanent modifications with principal reduction.

The Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP. Hope Now reported an average of 65,000 non-HAMP modifications had been initiated per month during September, October and November which–in parallel to HAMP–represented an increase from the 57,000 per month of 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 November, some 23.8 percent of all HAMP permanent modifications had re-defaulted, that is, had been cancelled for missing three or more payments.[3] 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 15.5 percent of HAMP modifications made permanent in the third quarter of 2011 had become delinquent by 60 days or more within 12 months of receiving a modification. Among loan modifications made permanent in the second quarter of 2011, 16.1 percent had become delinquent by 60 or more days within 12 months of the modification. Each represented the best performance 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. For loan modifications made permanent in the first quarter of 2011, 22.1 percent had become delinquent by 60 or more days 18 months after the modification. This figure was slightly better than the 23.8 percent delinquency rate reported for modifications made permanent in the previous quarter. These 18-month delinquency rates provide a broadening indication of performance for the overall portfolio of HAMP permanent modifications, because about three-fourths of the total portfolio had been in place for 18 months

[3] 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/financialstability/results/MHAReports/Pages/default.aspx.

or more as of the reporting date. In contrast, 27.2 percent of non-HAMP modifications made permanent in the third quarter of 2011 at a selected group of institutions regulated by the Office of the Comptroller of the Currency ("OCC") had become 60 or more days delinquent within 12 months of the modification.[4] 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.

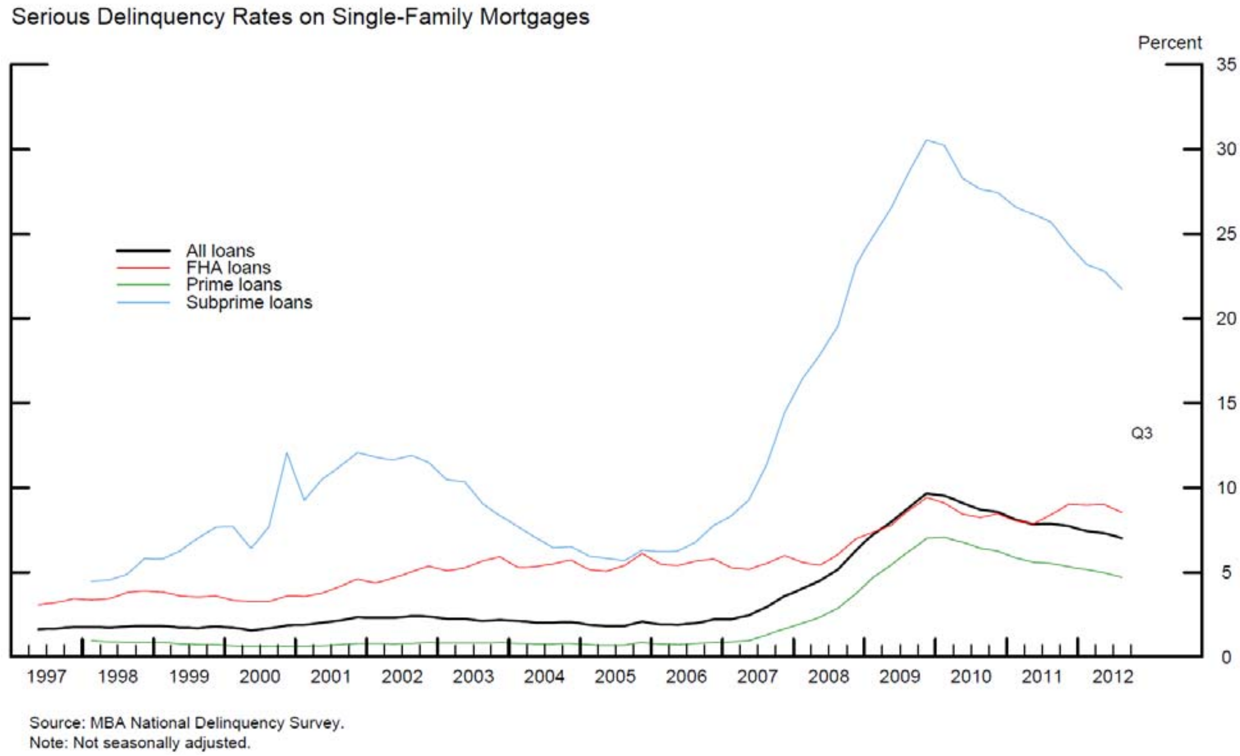
In March 2012 the Administration issued a supplemental directive extending the termination date of HAMP by one year, to December 2013, and expanding eligibility of HAMP with the HAMP Tier 2 option, which allows borrowers who failed a HAMP modification or evaluation, and owners of some rental properties, to receive a HAMP modification. Tier 2 became effective on June 1, 2012, although not all servicers began offering Tier 2 modifications on that date. As of November 30, there had been 331 HAMP Tier 2 permanent modifications started and 4,174 HAMP Tier 2 trial modifications started.

The third 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 at the middle of 2008. Both reductions in newly delinquent loans and a high number of foreclosures during 2010 and 2011 have contributed to the decline in serious delinquency rates. Loans originated in 2009 and 2010 experienced much lower rates of early delinquency, compared to loans originated in the middle of the decade.

The final number of new FHA 90-day delinquencies in the fourth quarter was not available at the time of publishing this report. However, based upon October and November data, the seasonally adjusted annual delinquency rate fell for the second straight quarter, and reaching the lowest level since the fourth quarter of 2008. The annualized rate of new 90-day delinquencies during those two months (5.46 percent) was at the lowest level since the onset of the housing crisis. HUD did have complete data on the status of loans at the end of the quarter, and the seriously delinquent rate at that point was down slightly from the third quarter (9.47 percent versus 9.58 percent). The impact of lower numbers of new 90-day delinquencies in the quarter is seen more in the sharper drop in the seasonally-adjusted seriously delinquent rate, from 9.66 percent to 9.16 percent, the lowest level since the third quarter of 2011. Nonetheless, HUD continued to have a significant inventory of loans in the foreclosure process. The in-foreclosure inventory component of the seriously delinquent count was above 226,000 loans at the end of the quarter and has been above 200,000 since May 2012.

[4] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") Mortgage Metrics Report for the third quarter of 2012 (Table 33), and pertain to non-HAMP modifications of mortgages serviced by a selected group of national banks and a federal savings association. For this same group of financial institutions, the OCC Mortgage Metrics Report indicated that 14.4 percent of HAMP permanent modifications finalized in the third quarter of 2011 had fallen 60 days delinquent within 12 months.

Figure 2



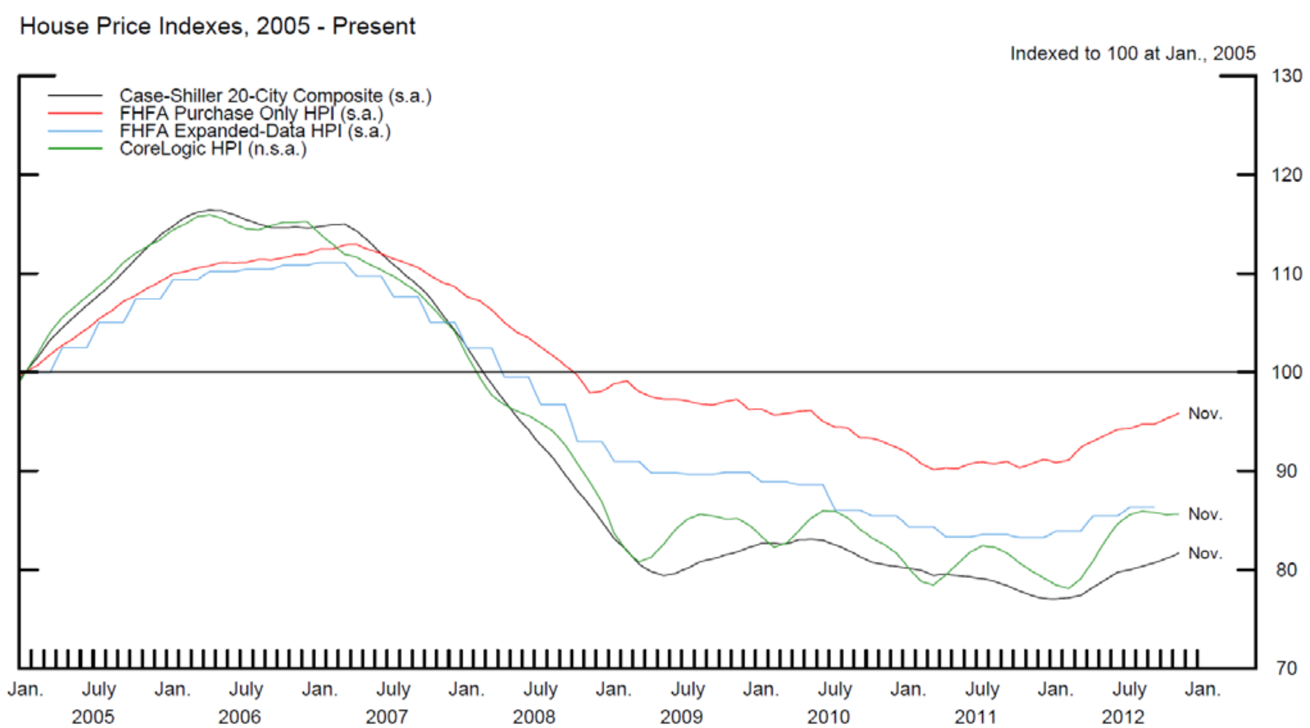
Record low interest rates generated a substantial refinancing wave that continued in the fourth quarter of 2012. Refinanced loans help lower borrowing costs for many borrowers. The non-TARP Home Affordable Refinance Program ("HARP") is designed to help borrowers whose loans were purchased or guaranteed by Fannie Mae or Freddie Mac and who are located in areas suffering from house price declines. HARP originally allowed borrowers with high loan-to-value ratios ("LTVs") to refinance their mortgages to take advantage of lower interest rates, if their loan-to-value ratios were no more than 125 percent. FHFA and the Enterprises subsequently rolled out HARP 2.0, which allowed borrowers to refinance loans with LTVs above 125 percent and which servicers began to implement early in 2012. If the original loan had private mortgage insurance the insurer must agree to transfer that insurance to the new loan, and if the property has a junior lien(s) the other lenders must agree to re-subordination. HARP 2.0 seeks to streamline these processes. The policy rationale for HARP is straightforward because Fannie Mae or Freddie Mac already had the credit risk on the original loan. HARP refinancing generally lowers the risk of default by reducing the borrower's monthly payment. During August, September and October of 2012 Fannie Mae and Freddie Mac refinanced about 90,000 mortgages per month on average through the HARP program, down from the average of 96,000 loans per month over the previous three months. By the end of October, the Enterprises had refinanced some 160,000 loans with LTVs above 125 percent. About 54,000 of these refinances were done in June, when servicers were first able to securitize new loans with LTVs in excess of 125 percent. Available data indicated that HARP 2.0 continued to generate substantial volumes into the fourth quarter.

FHA single family endorsement volumes during the quarterly period were in excess of $60 billion for the second straight quarter. The higher volumes were the result of refinancing activity, which for the third consecutive quarter was significantly higher than the corresponding year-earlier level. In particular, the quarter's $37.7 billion in refinance endorsements was more than double the year-earlier-period level. As a result, total endorsement volume--purchase and refinance loans--rose nearly 43 percent on a year-over-year basis.

Seasonally adjusted house sale volume rose over the autumn months. As measured by the National Association of Realtors and the Census Bureau, combined existing and new single-family home sales took place at a 5.4 million annual rate in November, up from a 5.2 million rate in August (seasonally adjusted). Sales exceeded the 5.0 million annual rate (seasonally adjusted) that had prevailed in January 2012.

The house price index from CoreLogic decreased about 0.3 percent from August to November, while the FHFA purchase-only index and the Case-Shiller/S&P 20-city index rose more than 1 percent over this period (figure 3).

Figure 3



c. Projected Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs four times per year and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The most recent lifetime cost estimates of TARP that were available during the reporting period were as of September 30, 2012. According to these estimates, the expected overall cost of TARP will be approximately $59.68 billion, using asset prices as of September 30, 2012 (figure 4). Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be $42.10 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 December 31, 2012 and are provided in Section III.

Figure 4

Programs as of December 31, 2012 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of December 31	Outstanding Investment Balance as of December 31	Estimated Lifetime Cost as of September 30[1, 2]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ 0.00	$ (6.89)
Other banks with assets $10 billion or greater	165.33	165.33	2.83	(9.84)
Banks with assets less than $10 billion[3]	14.57	14.57	4.59	1.81
Total	$ 204.89	$ 204.89	$ 7.42	$ (14.92)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00	$ (4.00)
Asset Guarantee Program (AGP)[4]	$ 5.00	$ 0.00	$ 0.00	$ (3.88)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.53	$ 0.15
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.23	$ 6.25	$ 1.82	$ (2.65)
Debt	13.59	12.38	1.77	0.30
Total	$ 20.82	$ 18.62	$ 3.59	$ (2.35)
Term Asset Backed Securities Lending Facility (TALF)	$ 1.40	$ 0.10	$ 0.10	$ (0.52)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ 0.00	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	47.54	47.54	-	15.34
Total	$ 67.84	$ 67.84	$ -	$ 15.34
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ 28.54	$ 24.27
Sub-total for Investment Programs	**$ 420.58**	**$ 411.72**	**$ 40.19**	**$ 14.09**
Treasury Housing Programs Under TARP	$ 45.59	$ 6.39	$ -	$ 45.59
Total for TARP Programs	**$ 466.17**	**$ 418.11**	**$ 40.19**	**$ 59.68**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	(17.58)
Total for TARP Programs and Additional AIG Shares	**$ 466.17**	**$ 418.11**	**$ 40.19**	**$ 42.10**

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

1/ Lifetime cost information is as of September 30, 2012.

2/ Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. The value of outstanding investments in publicly-traded securities is calculated by using the aggregate value of the investments at market prices as of September 30, 2012. The following common stock value information is provided for the convenience of the reader to show the increase or decrease in the aggregate value of the shares outstanding as of September 30, 2012, compared to the aggregate value of shares outstanding as of December 31, 2012. The market values shown for AIG shares as of December 31, 2012, were calculated as the then- remaining shares of stock that were sold in December, 2012 at $32.50 per share and the market value for GM includes the sale of 200 million shares of GM common stock in December at a price of $27.50 per share.

Outstanding Investment	09/30/2012 Market Value		12/31/2012 Market Value		Increase (Decrease) in Cost	
			In billions			
AIG Common Stock	$	5.07	$	5.02	$	0.05
GM Common Stock	$	11.38	$	14.15	$	(2.77)
Additional AIG Common Shares	$	2.61	$	2.59	$	0.02

Note: For the period ending September 30, 2012, the share price for AIG was $32.79 and for GM was $22.75. For the period ending December 31, 2012 the share price for GM was $28.83. The remaining shares of AIG common stock were sold in December at $32.50 per share.

3/ 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.

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

5/ 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 is deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis is $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the reporting period.

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

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from October 1 to December 31, 2012, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

As of December 31, 2012, 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 $23.06 billion Treasury’s total original investment in these programs of $245.10 billion.

i. Update on the CPP

On December 18, 2012, Treasury provided an update on the progress achieved since first announcing its exit strategy for the remaining CPP investments, as well as the path forward for 2013[5]. Treasury expects to conduct auctions for the CPP preferred shares or subordinated debt in approximately two-thirds of the remaining banks. Treasury expects that the majority of the remaining banks that are not auctioned will repay Treasury’s CPP preferred shares or subordinated debt at par so Treasury will continue to hold onto those investments for the time being. Finally, in limited cases, Treasury will continue to accommodate 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 deal possible for taxpayers.

a. Repayments, Dispositions, and Auction Sales

As of December 31, 2012, Treasury had received approximately $194.31 billion in repayments under the CPP, equivalent to nearly 95 percent of the total funds initially invested. These repayments along with auction sales, dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations bring the total cash back received from the CPP to $220.81 billion.

During the quarterly period, 21 financial institutions delivered a total of $730.2 million in full repayments. In addition, Treasury sold part or all of its remaining investment in an

[5] See Massad, Timothy G., An Update on the Wind Down of TARP's Bank Programs (December 18, 2012). Available at: http://www.treasury.gov/connect/blog/Pages/An-Update-on-the-Wind-Down-of-TARP’s-Bank-Programs.aspx

additional 53 institutions for total gross proceeds of $441.2 million. Treasury had originally invested a combined total of $509.58 million in these 53 institutions.[6]

Cumulatively during the calendar year 2012, Treasury individually auctioned its preferred stock or subordinated debentures in 91 CPP institutions. These securities were offered through modified Dutch auctions and bids were submitted to Treasury's auction agents, using the same procedures that had previously been developed for auctioning the warrants received by Treasury through the CPP. As with these warrant auctions or common stock offerings, winning bidders in the CPP preferred stock or subordinated debenture auctions receive no exemption from any statutes and regulations pertaining to ownership of securities in financial institutions.

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

Of the institutions that Treasury previously notified it was considering for investment pools for auction, as of quarter-end, a majority had indicated an interest in opting out.

Figure 5 shows the top 25 CPP remaining investments by institution.

[6] Press releases describing the most significant transactions during the quarterly period can be found on the Treasury.gov website: http://www.treasury.gov/press-center/press-releases/Pages/tg1744.aspx, http://www.treasury.gov/press-center/press-releases/Pages/tg1758.aspx

Figure 5

Top 25 Remaining CPP Investments by Institution as of December 31, 2012

	Institution	City, State	Outstanding Investment ($millions)
1	Synovus Financial Corp.	Columbus, GA	$ 967.9
2	Popular, Inc.	Hato Rey, PR	$ 935.0
3	First BanCorp[a]	San Juan, PR	$ 400.0
4	Citizens Republic Bancorp, Inc.[b]	Flint, MI	$ 300.0
5	First Banks, Inc.	Clayton, MO	$ 295.4
6	New York Private Bank & Trust Corp.	New York, NY	$ 267.3
7	Flagstar Bancorp, Inc.	Troy, MI	$ 266.7
8	Cathay General Bancorp	El Monte, CA	$ 258.0
9	United Community Banks, Inc.	Blairsville, GA	$ 180.0
10	Dickinson Financial Corporation II	Kansas City, MO	$ 146.1
11	Anchor BanCorp Wisconsin Inc.	Madison, WI	$ 110.0
12	Hampton Roads Bankshares, Inc.[c]	Norfolk, VA	$ 80.3
13	Metropolitan Bank Group, Inc.	Chicago, IL	$ 78.4
14	Old Second Bancorp, Inc.	Aurora, IL	$ 73.0
15	Independent Bank Corporation	Ionia, MI	$ 72.0
16	Standard Bancshares, Inc.	Hickory Hills, IL	$ 60.0
17	NewBridge Bancorp	Greensboro, NC	$ 52.4
18	FNB United Corp.[d]	Asheboro, NC	$ 51.5
19	U.S. Century Bank	Miami, FL	$ 50.2
20	BancTrust Financial Group, Inc.	Mobile, AL	$ 50.0
21	PremierWest Bancorp	Medford, OR	$ 41.4
22	Reliance Bancshares, Inc.	Frontenac, MO	$ 40.0
23	Bridgeview Bancorp, Inc.	Bridgeview, IL	$ 38.0
24	Porter Bancorp Inc.	Louisville, KY	$ 35.0
25	First Security Group, Inc.	Chattanooga, TN	$ 33.0
	Total		**$4.88 billion**

Notes to Top 25 Remaining CPP Investments as of December 31, 2012:

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

b/ On September 13, 2012, Citizens Republic Bancorp, Inc. (Citizens) and FirstMerit Corporation (FirstMerit) announced the signing of a definitive agreement under which FirstMerit will acquire Citizens in a stock-for-stock merger transaction. FirstMerit expects to purchase Citizens' CPP preferred stock (at par plus accrued dividends thereon) held by Treasury at closing. The transaction is expected to close in the second quarter of 2013.

c/ Treasury exchanged its preferred stock for MCP. Hampton fulfilled the conversion conditions and Treasury's MCP was converted into 52,225,550 shares of common stock. Treasury currently holds 2,089,022 shares of Hampton common stock following a reverse stock split.

d/ Treasury exchanged its preferred stock for 108,555,303 shares of FNB United common stock. Treasury currently holds 1,085,553.03 shares of FNB common stock following a reverse stock split.

b. Update on Warrant Dispositions

During the quarterly period, five financial institutions repurchased warrants from Treasury for proceeds of approximately $3.31 million. In conjunction with CPP auction sales, Treasury also sold 44 million warrant preferred shares or subordinated debentures for total net proceeds of $10.23 million during the quarterly period. On a cumulative basis, as of December

31, 2012, Treasury had disposed of warrants from 164 financial institutions and had received approximately $7.68 billion in net proceeds.[7]

c. Update on CPP Dividends and Interest

During the quarterly period, Treasury received dividends and interest income from CPP investments of approximately $67.32 million. As of December 31, 2012, cumulative dividends and interest income received from CPP investments was approximately $11.86 billion.

d. Missed Payments by Portfolio Institutions[8]

During the quarterly period, 71 institutions, or approximately 33 percent of the remaining 212 CPP recipients did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP totaled approximately $39.7 million, which represents roughly 45 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period. As of December 31, 2012, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the program was approximately $397.46 million,[9] which represents approximately 3.25 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 24 directors to a total of 15 institutions.

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

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[7] Includes warrant dispositions through auction and repurchase. This includes the repurchase of exercised warrant preferred shares from the CPP and TIP. Treasury received approximately $1.45 billion from the disposition of TIP warrants.

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

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

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 when the right to do so becomes exercisable.

As of December 31, 2012, 118 banks 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 52 CPP recipients. These 52 institutions include those that had already missed six or more payments and several that expected to miss their sixth dividend payment in the near future.

e. Exchanges and Restructurings

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

The following four such transactions occurred during the quarterly period:

- On November 5, 2012, Treasury entered into (i) an exchange agreement with Standard Bancshares, Inc. pursuant to which Treasury agreed to exchange its preferred stock for common stock and (ii) securities purchase agreements with W Capital Partners II, L.P., Trident SBI Holdings, LLC, PEPI Capital, LP, LCB Investment, LLC, Cohesive Capital Partners, L.P., and Athena Select Private Investment Fund LLC, pursuant to which Treasury agreed to sell such common stock to such parties.

- On November 13, Treasury entered into an agreement with Community Financial Shares, Inc. ("CFS") pursuant to which Treasury agreed to sell its CPP preferred stock back to CFS at a discount subject to the satisfaction of the conditions specified in the agreement. On December 21, Treasury completed the sale of its CPP preferred stock to CFS pursuant to such agreement.

- On November 30, Treasury entered into an agreement with First Sound Bank. ("First Sound") pursuant to which Treasury agreed to sell its CPP preferred stock back to First Sound at a discount subject to the satisfaction of the conditions specified in the agreement.

- On December 11, Treasury entered into a securities purchase agreement with PremierWest Bancorp (PremierWest) and Starbuck Bancshares, Inc. (Starbuck) pursuant to which Treasury agreed to sell its CPP preferred and warrant in PremierWest to Starbuck subject to certain conditions.

f. Receiverships and Bankruptcies

During the quarterly period three institutions were placed into receivership and one institution filed for bankruptcy protection:

- On October 19, GulfSouth Private Bank, Destin, Florida, was closed by the Florida Office of Financial Regulation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver.

- On October 19, Excel Bank, Sedalia, Missouri, the banking subsidiary of Investors Financial Corporation of Pettis County, Inc., was closed by the Missouri Division of Finance, which appointed the FDIC as receiver.

- On October 29, First Place Financial Corp. filed for Chapter 11 protection in the U.S. Bankruptcy Court for the District of Delaware.

- On November 2, Citizens First National Bank, Princeton, IL, the banking subsidiary of Princeton National Bancorp, Inc., was closed by the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation was named Receiver.

As of December 31, 2012, 22 financial institutions with CPP investments totaling $3.07 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	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	4/20/2012
Gregg Bancshares, Inc.	7/13/2012
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	11/2/2012

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 certified CDFIs, the dividend rate will increase to 9 percent after eight years, compared to five years under the CPP. CDFIs that participated in the CPP and were in good standing could exchange securities issued under the CPP for securities under the more favorable terms of this program.

As of December 31, 2012, there were 77 institutions remaining in the CDCI. During the quarterly period, the following four institutions repaid their outstanding CDCI investments and exited the program:

- On October 3, Brewery Federal Credit Union repurchased all outstanding CDCI subordinated debentures from Treasury for total proceeds of $1.1 million plus accrued and unpaid dividends.

- On October 17, Gateway Community Federal Credit Union repurchased all outstanding CDCI subordinated debentures from Treasury for total proceeds of $1.7 million plus accrued and unpaid dividends.

- On November 28, University Financial Corp. repurchased all outstanding CDCI subordinated debentures from Treasury for total proceeds of $22.1 million plus accrued and unpaid dividends.

- On December 28, PSB Financial Corporation repurchased all outstanding CDCI preferred stock from Treasury for total proceeds of $9.7 million plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $2.82 million in dividends from CDCI institutions. Five CDCI institutions missed dividend payments during the quarterly period. As of December 31, 2012, cumulative dividends and interest income received from CDCI investments was approximately $24.84 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).

iii. Update on the Asset Guarantee Program (AGP)

The Asset Guarantee Program (AGP) supported the value of certain assets held by qualifying financial institutions by agreeing to absorb a portion of losses on those assets. AGP was conducted jointly by Treasury, the Federal Reserve, and the FDIC and was used in conjunction with other forms of exceptional assistance. Two companies received assistance under AGP – Bank of America[10] and Citigroup. At the time of the financial crisis, both of these institutions faced a potential loss of market confidence because they held large amounts of distressed or illiquid assets. The AGP has been closed since late 2009.

On December 28, Treasury received approximately $800 million worth of Citigroup trust preferred securities from the FDIC and approximately $183 million in dividend and interest payments from those securities. In connection with the termination of the AGP, the FDIC agreed to transfer these trust preferred securities issued by Citigroup to Treasury upon the maturity of Citigroup debt issued under the FDIC's Temporary Liquidity Guarantee Program. Those original Citigroup securities were issued to the FDIC in 2009 as consideration for the government's support under the AGP.

b. Credit Market Programs

i. Update on the Term Asset-Backed Securities Loan Facility ("TALF")

Treasury originally committed to provide credit protection of up to $20 billion in its subordinated loan to TALF, LLC to support up to $200 billion of lending from the Federal Reserve Bank of New York ("FRBNY"). Treasury's commitment was subsequently reduced to $4.3 billion in June 2010.

As of December 12, 2012, the TALF loan balance was $555.6 million and Treasury's commitment under the TALF was $1.4 billion. As of December 31, discussions were underway to further reduce Treasury's commitment to the TALF.

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

When the quarterly period began, six of the nine original Public-Private Investment Funds ("PPIFs") still had active investment periods. As of December 31, the investment periods for all PPIFs had closed.[11] During the quarterly period, two PPIFs sold their remaining investments and returned substantially all of the proceeds to Treasury and their private investors as described below. The remaining four PPIFs have up to five additional years, which may be extended for up to two more years, to manage these investments and return the proceeds to

[10] In May 2009, before the transaction was finalized, Bank of America decided to terminate negotiations, and in September 2009, the government and Bank of America entered into an agreement under which Bank of America agreed to pay a termination fee of $425 million to the government, $276 million of which went to Treasury. The fee compensated the government for the value that Bank of America had received from the announcement of the government's willingness to guarantee and share losses on the pool of assets from and after the date of the term sheet. No TARP funds were spent. As a result, this fee was a net gain to the taxpayer.

[11] As of December 31, the four PPIFs that remained active were AG GECC PPIF Master Fund, L.P., Marathon Legacy Securities Public-Private Investment Partnership, L.P., Oaktree PPIP Fund, L.P., and Wellington Management Legacy Securities PPIF Master Fund, LP.

Treasury and the other PPIF investors. As of December 31, 2012, Treasury had recovered $17.27 billion in gross proceeds from equity and debt investments including approximately $2.2 billion in realized gains from the program. Five PPIFs have now wound down and four funds remain in the program (figure 7).

Figure 7

Fund	Inception Date	Investment Period End Date (1)	Net Time Weighted Cumulative Return Since Inception (2)(3)	Net Internal Rate of Return Since Inception (2)(4)	Net Multiple of Paid in Capital (2)(5)
AG GECC PPIF Master Fund, L.P.	11/12/09	10/30/12	125.7%	23.7%	1.62x
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	10/02/12	177.6%	18.7%	1.45x
Blackrock PPIF, L.P.	10/16/09	10/02/12	93.9%	23.1%	1.74x
Invesco Legacy Securities Master Fund, L.P.	10/13/09	09/26/11	33.5%	18.2%	1.23x
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	11/25/12	94.8%	23.0%	1.65x
Oaktree PPIP Fund, L.P.	02/19/10	12/18/12	78.4%	28.1%	1.37x
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	07/15/12	106.3%	24.1%	1.69x
UST/TCW Senior Mortgage Securities Fund, L.P.	10/19/09	12/04/09	N/A (6)	N/A (6)	1.13x
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	10/01/12	72.2%	18.2%	1.47x

(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

During the quarterly period, the following two PPIFs began winding down:

- In November, RLJ Western Asset Management announced that it had completed the sale of its remaining investments and returned substantially all the proceeds of the RLJ Western Asset Public/Private Master Fund, L.P. ("RLJ/WA PPIF"). Treasury received $416.8 million of gains from the investment in addition to the return of $620.6 million in committed equity capital. These gains represent a 23.9 percent internal rate of return on Treasury's equity investment, net of fees and expenses, since the fund's inception in November 2009. In addition, Treasury received $10.5 million in proceeds from warrants for total proceeds from the RLJ/WA PPIF of $1.05 billion. The RLJ/WA PPIF also repaid $1.24 billion in loans with interest to Treasury.

- On December 5, BlackRock, Inc. announced that it had returned to investors substantially all of the proceeds, at a profit, from its BlackRock PPIF, L.P. ("BlackRock PPIF"). Treasury received $388.9 million of gains from the investment in addition to the return of $528.2 million in funded equity capital. These gains represent a 23.5 percent internal rate of return, net of fees and expenses, on Treasury's equity investment since the fund's inception in October 2009. In addition, Treasury received from the BlackRock PPIF, $9.7 million in proceeds from warrants and $1.1 billion in repayments of loans with interest.

Under the program, Treasury originally committed $22.1 billion of equity and debt in nine PPIFs. These funds were established by private sector fund managers for the purpose of purchasing Eligible Assets. The PPIFs completed their fundraising and closed on approximately $7.5 billion of private sector equity capital commitments, which were matched 100 percent by Treasury, representing approximately $15 billion of total original equity capital commitments. This gave the program a total of nearly $30 billion of original purchasing power.

As of December 31, 2012, the PPIFs had drawn-down approximately $24.9 billion of the total original capital committed (83 percent of total original purchasing power), which has been invested in Eligible Assets and cash equivalents. Of this amount, $18.6 billion represents Treasury's investment in the program. As of December 31, 2012, Treasury had received approximately 93 percent of its original $18.6 billion invested in the PPIFs, including interest income, gains and repayments of debt and equity capital.

c. AIG

On December 14, 2012, Treasury sold the remaining 234.2 million shares of AIG common stock owned by the U.S. government in an underwritten public offering at $32.50 per share for aggregate proceeds of approximately $7.6 billion. With the closing of this transaction, all of the remaining shares of AIG common stock that had been held by the Treasury have been sold. [12]

During the financial crisis, the government's support for AIG totaled $182.3 billion in commitments from the FRBNY and Treasury.[13] During the second quarter of 2012, Treasury and the FRBNY retired the last remaining debts owed to the FRBNY from its intervention in AIG. Following the December 14th sale, Treasury and the Federal Reserve have fully recovered the combined $182.3 billion they committed to stabilize AIG during the financial crisis – with an additional $22.7 billion positive return. As of December 31, 2012, Treasury had realized a positive return of $5.0 billion[14] and the Federal Reserve realized a positive return of $17.7 billion.

Treasury continues to hold warrants to purchase approximately 2.7 million shares of AIG common stock. The sale of those warrants will provide an additional gain for taxpayers.

[12] This includes both TARP and non-TARP shares that were held by Treasury.

[13] This represents the maximum commitment by the government; the peak amount drawn by AIG was approximately $125.8 billion.

[14] When Treasury's TARP shares and non-TARP shares are considered together. For more information, see note 9 to the Daily TARP Update.

d. Automotive Industry Financing Program ("AIFP")

i. General Motors

On December 19, Treasury announced that General Motors ("GM") intended to purchase 200 million shares of GM common stock from Treasury at $27.50 per share for total proceeds of $5.5 billion and that Treasury intends to fully exit its remaining investment in GM within the next 12 to 15 months, subject to market conditions. [15] GM's purchase of these 200 million shares settled on December 21, 2012. The price paid by GM represented an eight percent premium to the closing price on the day before the announcement, and a 10 percent premium to the average closing price over the preceding three days during which Treasury negotiated the deal.

Under AIFP, Treasury invested a total of $49.5 billion to help stabilize and restructure Old GM. In November 2010, GM completed an initial public offering, which yielded $13.5 billion in net proceeds for Treasury and at that time reduced its stake in GM from 60.8 percent to 32.0 percent (or 26.5 percent on a fully diluted basis). Following the initial public offering, Treasury held 500.1 million shares of GM common stock.

At the close of the quarterly period, with the completion of the December 19 sale, Treasury held 300.1 million shares of GM common stock with a market value of $14.15 billion,[16] representing approximately 22 percent (or less than 19 percent on a fully diluted basis) of the outstanding shares of common stock in the company. Treasury has now collected more than $28.7 billion of its original $49.5 billion investment in GM through repayments, sales of stock, dividends, interest, and other income.[17]

Treasury intends to sell its remaining shares through various means in an orderly fashion including a pre-arranged written trading plan, 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 $16.3 billion to Ally (formerly GMAC). Of that amount, Treasury has collected $5.8 billion, approximately one-third of its original investment. During the quarterly period, Treasury collected $133.6 million in dividend payments from Ally.

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[15] Additional information can be found in Treasury's press release: http://www.treasury.gov/press-center/press-releases/Pages/tg1810.aspx

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

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

Earlier in 2012, Ally announced plans to sell its international businesses. As of November 21, Ally had entered into contracts to sell its international businesses for total proceeds of approximately $9.2 billion. Ally's sales of its international operations are due to close at various times during 2013. Ally has stated it intends to use proceeds from the sale of its international operations to repay taxpayers, subject to regulatory approval.[18]

Residential Capital, LLC ("ResCap"), a residential mortgage subsidiary of Ally, remains in Chapter 11 bankruptcy proceedings. These proceedings continue to move forward. A court-appointed examiner is due to complete his report in April 2013. In addition, the court has appointed a mediator to facilitate discussions between ResCap and its creditors on a restructuring plan.

These two key initiatives – the Chapter 11 proceeding to address Ally's legacy mortgage liabilities and Ally's sale of its international auto finance operations – are important elements of Treasury's strategy for exiting its remaining investments in Ally. As these initiatives are completed, Treasury expects to further recover its remaining investment in Ally, subject to market conditions.

e. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering September, October, and November of 2012, as was a quarterly MHA Servicer Assessment for the third quarter of 2012. These reports were released in conjunction with the monthly housing scorecard on the health of the nation's housing market produced by HUD.[19]

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 1.4 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.

[18] Additional information can be found in Ally's press release dated November 21, 2012: http://media.ally.com/2012-11-21-Ally-Financial-Announces-Agreement-to-Sell-Remaining-International-Operations

[19] 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 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.

A total of $29.87 billion has been committed to MHA. Of that amount, Treasury had disbursed $4.57 billion of incentive payments for MHA as of December 31, 2012.[20] Based on all MHA activity in place as of December 31, 2012, OFS estimates that $11.3 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 November 30, 1.1 million HAMP permanent modifications had been started. Specifically, approximately 15,000 new trial plans were started in September, approximately 13,000 were started in October, and approximately 22,000 new trials were reported in the November report[21]. Approximately 14,000 permanent modifications were started in September, approximately 16,000 in October, and approximately 15,000 in November. As of November 30, 2012, homeowners in active HAMP permanent modifications saved approximately $544 per month, representing a 38 percent reduction from their before-modification mortgage payment. Since HAMP began, homeowners in permanent modifications have saved an estimated total of $16.7 billion in monthly mortgage payments.

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

b. HAMP Tier 2

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

While Tier 2 guidance became effective on June 1, 2012, not all servicers were able to fully implement HAMP Tier 2 until the middle of October 2012. Treasury imposed additional requirements for servicers with delayed implementation to ensure that no borrower was adversely impacted by the delay, including but not limited to, offering proprietary modifications with a similar structure to HAMP Tier 2. On November 30, 2012, Treasury issued guidance

[20] 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.

[21] Treasury expects this number to be temporarily higher than normal as a result of November being the first month where HAMP Tier 2 data is available.

expanding the acceptable debt-to-income range for HAMP Tier 2 from 25 - 42 percent to 10 - 55 percent. Servicers have the flexibility to select a debt-to-income range suitable for their portfolio. This guidance is not effective until February 1, 2013, and will likely result in a moderate increase in Tier 2 uptake.

As of November 30, there had been 331 HAMP Tier 2 permanent modifications started and 4,174 HAMP Tier 2 trial modifications started. Of the Tier 2 trial modifications that were started, 39 percent were previously in a Tier 1 trial or permanent modification. Some 22 percent had been evaluated previously for a Tier 1 modification and did not meet the eligibility requirements. Of the Tier 2 trial modifications started, 6 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 November 30, there had been 17,230 trial modifications and 10,451 permanent modifications started under FHA-HAMP.

d. 2MP

Under the Second Lien Modification Program ("2MP"), Treasury provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when the first-lien mortgage for the same property has been permanently modified under HAMP.

As of November 30, more than 100,000 homeowners in a permanent first lien modification under HAMP had received assistance through 2MP. Homeowners in active 2MP modifications typically save $778 per month on their combined first and second lien monthly mortgage payments. Those who received a full extinguishment of their second lien have typically reduced their total monthly mortgage payment by $1,049. More than 50 percent of the borrowers benefiting from 2MP reside in three states: California (36 percent), Florida (nine percent), and New York (seven percent).

d. HAFA

Under the Home Affordable Foreclosure Alternatives Program ("HAFA"), Treasury provides incentives for short sales and deeds-in-lieu of foreclosure for circumstances in which borrowers are unable or disinclined to complete the HAMP modification process. As of November 30, more than 115,000 homeowners had reached agreements with their servicer to exit their home under the HAFA Program. Nearly 86,000 had completed a short sale or deed-in-lieu of foreclosure. 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 October 31, 2012, approximately 29,000 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.

As of November 30, there had been 113,439 permanent HAMP modifications with principal reduction. These modifications typically reduced the principal amount by $66,215 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 $8.4 billion in principal reduction. During November, 77 percent of eligible non-GSE borrowers entering a HAMP trial or permanent modification who were underwater received some form of principal reduction with their modification.

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 December 31, 2012, all 18 states and the District of Columbia were operating HHF programs statewide and collectively have drawn approximately $1.76 billion (more than 23 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.

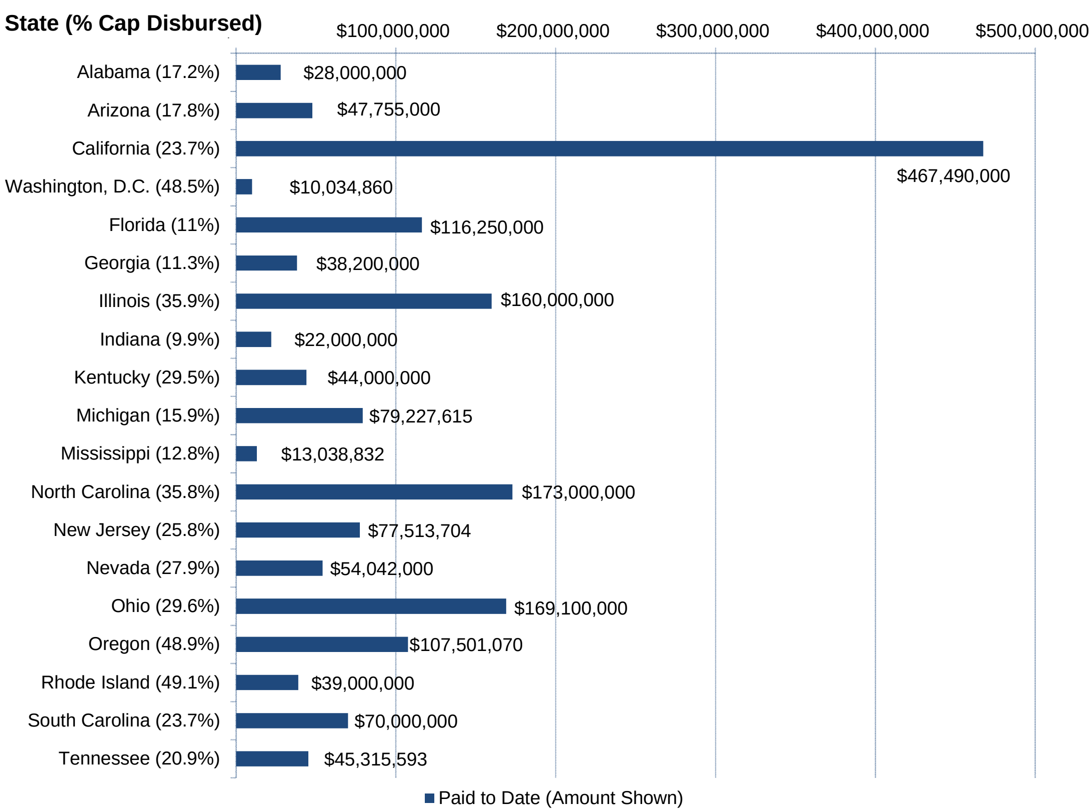
All 19 HFAs have created extensive infrastructures to operate these programs, including selecting and training networks of housing counselors to assist with applications, creating homeowner portals to aid homeowners in applying for assistance, and hiring underwriters and other staff to review and approve applications. All major servicers are participating in HHF programs, primarily through mortgage payment assistance and mortgage loan reinstatement assistance. Additionally, as reported in the previous quarterly report, the GSEs have issued guidance allowing their servicers to participate in principal curtailment programs under HHF. This recent guidance has begun to benefit program take-up in some states.

During the quarterly period, Treasury approved program changes in California, the District of Columbia, Kentucky, Rhode Island, and Ohio. The changes to these programs are designed to make them more flexible, expand the eligible population of homeowners, and offer deeper levels of assistance to enable particularly hard hit homeowners to recover from unemployment or achieve a more sustainable mortgage payment.

Performance reports through the third quarter of 2012 indicate that HFAs have now assisted more than 77,000 homeowners. They continue to innovate, develop new programs, and adapt existing programs with the goal of helping homeowners amid changing market and economic conditions.

Figure 8

Hardest Hit Fund as of December 31, 2012



f. Administrative Activities of the Office of Financial Stability

The Oversight Board monitors the progress made by OFS in ensuring that the necessary infrastructure is in place to design and implement all programs established under EESA. Establishing this infrastructure includes hiring staff and establishing the necessary internal controls, compliance, and monitoring mechanisms for the programs that Treasury established under the TARP. The following discussion outlines the status and progress made as of December 31, 2012 in the areas of staffing, procurement, conflict of interest mitigation, internal controls, and oversight.

i. Staffing

As of December 31, 2012, OFS had 146 full-time employees (60 career civil servants, and 86 term employees) who support TARP, down from 185 full-time employees during the same period last year, reflecting the progress made by OFS in winding down TARP. OFS no longer has any detailees from other federal agencies. The total number of employees does not include the 25 reimbursable Treasury employees from outside OFS who continue to provide support to OFS on an as-needed basis.

ii. Procurement

Treasury continued to engage private sector firms to assist with the significant volume of work associated with TARP. As of December 31, 2012, Fannie Mae and Freddie Mac accounted for 56 percent of the obligated dollars on non-personal services contracts and agreements while assisting in the program administration and compliance management of the MHA program as financial agents. Transaction structuring agents and asset managers continue to serve as financial agents that engage in the management and disposition of the portfolio of assets associated with several TARP programs and the Bank of New York Mellon provides custody banking services related to the TARP program as a financial agent to the Treasury. The balance of the non-personnel private sector firms were engaged to assist with the significant volume of work associated with TARP in the areas of accounting and internal controls, administrative support, facilities, legal advisory, financial advisory, and information technology.

As part of Treasury's commitment to transparency and accountability of taxpayer dollars, OFS has and continues to publish all contracts and financial agent agreements ("FAAs") online.[22] The section of the website titled "Doing Business with OFS" provides information on procurement contracts and FAAs including dollar value, performance period, and a category description. This section of the website also describes the authority to enter into procurement contracts and FAAs, OFS's commitments to small business, and their ongoing commitment to maintaining a fair and open competitive process.

[22] The FAAs are available at: http://www.treasury.gov/initiatives/financial-stability/Pages/doing-business-with-ofs.aspx

iii. Conflicts of Interest Mitigation

OFS's compliance division continues to manage conflict of interest issues that arise with both new and existing arrangements with contractors and financial agents, pursuant to the Final Conflict of Interest ("COI") Regulation. Throughout 2012, OFS's compliance division continued to maintain these robust controls to mitigate any potential COI issues that arise with outside parties in the implementation of all TARP operations. These controls include, review and approval of the COI mitigation plans contained in proposed contracts and financial agency agreements, receipt and review of conflict of interest certifications provided by all contractors and financial agents, management and disposition of all COI inquires arising during the course of the agreements, on-site compliance reviews of contractors' and financial agents' COI controls and processes.

The Government Accountability Office ("GAO") conducted a recent review of Treasury's TARP COI compliance process, and issued a report on September 18, 2012.[23] In this report, GAO concluded that Treasury had developed and implemented a multifaceted process to manage and mitigate potential COI issues. This process included reviewing and approving proposed contracts and financial agency agreements and mitigation plans, responding to COI inquiries, verifying proper actions are being taken to mitigate COI by contractors and financial agents, and preparing feedback reports that show how these parties are complying with COI requirements. The GAO also noted that Treasury had been conducting onsite design and compliance reviews since 2011. In this report, the GAO made no observations, findings, or recommendations.

iv. Governance and Internal Controls

OFS's continued commitment to maintaining an effective internal control environment was a critical factor in receiving clean audit opinions from the GAO in each year since the inception of TARP. Internal control is an integral part of OFS's key operational and accounting business processes such as investments, housing programs, information technology, and financial reporting. OFS continued to assess and address the various risks facing the organization through performing risk assessments, developing policies and procedures, and regularly monitoring the effectiveness of internal controls through testing.

The Internal Control Program Office, in coordination with the Risk Management Office, and the Senior Assessment Team are responsible for leading this effort. OFS management regularly monitors activities to confirm that control procedures are performed consistently and as designed. Business processes supporting existing programs, including internal control activities, continued to mature in 2012 through the use of increasingly well-defined policies and procedures as well as related online training that is available to all OFS staff. As part of OFS's commitment to transparency, current policies and procedures are also provided to the other oversight bodies

[23] GAO, Troubled Asset Relief Program: Treasury Sees Some Returns as It Exits Programs and Continues to Fund Mortgage Programs, January 2013, available at: http://www.gao.gov/assets/660/651179.pdf

(GAO and the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP")) for review.

In November the GAO released its audits of financial statements for fiscal years 2012 and 2011 financial statements for TARP. The GAO provided unqualified opinions on OFS's financial statements and internal control over financial reporting. The GAO found that OFS's statements were presented fairly in all material respects and according to generally accepted accounting principles. For fiscal year 2012, the GAO also found that OFS had resolved its one significant deficiency over financial reporting from the prior year and GAO cited no new significant deficiencies.

v. Oversight

During the quarterly period, Treasury provided the Oversight Board with an update on its progress in implementing several of the recommendations contained in the reports of the oversight bodies. In the cases where Treasury has declined to implement a recommendation or sought to reach the recommendation's objectives by other means that Treasury considered to be more practical, effective or supportive of achieving financial stability, Treasury has explained its reasons to the oversight body that made the recommendation.

Treasury continued to track oversight recommendations and manages the implementation of recommendations related to TARP through the Joint Audit Management System ("JAMES"). The JAMES is a Treasury-wide tracking system that contains information on audit reports issued by the Treasury Office of Inspector General, the Treasury Inspector General for Tax Administration, GAO and SIGTARP. The JAMES details all findings and recommendations in each oversight report and tracks the status and completion of planned corrective actions required to satisfy those recommendations.

With respect to such recommendations, as of December 31, 2012, Treasury had implemented nearly 79 percent, is in the process of implementing five percent, and declined nearly 13 percent. The remaining recommendations are not applicable to TARP programs.

APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
October 29, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EST) on Monday, October 29, 2012, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Ms. Nisanci, Chief of Staff, Securities and Exchange Commission

Chairperson Bernanke called the meeting to order at approximately 3:05p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on September 24, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Officials from the Department of the Treasury ("Treasury") 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 American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-backed Securities Loan Facility ("TALF"); the Public-Private Investment Program ("PPIP"); and the Making Home Affordable ("MHA") program and related initiatives. Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials first provided Members with an update on the latest cost estimates for TARP. Officials discussed Treasury's daily TARP update report as of October 1, 2012, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual TARP investments as of September 30, 2012.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all repayments and asset sales along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. During this discussion, officials noted that Zions Bancorporation ("Zions") recently repurchased in full its remaining $700 million in outstanding CPP preferred stock. Following Zions' repayment, the overall net return to taxpayers under the TARP bank programs now totals more than $21 billion. As part of this discussion, officials discussed Treasury's ongoing efforts to wind down and recover its remaining CPP investments. In particular, Treasury officials discussed the auctions of CPP investments in eleven institutions that Treasury commenced on October 22. Officials also discussed Treasury's plans for future auctions of additional CPP investments.

Treasury officials then provided an update on the AIFP. Officials provided Members with the status of Treasury's investment in General Motors and discussed recent developments in the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC. Officials noted that ResCap has given its preliminary approval of the bid by the team of Ocwen Loan servicing, LLC and Walter Investment Management Corp. of $3 billion as the highest and best bid for ResCap's mortgage servicing and origination platform assets. In addition, ResCap has given its approval of the bid by Berkshire Hathaway of $1.5 billion as the highest and best bid for a whole loan portfolio. These sales are subject to approval by the bankruptcy court. Treasury officials also noted that Ally announced that it has reached an agreement to sell its Canadian auto finance operation to Royal Bank of Canada. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2013.

Using prepared materials, Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Treasury continues to be subject to a lock-up period during which Treasury is restricted from selling any of the outstanding common shares of AIG still held by Treasury.

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 first discussed the relative performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP and the progress of certain PPIFs in completing their investment strategy. Officials noted that five PPIFs have ended their investment period and three funds remain with open investment periods under the program. Officials then discussed a recent recommendation from the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") that the Office of Financial Stability (OFS) should cease using the London Interbank Offered Rate (LIBOR) in the Term-Asset Backed Securities Loan Facility ("TALF") and the Legacy Securities PPIP. Officials noted that OFS responded to SIGTARP's recommendation. Although SIGTARP did not publish the response in its quarterly report, OFS published its response on the OFS public website.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Officials noted that MHA servicers had initiated approximately 17,000 new permanent modifications and 15,000 trial modification reported in the August 2012 report. As part of this discussion, Treasury officials also discussed the HHF. Officials described the recent progress of certain HFA's in increasing participation under their respective HHF-sponsored programs and Treasury's efforts to provide oversight and assistance to HFAs.

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

The meeting was adjourned at approximately 3:35 p.m. (EDT).

[Signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
November 26, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Monday, November 26, 2012, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Ms. Nisanci, Chief of Staff, Securities and Exchange Commission

Chairperson Bernanke called the meeting to order at approximately 2:05 p.m. (EST). At the outset of the meeting the Board members noted Ms. Schapiro's expected departure from the Securities and Exchange Commission and thanked her for her years of service and contributions to the Oversight Board.

The Board then considered draft minutes for the meeting of the Board on October 29, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Officials from the Department of the Treasury ("Treasury") 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 American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); the Term Asset-backed Securities Loan Facility ("TALF"); the Public-Private Investment Program ("PPIP"); the Making Home Affordable ("MHA") program and related initiatives; and the annual financial statements for the Office of Financial Stability ("OFS"). 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.

Treasury officials first reviewed and discussed the OFS Agency Financial Report for Fiscal Year 2012, which describes the activities and financial results for the TARP since its inception in October 2008 through the fiscal year ending September 30, 2012 ("Financial Report FY2012"). The Government Accountability Office audited the FY2012 financial statements prepared by OFS for the TARP and found that OFS presented them, in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, GAO found no material weaknesses or significant deficiencies in its internal controls over financial reporting. In addition, OFS successfully resolved its one fiscal year 2011 significant deficiency relating to internal control surrounding financial reporting.

Using prepared materials, Treasury officials then provided Members with an update on the latest cost estimates for TARP. Officials discussed Treasury's daily TARP update report as of November 1, 2012, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any gains or losses with regard to individual investments as of October 31, 2012.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all repayments and asset sales along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury has received from the banking organizations remaining in the program. Officials noted the results of auctions Treasury commenced in October of preferred stock in 15 institutions that participated in the CPP. Treasury expects to receive aggregate gross proceeds from the auctions of approximately $62.0 million. As part of this discussion, officials discussed Treasury's plans for future auctions of additional CPP investments.

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 discussed the relative performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP and the progress of certain PPIFs in completing their investment strategy. Officials noted that five PPIFs had wound down their funds. Of the remaining four PPIFs, only one PPIF can continue to make investments until its investment period ends on December 18, 2012. The PPIFs then have up to five additional years, which may be extended, subject to Treasury's approval, for up to two more years, to manage these investments and return the proceeds to Treasury and other PPIF investors. Officials then reviewed the current status of the TALF, noting that, in June 2012, Treasury's commitment under the TALF was set at $1.4 billion.

Using prepared materials, Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Treasury continues to hold 15.9 percent of the common stock outstanding of AIG.

Treasury officials then provided Members with an update on the AIFP. Among the matters discussed were the status of Treasury's investment in General Motors and Ally, as well as recent developments in the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC. Officials noted that Ally had reached an agreement to sell its operations in Europe and Latin America, as well as its share in a joint venture in China, to General Motors Financial Company, Inc., a wholly-owned subsidiary of General Motors, which itself is an AIFP recipient. The transaction is subject to regulatory approvals and is expected to close in stages during 2013. Ally expects to receive approximately $4.2 billion in proceeds from this transaction bringing to $9.2 billion in expected proceeds from sales of all its international operations.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Officials discussed the results of Treasury's MHA Program Performance Report as of September 2012, a monthly summary of recent MHA-related activity. Officials noted that MHA servicers had initiated approximately 14,000 new permanent modifications and 15,000 trial modification since the August 2012 report. Officials noted that Treasury provided guidance to mortgage servicers participating in HAMP about options available to homeowners affected by Hurricane Sandy. Under the program's guidelines, servicers should offer a minimum of three months forbearance to any homeowner who requests forbearance as a result of a federally declared disaster ("FDD") as designated by the Federal Emergency Management Agency ("FEMA") and meets the eligibility criteria specified by Treasury for FDD forbearance. For eligible homeowners who are being considered or have received assistance under MHA, the servicer cannot, for 90 days following the FDD designation, take any action that would adversely affect the borrower's eligibility, or good standing, under MHA until and unless there is contact with the borrower to establish whether the borrower requires FDD forbearance. As part of this discussion, Treasury officials also discussed the HHF. Officials described the recent progress of certain HFAs in increasing participation under their respective HHF-sponsored programs and Treasury's efforts to provide oversight and assistance to HFAs.

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

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

[Signed electronically]

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Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting December 17, 2012

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Tuesday, December 17, 2012, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

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

The Board then considered draft minutes for the meeting of the Board on November 26, 2012, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Public-Private Investment Program ("PPIP"); the American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); 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 reviewed and discussed with Members the overall reduction in Treasury's TARP investments in 2012. Treasury officials noted that an amount equal to approximately 90 percent of the $418 billion disbursed under the TARP has been collected through repayments, dividends and other income, as of December 14, 2012.

Treasury officials then provided Members with an update on the U.S. government's investment in AIG. Officials noted that on December 14, 2012, Treasury sold all of its remaining shares of AIG common stock in an underwritten public offering. The aggregate proceeds to Treasury from the common stock offering totaled approximately $7.6 billion.

Using prepared materials, Treasury officials then provided the Members with an update on the credit market programs established under TARP, including the TALF and PPIP. Officials discussed the relative performance of the Public-Private Investment Funds ("PPIFs") established under the PPIP and the progress of certain PPIFs in completing their investment strategy. As of December 14, 2012, Treasury investment under the PPIP totals approximately $4.65 billion. Officials noted that five PPIFs had wound down their funds. Of the remaining four PPIFs, only one PPIF can continue to make new investments, and its investment period ends on December 18, 2012. Officials then reviewed the current status of the TALF, noting that, as of December 12, 2012, the TALF loan balance was approximately $899 million and Treasury's commitment under the TALF was $1.4 billion.

Treasury officials then provided Members with an update on the CPP. Officials discussed the current aggregate status of all repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income Treasury had received thus far. As of December 14, 2012, Treasury had outstanding CPP investments in 218 banks totaling approximately $7.5 billion. As part of this discussion, officials discussed Treasury's plans for future auctions of additional CPP investments. Officials also updated Members on the status of missed dividend or interest payments by institutions participating in the CPP and Treasury's progress in identifying candidates to serve as directors for institutions that have missed at least six payments.

Treasury officials then provided the Members with an update on CDCI, which provided lower-cost capital under TARP to qualified Community Development Financial Institutions ("CDFIs"), including an update on several repayments of CDCI investments. As of December 14, 2012, Treasury had outstanding investments totaling approximately $540 million in 78 CDFIs.

Treasury officials then provided Members with an update on the AIFP. Among the matters discussed were the status of Treasury's investment in General Motors and Ally, as well as the bankruptcy proceeding of Ally's non-bank affiliate, Residential Capital LLC.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Officials discussed the results of Treasury's MHA Program Performance Report as of October 2012, a monthly summary of recent MHA-related activity. During this discussion, officials noted that Treasury expected to begin public reporting of HAMP Tier 2 data in January 2013. Officials also discussed Treasury's assessment of the nine largest servicers for the third quarter of 2012. Officials noted that two servicers were found to need only minor improvement on the areas reviewed for program performance, while seven servicers were found to need moderate improvement. As part of this discussion, Treasury officials also discussed the HHF and Treasury's efforts to provide oversight and assistance to HFAs.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and supply. 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 September 30, 2012, that will be issued pursuant to section 104(g) of the EESA. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:00 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary