FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
December 31, 2013

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

Statutory Members

Janet Yellen
Chair
Board of Governors of the Federal Reserve System

Jacob J. Lew
Secretary
Department of the Treasury

Mary Jo White
Chairman
Securities and Exchange Commission

Shaun Donovan
Secretary
Department of Housing and Urban Development

Mel Watt
Director
Federal Housing Finance Agency

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I. INTRODUCTION

This quarterly report of the Financial Stability Oversight Board ("Oversight Board"), issued pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covers the period from October 1, 2013 to December 31, 2013 (the "quarterly period").

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

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

Utilizing the authority provided by EESA, Treasury 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 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 21, November 25, and December 19, 2013. 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.

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[1] The respective Members named the following Representatives: Mr. David Wilcox, Division Director, Federal Reserve Board; Ms. Mary John Miller, Acting Deputy Secretary and Under Secretary for Domestic Finance, Department of Treasury; Mr. Ed Golding, Senior Advisor to the Secretary, Department of Housing and Urban Development; Ms. Erica Williams, Deputy Chief of Staff, Securities and Exchange Commission; and Mr. Mario Ugoletti, Special Advisor, Federal Housing Finance Agency.

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

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

a. Brief review of financial market developments

Conditions in U.S. financial markets over the fourth quarter were supportive of economic expansion as investor confidence was bolstered by incoming economic data that, on balance, exceeded expectations. Yields on longer-term Treasury securities and the stock price index for the overall market rose notably through the quarter, on net. Stock price indexes for large financial institutions increased in line with the broader stock market. Credit default swap spreads for large bank holding companies, generally considered a key indicator of investors' views about the health and prospects of these institutions, declined over the quarter.

Data from the Financial Accounts of the United States published by the Federal Reserve showed that debt for households edged up in the third quarter of 2013 (the latest data available), bolstered by robust expansion in consumer credit, especially student and auto loans. Residential mortgage debt posted its first increase since the financial crisis, edging up slightly during the quarter. Debt for nonfinancial businesses rose briskly during the period, reflecting robust expansion in corporate bonds. Total loans at depository institutions increased modestly, driven by increases in commercial and industrial ("C&I") and consumer loans; preliminary data indicate that total loans continued to grow steadily during the fourth quarter.

Commercial mortgage-backed securities ("CMBS") and consumer asset-backed securities issuance was robust in the fourth quarter, though both were still below the amounts recorded in 2007 before the financial crisis. Conditions in commercial real estate markets continued to improve at a slow but steady pace. While delinquency rates on CMBS declined, they remained at elevated levels. In the business sector, gross issuance of investment-grade bonds for nonfinancial corporations was 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, for which recovery appeared to moderate following increases in mortgage interest rates earlier in the year. Credit conditions remained tight for potential mortgage borrowers with less-than-pristine credit, amid some indications that mortgage credit was starting to become more widely available.

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

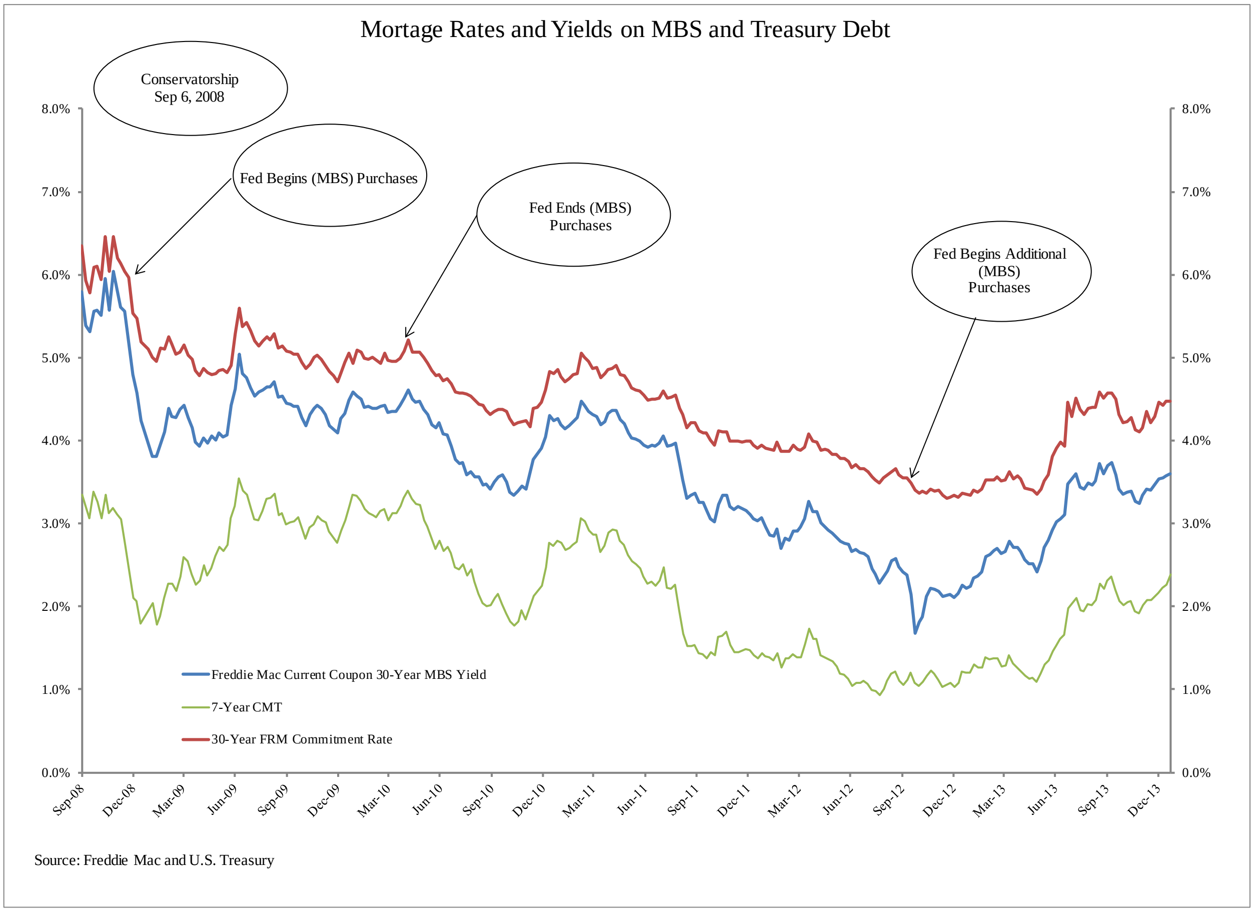
FHFA made announcements in the quarter about progress toward its goal of establishing a new infrastructure for mortgage securitization. In October, FHFA announced that a Certificate of Formation had been filed in Delaware for a joint venture named "Common Securitization Solutions," to be equally owned by Fannie Mae and Freddie Mac. The announcement indicated that office space had been found for the new entity in Bethesda, Maryland and a three-year lease was signed. In November, FHFA announced that progress had been made in the testing of the new Common Securitization Platform.

The fourth quarter also saw developments in the area of mortgage insurance. In December, FHFA announced that, under its supervision, the Enterprises had completed an overhaul of master policy requirements for mortgage insurance. The overhaul addressed critical deficiencies in existing policies, as it clarified responsibilities, improved loss mitigation mandates, and established standards for when mortgage insurance may be revoked. These improvements aimed to streamline claims processing for mortgage insurance and ultimately should reduce taxpayer losses.

Long-term mortgage interest rates edged up slightly over the last quarter (figure 1) following a sharp rise in the second quarter. In large part the increase reflected market anticipation of a tapering off of the Federal Reserve's program of mortgage-backed securities ("MBS") purchases. As of the end of December, rates on new 30-year fixed rate mortgages, as measured by Freddie Mac, were at 4.48 percent, some 113 basis points above the rate posted in the corresponding week in 2012.

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

Figure 1



Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During September, October and November, new permanent modifications averaged 14,000 per month, while total active permanent modifications increased from 906,000 at the end of August to more than 922,000 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 expand. By the end of November, nearly 79,000 2MP modifications were active, up from 77,000 at the end of September. Nearly 124,000 2MP modifications had been started, cumulatively, through November, and roughly 32,000 of these involved full extinguishment of the second lien. As of the end of November there were nearly 18,000 active trial modifications and nearly 146,000 active permanent HAMP first-lien modifications with principal reduction. 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 over 230,000 short sales and roughly 17,500 deed-in-lieu transactions.

The Hope Now Alliance reported that the number of non-TARP modifications continued to exceed the number established under HAMP, although the number of non-HAMP modifications continued to decline significantly. Hope Now reported an average of 35,000 non-HAMP modifications had been initiated per month during September, October, and November, roughly 25 percent lower than the average for the foregoing three months. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

Data reported by Treasury during the quarter indicated that, through the end of August, some 27.2 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.[4] Data reported during the quarter indicated that 12.8 percent of HAMP modifications made permanent in the third quarter of 2012 had become delinquent by 60 days or more within 12 months of receiving a modification (figure 2).[5] Among loan modifications made permanent in the third quarter of 2011, 15.5 percent had become delinquent by 60 or more days within 12 months of the modification. Each represented the best performances for any quarterly origination cohort at a comparable point in time and continued an extended trend of declining delinquency rates at those intervals across cohorts. In contrast, 21.2 percent of non-HAMP modifications made permanent in the third quarter of 2012 at a selected group of institutions regulated by the Office of the Comptroller of the Currency ("OCC") had become 60 or more days delinquent within 12 months of the modification.[6] The lower rate of delinquency for

[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 more detailed analysis of delinquency patterns in HAMP permanent modifications, interested parties should consult the most recent monthly MHA Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/results/mha-reports/pages/default.aspx.

[4] Beginning with data reported during the fourth quarter, the presentation of HAMP delinquencies in the MHA Performance Report was revised to consolidate individual quarterly reporting cohorts into four-quarter averages for the origination year. Figure 2 presents the same data with full quarterly cohort detail, which permits direct comparison between HAMP delinquencies and other sources.

[5] The quarterly delinquency data reported in the MHA Performance Report and in figure 2 exclude HAMP Tier 2 permanent modifications.

[6] 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 2013 (Table 34), 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 10.9 percent of HAMP permanent modifications finalized in the third quarter of 2012 had fallen 60 days delinquent within 12 months.

HAMP permanent modifications has likely been influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

Figure 2

Modification Became Permanent in:	Delinquency: Months After Conversion to Permanent Modification							
	12		18		24		36	
	#	60+ Days	#	60+ Days	#	60+ Days	#	60+ Days
Q3 2009	4,650	25.20%	4,983	31.90%	5,094	36.50%	5,199	43.70%
Q4 2009	51,529	19.80%	54,789	25.00%	55,773	31.30%	56,595	39.50%
Q1 2010	161,564	20.00%	166,613	25.80%	168,582	31.80%	166,694	39.70%
Q2 2010	173,892	19.30%	170,993	27.60%	179,437	31.00%	175,542	39.20%
Q3 2010	104,152	17.90%	106,281	25.10%	106,429	29.30%	104,715	37.10%
Q4 2010	64,967	18.00%	66,621	23.80%	66,339	29.40%		
Q1 2011	79,667	16.80%	81,445	22.10%	80,975	27.40%		
Q2 2011	92,787	16.10%	92,050	23.00%	91,587	27.20%		
Q3 2011	87,003	15.50%	86,625	21.60%	85,158	25.70%		
Q4 2011	67,814	14.60%	67,933	19.20%				
Q1 2012	50,893	13.90%	50,278	18.40%				
Q2 2012	45,259	13.50%						
Q3 2012	49,767	12.80%						
ALL	**1,033,944**	**17.30%**	**948,611**	**24.10%**	**839,374**	**29.60%**	**508,745**	**39.00%**

Note: Performance of HAMP Tier 1 Permanent Modifications as of August 31, 2013, showing selected details for the full set of quarterly cohorts that lays behind more summarized cohort information contained in the September 2013 MHA Performance Report. See notes on page 7 of that report for further details, available at http://www.treasury.gov/initiatives/financial-stability/reports/Documents/September%202013%20MHA%20Report%20Final.pdf

Delinquency rates for HAMP permanent modifications over time horizons beyond one year continued to be at or near the lowest levels of any quarterly origination cohort at a comparable point in time. For loan modifications made permanent in the first quarter of 2012, 18.4 percent had become delinquent by 60 or more days 18 months after the modification. Similarly, 24 months after becoming permanent, loan modifications made during the third quarter of 2011 experienced a serious delinquency rate of 25.7 percent. In addition, some 37.1 percent of loan modifications made permanent in the third quarter of 2010 had become seriously delinquent after 36 months. These 18-, 24-, and 36-month delinquency rates provide a broadening indication of performance for the overall portfolio of HAMP permanent modifications, because roughly 90 percent, 80 percent, and 50 percent of the total portfolio, respectively, had been in place for at least 18, 24, or 36 months as of the reporting date.

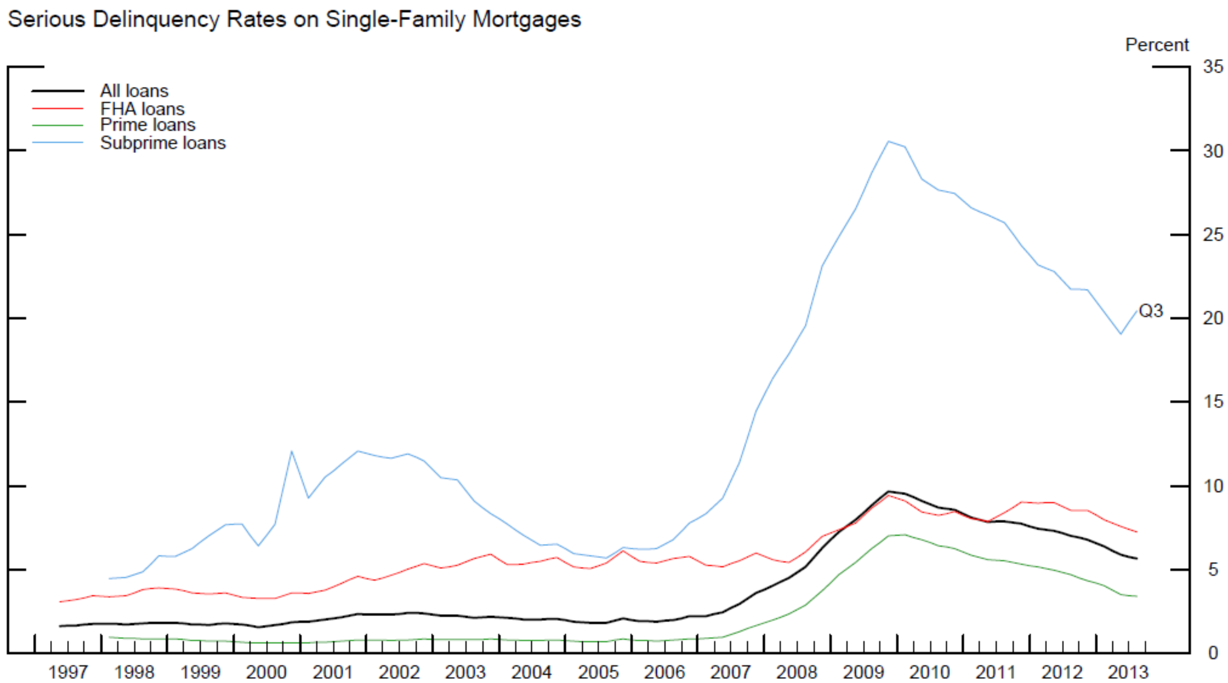
In March 2012, the Administration issued a supplemental directive expanding eligibility of HAMP with the HAMP Tier 2 option, which allows borrowers who failed a HAMP modification or evaluation, and owners of some rental properties, to receive a HAMP modification. As of November 30, 2013, over 29,000 HAMP Tier 2 permanent modifications, and roughly 49,000 HAMP Tier 2 trial modifications, had been 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), continuing the trend that began in late 2009 (figure 3). Even with this decrease, rates of serious delinquency remained within the range seen in the middle of 2008. Both reductions in newly delinquent loans and a high number of foreclosures over the last three years have contributed to the decline in serious delinquency rates. Loans originated in 2009 and 2010 experienced much lower rates of early delinquency, compared to loans originated in the middle of the decade.

For FHA mortgages, the number of new 90-day delinquencies in the quarter (roughly 112,000) was at the lowest fourth-quarter level since 2007, and the seasonally adjusted annual rate (SAAR) was the lowest of any quarter since the third quarter of 2008. The annualized rate of new 90-day delinquencies (just under 5.00 percent) was the lowest recorded since 2007.

Under the delinquency- servicing rules that went into effect in March 2013, HUD now encourages loan servicers to define and implement assisted-cures before the 90-day delinquency point, when possible. Such early interventions are generally possible when the borrower has had a documented change in income or living expenses, and there remains at least one wage earner among borrower homeowners.

Figure 3



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

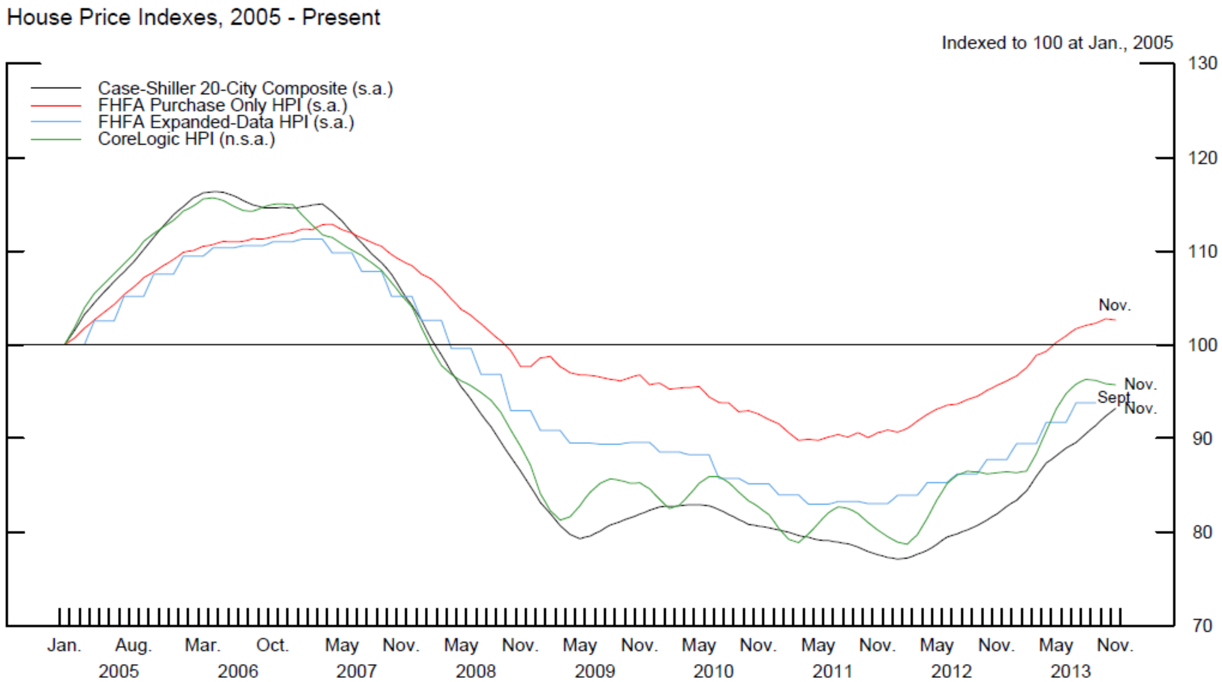
Low interest rates earlier in the quarter and in the preceding year helped lower interest costs for many borrowers, however. The non-TARP HARP program allows borrowers with high loan-to-value ratios ("LTVs") to refinance their mortgages to take advantage of lower interest rates. If the original loan 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. 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 2013 Fannie Mae and Freddie Mac refinanced about 57,000 mortgages per month on average through the HARP program, down from 84,000 over the previous three months. By the end of October, the Enterprises had refinanced over 388,000 loans with LTVs above 125 percent. In September, FHFA launched a nationwide education campaign and website designed to encourage homeowners who are current on their mortgage but still underwater to contact their lender, or any mortgage lender offering HARP refinances, to review their refinancing options.

FHA single family endorsement volumes of $35.8 billion during the quarter reflected a second significant decline relative to recent quarters. Purchase loan volumes of $27.4 billion were down nearly 19 percent from those in the third quarter, while refinance loan volumes of $8.5 billion were down 46 percent. Combined volumes were down 28 percent from the previous quarter and 44 percent from the year-earlier period. With home purchase loans, the quarterly decline principally reflects a slowdown in market activity. According to recent market volume estimates of the Mortgage Bankers Association, the FHA share of home-purchase lending activity in the quarterly period was close to 18 percent, which was up slightly from the previous two quarters, though down from the year-earlier period share of 21 percent. FHA refinance volumes in the quarterly period were only about one-fourth of what they were in the year-earlier period, and at the lowest level seen since the third quarter of 2007.

Seasonally adjusted house sale volume fell over the quarterly period, in response to higher mortgage interest rates. As measured by the National Association of Realtors and the Census Bureau, combined existing and new single-family home sales took place at a 5.3 million annual rate in December, down from a 5.8 million rate in August (seasonally adjusted). Sales have exceeded the 5.0 million annual rate (seasonally adjusted) for 17 consecutive months.

Data on home prices released during the quarter continued to show a rising trend, but at a more subdued pace. The house price index from CoreLogic increased about 0.03 percent from August to November, while the FHFA monthly purchase-only index rose 0.7 percent over that interval (figure 4).

Figure 4



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, 2013 (figure 5). According to these estimates, the expected overall cost of TARP will be approximately $40.29 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $22.74 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, 2013, and are provided in Section III.

Figure 5

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

Programs as of December 31, 2013 (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]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 1.17	$ (10.20)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 0.92	$ 1.02
Total	$ 204.89	$ 204.89	$ 2.09	$ (16.06)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ -	$ (4.00)
Asset Guarantee Program (AGP)[3]	$ 5.00	$ 0.00	$ -	$ (4.00)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.47	$ 0.12
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.23	$ 6.25	$ -	$ (3.06)
Debt	$ 12.38	$ 12.38	$ -	$ 0.33
Total	$ 19.61	$ 18.62	$ -	$ (2.73)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.60)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	$ -	$ 15.18
Total	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ 9.84	$ 14.72
Sub-total for Investment Programs	**$ 418.07**	**$ 411.72**	**$ 12.40**	**$ 2.62**
Making Home Affordable	$ 29.87	$ 7.17	n/a	$ 29.87
Hardest Hit Fund	$ 7.60	$ 3.23	n/a	$ 7.60
FHA-Refinance[4]	$ 1.03	$ 0.06	n/a	$ 0.21
Sub-total for Housing Programs	**$ 38.49**	**$ 10.46**	**n/a**	**$ 37.67**
Total for TARP Programs	**$ 456.56**	**$ 422.18**	**$ 12.40**	**$ 40.29**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 456.56**	**$ 422.18**	**$ 12.40**	**$ 22.74**

Footnotes

[1] Lifetime cost information is as of September 30, 2013. Estimated lifetime cost figures are updated quarterly in conjunction with the Office of Management and Budget.

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

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

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

[5] As discussed in note 10 to the Daily TARP Update, Treasury's investment in AIG common shares consisted of shares acquired in exchange for preferred stock purchased with TARP funds ("TARP shares") and shares received from the trust created by the Federal Reserve Bank of New York for the benefit of Treasury as a result of its loan to AIG ("non-TARP shares"). Treasury managed the TARP shares and non-TARP shares together, and disposed of them pro-rata in proportion to its holdings. Only the TARP shares are included under "Other Programs—AIG" and the lifetime cost estimate shows a loss based on Treasury's cost basis in the TARP shares alone. However, a gain is shown for the non-TARP shares on the line entitled "Additional AIG Common Shares Held by Treasury" because Treasury's cost basis in such shares was deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis was $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the close of the program.

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

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

a. Capital and Guarantee Programs for Financial Institutions

i. Update on the CPP

As of December 31, 2013, Treasury had received approximately $204.95 billion in proceeds from repayments and auction sales under the CPP, equivalent to approximately 100 percent of the $204.89 billion in total funds initially invested.[7] These repayments and auction sales, along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income from participating bank organizations bring the total cash back received from the CPP to $224.91 billion.

As of December 31, 2013, 86 institutions remained in the program with total outstanding CPP obligations of $2.09 billion. There were two remaining CPP institutions for which Treasury's investment exceeded $100 million (figure 6).

Figure 6

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

Institution	Location	Outstanding Investment ($ millions)
Popular, Inc.	San Juan, PR	$ 935.00
First BanCorp[a]	San Juan, PR	$ 238.97

Note to Remaining CPP Investments with more than $100 Million Outstanding as of December 31, 2013:

a/ Treasury exchanged its preferred stock for mandatorily convertible preferred stock ("MCP") with capitalized dividends. First Bancorp fulfilled the conversion conditions and Treasury's MCP was converted into 32,941,797 shares of common stock. Treasury sold 12,000,000 of such shares on August 16, 2013. Treasury sold a further 1,261,356 shares on September 13, 2013 following the exercise by the underwriters of their over-allotment option.

[7] This amount includes all proceeds received as of December 31, 2013 from CPP participants, including sales of common and preferred shares, institutions that refinanced to the SBLF, and exchanges out of the CPP into the CDCI.

a. Repayments, Dispositions, and Auction Sales

During the quarterly period, 12 financial institutions delivered a total of $77.65 million in full and partial repayments. In addition, Treasury sold all or part of its remaining investments in an additional 13 institutions through CPP auctions for total gross proceeds of $111.56 million. Treasury had originally invested a combined total of $200.84 million in these institutions. Treasury also individually sold or restructured three institutions for total proceeds of $15.90 million. At quarter's end, Treasury still held warrant investments in 8 of these institutions, the disposition of which will yield additional proceeds.

Auctioned 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 securities received by Treasury through the CPP. As with these auctions or common stock offerings, winning bidders in the CPP preferred stock or subordinated debenture auctions receive no exemption from any statutes and regulations pertaining to ownership of securities in financial institutions.

b. Update on Warrant Dispositions and Dividends and Interest

During the quarterly period, Treasury received proceeds of approximately $22.55 million from CPP warrants that were repurchased, auctioned or otherwise sold. During the quarterly period, Treasury also received dividends and interest income from CPP investments of approximately $15.28 million.

c. Missed Payments by Portfolio Institutions[8]

During the quarterly period, 65 institutions did not make their scheduled dividend or interest payments on Treasury's CPP investments. In this period, missed payments by portfolio institutions in the CPP totaled approximately $8.11 million, which represents approximately 35 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period.

As of December 31, 2013, the cumulative total of missed payments by CPP portfolio institutions since the beginning of the program was approximately $111.36 million, which represents less than one percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury. [9]

[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).

Under the CPP preferred-stock agreements, Treasury cannot demand payment of dividends. Instead, Treasury has the contractual right to appoint up to two members to the board of directors of a CPP recipient if the institution has missed six or more dividend or interest payments on the preferred stock issued to Treasury.

d. Bankruptcies and Receiverships

On December 13, Texas Community Bank, NA, a subsidiary of TCB Holding Company, was closed by the Office of the Comptroller of the Currency, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. Treasury's investment in TCB Holding Company was $11.73 million, and no repayments to Treasury had been made as of December 31, 2013.

As of December 31, 2013, 28 financial institutions with CPP investments totaling $3.23 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 7).

Figure 7

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

Institution Name	Bankruptcy/ Receivership Date	Realized or Expected Loss Amount ($ millions)	Original Investment Amount ($ millions)
CIT Group Inc.*	11/1/2009	$ 2,330.00	$ 2,330.00
UCBH Holdings, Inc.	11/6/2009	$ 4.12	$ 4.12
Pacific Coast National Bancorp*	12/17/2009	$ 298.73	$ 298.73
Midwest Banc Holdings, Inc.	5/14/2010	$ 84.78	$ 84.78
Sonoma Valley Bancorp	8/20/2010	$ 8.65	$ 8.65
Pierce County Bancorp	11/5/2010	$ 6.80	$ 6.80
Tifton Banking Company	11/12/2010	$ 3.80	$ 3.80
Legacy Bancorp, Inc.	3/11/2011	$ 5.49	$ 5.50
Superior Bancorp Inc.	4/15/2011	$ 69.00	$ 69.00
FPB Bancorp Inc.	7/15/2011	$ 5.80	$ 5.80
One Georgia Bank	7/15/2011	$ 5.50	$ 5.50
Integra Bank Corporation	7/29/2011	$ 83.58	$ 83.59
Citizens Bancorp	9/23/2011	$ 10.40	$ 10.40
CB Holding Corp.	10/14/2011	$ 4.11	$ 4.11
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30.00	$ 30.00
Blue River Bancshares, Inc.	2/10/2012	$ 5.00	$ 5.00
Fort Lee Federal Savings Bank	4/20/2012	$ 1.30	$ 1.30
Gregg Bancshares, Inc.	7/13/2012	$ 0.82	$ 0.83
Premier Bank Holding Company	8/14/2012	$ 9.50	$ 9.50
GulfSouth Private Bank	10/19/2012	$ 7.50	$ 7.50
Investors Financial Corporation of Pettis County, Inc.	10/19/2012	$ 4.00	$ 4.00
First Place Financial Corporation	10/29/2012	$ 72.90	$ 72.93
Princeton National Bancorp	11/2/2012	$ 25.08	$ 25.08
Gold Canyon Bank	4/5/2013	$ 1.60	$ 1.61
Indiana Bank Corp.	4/9/2013	$ 1.31	$ 1.31
Rogers Bancshares, Inc.	7/5/2013	$ 6.80	$ 25.00
Anchor Bancorp Wisconsin, Inc.*	8/12/2013	$ 104.00	$ 110.00
TCB Holding Company	12/13/2013	$ 11.73	$ 11.73
Syringa Bancorp	1/31/2014	$ 8.00	$ 8.00
*Institution has exited the bankruptcy/receivership process			

ii. Update on the CDCI

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

As of December 31, 2013, there were 69 institutions remaining in the CDCI. During the quarterly period, Southside Credit Union repaid its outstanding CDCI investments and exited the program. In addition, Treasury sold its CDCI securities in BankAsiana to Wilshire Bancorp, Inc. in connection with a merger. These repayment and sale transactions resulted in total proceeds of $6.35 million plus accrued and unpaid dividends.

During the quarterly period, Treasury also collected $2.83 million in dividends from CDCI institutions. One CDCI institutions missed dividend payments during the quarterly period. As of December 31, 2013, cumulative dividends and interest income received from CDCI investments was approximately $35.95 million. Since the program started in 2010, just one CDCI institution has been closed (Premier Bancorp, Inc., Wilmette, IL, with the FDIC having been named receiver).

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

b. Automotive Industry Financing Program ("AIFP")

i. General Motors

As part of its efforts to protect the economy by preventing the collapse of the auto industry, Treasury invested a total of $49.5 billion in General Motors ("GM") through the Automotive Industry Financing Program ("AIFP")[10]. On December 9, 2013, Treasury announced that it had fully exited its investment in New GM following the sale of all of its remaining shares of GM common stock. In total, Treasury collected proceeds of $39.7 billion from all of its investments in GM through repayments, sales of stock, dividends, interest, and other income[11].

- On November 20, 2013, Treasury completed its third pre-arranged trading plan for the sale of its GM common stock, initiated in September 2013. Under this plan, Treasury sold 70.2 million shares of GM common stock for total gross proceeds of approximately $2.6 billion.

[10] This figure excludes disbursements and repayments related to the loan extended to GM for the GMAC Rights Offering ($884 million), Warranty Program ($361 million), and Supplier Program ($290 million). For more information about these programs, see: http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/automotive-programs/Pages/overview.aspx

[11] This amount includes the total amount that Treasury has recovered, including the investment in GM and loans for the Supplier and Warranty Programs. The remaining outstanding balance of $1.7 billion includes $884 million in a loan to GM to support Ally Financial as well as an initial loan in the amount of $826 million to support old General Motors.

- On December 9, 2013, Treasury completed its fourth and final pre-arranged trading plan for the sale of all its remaining shares of GM common stock. Under this plan, Treasury sold 31.1 million shares of GM common stock for total gross proceeds of approximately $1.2 billion.

ii. Ally Financial

On November 15, 2013, the Federal Reserve informed Ally that it did not object to the company's revised capital plan. This action allowed the company to complete a $1.3 billion private placement of Ally stock that enabled the company to repurchase all the Mandatory Convertible Preferred shares Treasury had received in return for providing assistance to Ally during the financial crisis and to terminate the share adjustment right held by Treasury. On November 20, 2013, Ally Financial returned $5.9 billion to taxpayers.

As of December 31, 2013, taxpayers had recovered $12.3 billion, or more than 75 percent of the total investment provided, and Treasury still held approximately 981,971 shares, or approximately 64 percent of the common equity of Ally. Treasury stated that it will continue to work with the company to further wind down this investment through a public offering, private sale of its common shares or further sales of assets.

c. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering September 2013, October 2013, and November 2013, as well as a quarterly MHA Servicer Assessment for the third quarter of 2013. These reports were released in conjunction with the monthly housing scorecard on the health of the nation's housing market produced by HUD.[12]

i. MHA

The primary purpose of MHA is to help struggling homeowners avoid foreclosure. As of the end of the quarterly period, more than 1.9 million homeowner assistance actions had been

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

taken through the program. While the Home Affordable Modification Program ("HAMP") remains the cornerstone program, MHA also includes a number of other specialized programs to help homeowners facing different challenges.

A total of $29.87 billion has been committed to MHA. Of that amount, Treasury had disbursed $7.17 billion of incentive payments for MHA as of December 31, 2013, of which $660 million was disbursed during the fourth quarter of 2013.[13] Based on all MHA activity in place as of December 31, 2013, OFS estimates that $13.87 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and receive incentives for five years.

a. HAMP

As of November 30, 2013, nearly 1.3 million homeowners had received a permanent first lien modification through HAMP since the start of the program.

Specifically, 12,421 new trial plans were started in September 2013, 13,655 were started in October 2013, and 14,986 new trials were reported in November 2013. In addition, 12,884 permanent modifications were started in September 2013, 16,383 in October 2013, and 12,996 in November 2013.

As of November 30, 2013, homeowners in active HAMP permanent modifications saved approximately $546 per month, representing a reduction of nearly 40 percent from their before-modification mortgage payment. Since HAMP began, homeowners in permanent modifications have saved an estimated total of $24.2 billion in monthly mortgage payments.

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

b. HAMP Tier 2

As of November 30, 2013, there had been 29,134 HAMP Tier 2 permanent modifications started and 49,002 HAMP Tier 2 trial modifications started. Of the Tier 2 trial modifications that were started, 25 percent were previously in a Tier 1 trial or permanent modification. Some 17 percent had been evaluated previously for a Tier 1 modification and did not meet the eligibility requirements. Of the Tier 2 trial modifications started, 7 percent were for non-owner-occupied properties.

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[13] 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.

c. Treasury FHA-HAMP

Treasury FHA-HAMP is designed to provide incentives for servicers to modify FHA-insured first lien mortgages for struggling homeowners in order to reduce payments to more affordable levels. As of November 30, 2013, there had been 42,654 trial modifications and 24,082 permanent modifications started under Treasury FHA-HAMP.[14]

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 a qualifying first-lien mortgage for the same property has been permanently modified under MHA.

As of November 30, 2013, 123,714 homeowners in an eligible permanent first lien modification under MHA had received assistance through 2MP. Homeowners in 2MP with an active permanent modification save a median of $153 per month on their second mortgage, resulting in a median total first and second lien payment reduction of 41 percent. Homeowners who receive a full extinguishment of their second lien receive a median total first and second lien payment reduction of 53 percent. Homeowners who receive a full extinguishment of their second lien receive a median total first and second lien monthly payment reduction of $1,047. More than 50 percent of the borrowers benefiting from 2MP reside in three states: California (36 percent), Florida (9 percent), and New York (7 percent).

d. HAFA

Under the Home Affordable Foreclosure Alternatives Program ("HAFA"), Treasury provides incentives for Non-GSE 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, 2013, nearly 248,000 homeowners had exited their home through a short sale or

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[14] As part of HUD's overall program, FHA-HAMP, more than 266,000 trial modifications and roughly 115,000 permanent modifications had been initiated through December 31, 2013. FHA experienced a significant increase in trial modification starts during calendar year 2013 and many of those had not yet completed the three-month trial period by year-end. As part of FHA-HAMP, TARP funds are used to pay borrower and servicer incentives on a portion of these loans that qualify for Treasury FHA-HAMP. In addition to any standards imposed by FHA, to be eligible for incentives paid through TARP, the MHA Handbook for Non-GSE Servicers ("Handbook") requires that: (1) the servicer of the loan must have signed a Servicer Participation Agreement and related documents; (2) the loan must have been originated on or before January 1, 2009; (3) the written request for assistance must have been received on or before December 31, 2015; and (4) the permanent modification must be effective on or before September 30, 2016. Further information (including references to applicable Mortgagee Letters) is available in Section 2.1 of Chapter VI of the Handbook, available at: https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_43.pdf

deed-in-lieu of foreclosure under the HAFA Program[15]. 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 eligible 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, 2013, more than 37,000 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, 2013 homeowners in HAMP active permanent modifications with some form of principal reduction had been granted an estimated $12.6 billion in principal reduction. Of all non-Government Sponsored Enterprise ("GSE") loans eligible for principal reduction entering HAMP in November 2013, 61percent included a principal reduction feature.

As of November 30, 2013, there had been 173,417 permanent HAMP modifications with principal reduction. These modifications typically reduced the principal amount by $67,321 or nearly one-third of the principal balance before 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.

[15] Includes activities under both MHA HAFA and GSE Standard HAFA programs. Effective November 2012, the GSEs revised their short sale and deed-in-lieu programs to more closely align them with Treasury's MHA HAFA program.

As of December 31, 2013, all 18 states and the District of Columbia were operating HHF programs statewide and collectively had drawn approximately $3.23 billion (more than 42 percent) of the $7.6 billion allocated under the program. Each state draws down funds as they are needed (figure 8). States have until December 31, 2017 to expend funds and must have no more than 5 percent of their allocation on hand before they can draw down additional funds.

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

As of December 31, 2013, there were 69 active programs across the 19 HFAs. Approximately 68 percent of total program funds were being targeted to help unemployed borrowers, primarily through reinstatement and programs that help homeowners pay their mortgage while looking for work. Treasury has continued its efforts to identify best practices, share lessons learned between states and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury continued to participate in bi-weekly conference calls with the 19 HFAs and the large servicers participating in the HHF to discuss best practices in reaching the target population, ways to expand program eligibility, and promising new programs that can effectively utilize the HHF. In October, Treasury introduced the new Hardest Hit Fund Quarterly Performance Summary, a companion reference to the Hardest Hit Fund Quarterly Performance Reports. The Summary contains performance data and trends, key economic and loan performance indicators, and brief program descriptions for each HFA. This report will be published regularly in addition to the information already available on HHF, which includes the update on HHF in Treasury's monthly report to Congress on TARP, as well as the Quarterly Performance Reports published by each participating state.[16]

During the quarter, Treasury approved program changes for Arizona, Georgia, Indiana, Michigan, New Jersey, North Carolina, Ohio, and South Carolina. Also during the quarter, Washington D.C. and New Jersey ceased accepting new applications for their respective programs due to successful administration of their programs and projected full commitment of program funds. [17]

[16] The Hardest Hit Fund Quarterly Performance Summary is available at http://www.treasury.gov/initiatives/financial-stability/reports/Pages/HHF.aspx. Direct links to each state's most recent performance report can be found at http://www.treasury.gov/initiatives/financial-stability/programs/housing-programs/hhf/Pages/default.aspx.

[17] In addition, Rhode Island and Illinois had previously closed the application period for new homeowners.

The program changes included:

- Arizona expanded the definition of affordability for its unemployment and reinstatement programs for homeowners who have demonstrated an ability to pay the higher monthly payment. Arizona also now allows monthly mortgage payments over $2,000 in cases where payment adjustments occur when a homeowner is already participating in its unemployment and reinstatement program; maximum assistance may not exceed the overall program cap of $48,000.

- Georgia increased the maximum amount and duration of assistance available under its unemployment program, and introduced two new programs. The Mortgage Reinstatement Assistance program is a stand-alone reinstatement program designed to assist homeowners who have experienced a financial hardship, but have regained the ability to resume their mortgage payments and need help to bring their mortgage current. The Recast/Modification program provides up to $30,000 in principal reduction and/or reinstatement assistance to lower a homeowner's monthly payment by facilitating a loan modification or recast. While a loan modification requires the loan terms to be adjusted, a loan recast allows a servicer to lower the monthly payment by re-amortizing the loan based on the newly reduced principal balance, without changing the loan terms.

- Indiana developed a new Blight Elimination Program, which will provide up to $25,000 for the demolition, greening, and maintenance of vacant, abandoned, blighted residential properties to stabilize local housing markets and prevent avoidable foreclosures.

- Michigan and Ohio made adjustments to their blight elimination programs.

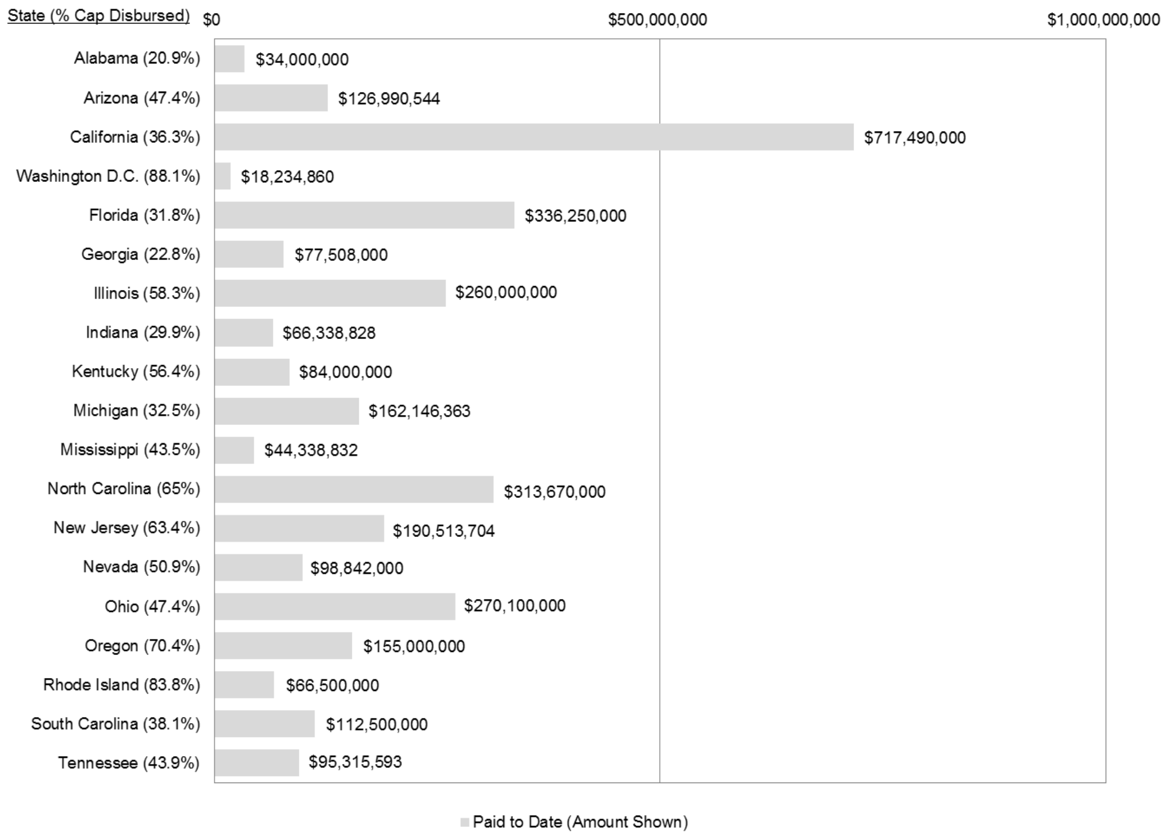
- New Jersey reduced the maximum assistance available to homeowners to $24,000.

- North Carolina increased funds available under its unemployment program and replaced its Principal Reduction Recast Program with a new Modification Enabling Pilot program, a note-purchase and modification program that will provide up to $36,000 in principal reduction for eligible loans to enable a permanent mortgage modification that creates an affordable mortgage payment for the homeowner.

- South Carolina renamed its HAMP Assistance Program to Modification Assistance Program, and revised it to include principal reduction with loan re-amortizations (recasts) or non-HAMP modifications in addition to HAMP modifications.

Figure 8

Hardest Hit Fund as of December 31, 2013



d. Administrative Activities of the Office of Financial Stability (OFS)

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, 2013, in the areas of staffing, procurement, conflict of interest mitigation, internal controls, and oversight.

i. Staffing

As of December 31, 2013, OFS had 109 full-time employees (43 career civil servants, and 66 term employees) who support TARP, down from 146 full-time employees during the same period the year before. This reflects the progress made by OFS in winding down TARP. In addition, OFS no longer had detailees from other federal agencies. The total number of employees does not include 24 reimbursable Treasury employees from outside OFS who continue to provide support to OFS on an as-needed basis.

ii. Procurement

OFS continued to engage private-sector firms to assist with the significant volume of work associated with TARP. As of December 31, 2013, Fannie Mae and Freddie Mac accounted for 57 percent of all OFS procured contracts and financial agent agreements ("FAAs") while assisting in the program administration and compliance management of the MHA program as financial agents. Transaction structuring agents and asset managers continued to serve as financial agents that engage in the management and disposition of the portfolio of assets associated with several TARP programs. The Bank of New York Mellon continued to provide custody services related to the TARP program as a financial agent to OFS. The balance of contractors 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 continued to publish all contracts and FAAs online.[18] This listing provides information on procurement contracts and FAAs including dollar value, performance period, and a category description.[19]

iii. Conflicts of Interest Mitigation

OFS's compliance division continued to identify and address potential conflict-of-interest issues that might arise with both new and existing arrangements with contractors and financial agents, pursuant to OFS's Final Conflict of Interest ("COI") Regulation. The controls to identify and mitigate potential COI issues 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; and on-site compliance reviews of contractors' and financial agents' COI controls and processes.

iv. Governance and Internal Controls

OFS has received clean audit opinions from the General Accountability Office (GAO) in each year since the inception of TARP. In November the GAO released its audits of financial statements for fiscal years 2013 and 2012 financial statements for TARP. The GAO provided

[18] The listing of FAAs is available at: http://www.treasury.gov/initiatives/financial-stability/Pages/doing-business-with-ofs.aspx

[19] This section of the website also describes the authority to enter into procurement contracts and FAAs, OFS's commitments to small business, and the ongoing commitment to maintaining a fair and open competitive process.

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 2013, the GAO also found that OFS had no new significant deficiencies.

In addition, 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. OFS's Risk Management Group, in coordination with the Senior Assessment Team, remained responsible for leading this effort, and 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 2013. In addition to established policies and procedures, related online training was available to all OFS staff. As part of OFS's commitment to transparency, policies and procedures were also provided to the other oversight bodies (GAO and the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP")) for review.

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 managed 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, 2013, Treasury had implemented approximately 81 percent of the recommendations, and was in the process of implementing an additional four percent, and after careful consideration, declined implementation of about 13 percent. The remaining recommendations were 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 21, 2013

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Monday, October 21, 2013, by teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. Silver, Chief Reporting Officer, Office of Financial Stability, Department of the Treasury

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

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

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

At the outset of the meeting, as previously announced by Treasury, Mr. Massad reported that he will be stepping down as Assistant Secretary for Financial Stability. Members expressed their appreciation for Mr. Massad's leadership during his tenure at Treasury, including the last 3.5 years as head of the Office of Financial Stability. Mr. Massad indicated he will be succeeded by Timothy Bowler, currently Deputy Assistant Secretary of Treasury for Capital Markets.

The Board then considered draft minutes for the meeting of the Board on September 19, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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

Using prepared materials, Treasury officials then provided Members with an update on TARP programs and their expected lifetime costs. As of September 30, 2013, Treasury had collected \$1.5 billion more than the cumulative disbursements of \$421.2 billion under all TARP investment programs, including the proceeds of non-TARP common shares in American International Group. Treasury's outstanding investment under these programs was \$22.7 billion. Under its TARP housing-related programs, Treasury had disbursed \$9.5 billion to assist at-risk mortgage borrowers.

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

As of September 30, Treasury had outstanding CPP investments totaling \$2.4 billion in 108 institutions. Of these institutions, all but two represented investments of less than \$100 million; the two exceptions were Popular and First BanCorp. Officials noted that in September, five institutions fully repaid their CPP investments resulting in total proceeds of \$153.6 million. A significant portion was attributable to Cathay General's repayment of \$129 million, which had been the third largest remaining CPP investment.

Officials also noted that Treasury continues to liquidate CPP investments through regular auctions, restructurings and warrant repurchases. In September, Treasury sold all or part of its preferred stock in six institutions for proceeds of \$91 million. Also during September, Treasury received \$7.2 million in proceeds related to one institution's bankruptcy restructuring plan and warrants repurchases by four institutions.

Treasury officials then provided Members with an update on the AIFP. In September, Treasury completed its second pre-arranged trading plan for sales of General Motors ("GM") stock, which had been initiated in May and generated total net proceeds of \$3.8 billion. On

September 26, Treasury announced it had initiated a third pre-arranged trading plan. By month's end, Treasury had received total net proceeds of $570.1 million under the third trading plan, bringing the cumulative total recovery from all sales of its GM stock to $36 billion.

As part of the AIFP discussion, officials also discussed the status of Treasury's investment in Ally Financial ("Ally"), including the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC ("ResCap"). As previously reported to Members, Ally had reached an agreement with the U.S. Treasury to repurchase of all its Mandatorily Convertible Preferred ("MCP") shares and terminate its share adjustment right subject to certain conditions. The proposal is contingent on receiving a non-objection from the Federal Reserve related to Ally's Comprehensive Capital Analysis and Review ("CCAR") resubmission and successfully completing Ally's approximately $1 billion private placement of common stock. Upon fulfillment of the conditions, Ally will make a total cash payment to the U.S. Treasury of $5.932 billion (including accrued dividends) to repurchase $5.938 billion par value of MCP and to terminate the share adjustment right. Treasury's remaining investment in Ally would then represent 66 percent ownership of the common stock of the company.

Treasury officials then provided an update on the CDCI. Treasury officials indicated they continue to monitor the performance of CDCI and will make decisions regarding the program's wind-down at a later date.

Treasury officials then provided an update on the MHA and other related housing initiatives, including Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund. Treasury officials reported the results of Treasury's MHA programs through August 2013, noting that servicers had initiated 19,000 new permanent modifications under the HAMP during the month.

Treasury officials also provided the Members with an update on the HHF initiative. They reported that, through the end of September, a total of nearly $3 billion had been drawn by the nineteen HFAs from Treasury under HHF. They also described a new quarterly HHF performance report, which showed nearly 127,000 homeowners had been assisted across the nineteen HHF jurisdictions from the inception of the program through June 2013, more than twice the comparable figure from June 2012.

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, 2013. Staff discussed, among other things, the timing of the report.

The meeting was adjourned at approximately 3:15 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

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

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

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

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

Mr. Silver, Chief Reporting Officer, Office of Financial Stability, Department of the Treasury

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

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

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

The Board then considered draft minutes for the meeting of the Board on October 21, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Automotive Industry Financing Program ("AIFP"); and the Making Home

Affordable ("MHA") and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs and their expected lifetime costs. As of November 25, 2013, Treasury had disbursed $421.6 billion and collected $431.3 billion under all TARP investment programs, including the proceeds of non-TARP common shares in American International Group. Total collections of $8.6 billion since the last meeting were predominantly the result of repayments on AIFP investments, including approximately $6 billion attributable to repayments under the Ally transaction previously discussed with Members.

As of November 25, 2013, Treasury's remaining outstanding investment under TARP investment programs was $14.0 billion. Under its TARP housing-related programs, Treasury had disbursed $9.9 billion to assist at-risk mortgage borrowers.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. Members and officials also discussed the prospects for additional repayments under the program. As of November 20, 2013, Treasury had outstanding CPP investments totaling $2.17 billion in 89 institutions. Officials noted that Treasury will continue to liquidate CPP investments through regular auctions, restructurings and warrant repurchases. Treasury officials reported that since the last Oversight Board meeting, 14 institutions had exited the CPP program including 11 through auctions. On October 21, Treasury held an auction for its preferred stock in seven institutions, receiving aggregate gross proceeds of $66.1 million. In addition, on November 4, Treasury commenced an auction for its preferred stock in seven institutions generating aggregate gross proceeds of $49.3 million.

Treasury officials then provided Members with an update on the AIFP, beginning with the status of Treasury's investment in Ally Financial ("Ally"). Last week, Treasury's outstanding investment in Ally was reduced as Ally paid $5.9 billion to repurchase all outstanding Mandatory Convertible Preferred ("MCP") securities held by Treasury and to terminate Treasury's Share Adjustment Right ("SAR"), as previously discussed with Members. At about the same time, the company completed a $1.3 billion private placement of Ally common shares with various investors. Earlier in November, Ally had received notification that the Board of Governors of the Federal Reserve did not object to its revised Comprehensive Capital Analysis and Review ("CCAR") plan, which satisfied a key closing condition related to the private placement of Ally common stock, the repurchase of the MCP securities and payment for the elimination of the SAR.

Officials also provided an update on the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC ("ResCap"), noting that ResCap was expected to emerge from bankruptcy by the end of the 2013. Officials indicated that, after giving effect to these transactions, Treasury had so far received income and recoveries representing roughly 70 percent of its original $16.3 billion investment in Ally.

On November 21st, Treasury announced the start of a fourth pre-arranged trading plan for sales of GM stock, having received total net proceeds of approximately $2.6 billion from the sales of GM common stock under the just-completed third pre-arranged trading plan. Treasury anticipates that it will complete the sale of its remaining shares of GM stock through this fourth trading plan, market conditions permitting, by the end of 2013.

Treasury officials then provided an update on the MHA and other related housing initiatives, including Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF"). Treasury officials reported the results of Treasury's MHA programs through September 2013, noting that 1.8 million homeowner assistance actions had been taken since the initiation of the MHA program, including approximately 13,000 new permanent HAMP modifications that were initiated during the month.

Treasury officials also provided the Members with an update on the HHF initiative. They reported that four HFAs drew a total of $103.5 million in October, bringing to more than $3 billion the amount drawn by the 19 HFAs to assist at-risk mortgage borrowers since the program's inception. Treasury officials also noted that implementation of HFA programs to reduce urban blight in Michigan and Ohio was progressing well.

Treasury officials reported to Members that they expected to publish the Office of Financial Stability's TARP Agency Financial Report for fiscal year 2013 in mid-December.

Staff of the Oversight Board then provided Members with an update on administrative matters. Staff discussed, among other topics, the timing of the Oversight Board's report to Congress for the quarter ending September 30, 2013, and planning for 2014 monthly meetings of the Oversight Board.

The meeting was adjourned at approximately 2:20 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

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

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

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

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

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

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

Mr. Silver, Chief Reporting Officer, Office of Financial Stability, Department of the Treasury

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor, Federal Housing Finance Agency

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

Mr. Wilcox, Division Director, Federal Reserve Board

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

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

Mr. Rasetti, Mr. Kowalsky, Ms. Philip, Ms. Victorino, Ms. Heller-Stein, and Mr. Sturc

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

The Board then considered draft minutes for the meeting of the Board on November 25, 2013, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Capital Purchase Program ("CPP"); the Community Development Capital Initiative ("CDCI"); the Automotive Industry Financing Program ("AIFP"); and the Making Home Affordable ("MHA"), and Hardest Hit Fund ("HHF") initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("105(a) report"), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP, and the Office of Financial Stability ("OFS") TARP Agency Financial Report for 2013 ("Agency Report"). Throughout the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials then provided Members with an update on TARP programs and their expected lifetime costs. As of the meeting date, Treasury had disbursed $421.6 billion and collected approximately $433.0 billion under all TARP investment programs, including the proceeds of non-TARP common shares in American International Group ("AIG").

Treasury officials then reported the latest lifetime cost estimate for TARP of $40.3 billion, which as in in the past assumed full disbursement of TARP housing commitments of $38.5 billion. Adding the $17.5 billion proceeds from the sale of non-TARP AIG stock held by Treasury, this figure would be $21.0 billion. As of November 30, 2013, Treasury had disbursed $10.1 billion to at-risk borrowers under its TARP housing-related programs and $13.5 billion remained outstanding under all TARP investment programs.

Treasury officials then provided the Members with an update on the CPP, including the latest cumulative repayments and sales of CPP investments along with dividends, interest, warrant sales, gains from the sale of common stock, and fee income. As of November 30, 2013, Treasury had outstanding CPP investments totaling $2.12 billion in 89 institutions. One institution (Popular) continued to account for nearly half of the remaining CPP investment balance, with the remaining investments associated with small institutions. Officials noted that Treasury will continue to liquidate CPP investments through regular auctions, restructurings and warrant repurchases. Officials briefly noted that seventy-one institutions remained in the "CDCI" bank support program, with outstanding investments of $470 million.

Treasury officials then provided Members with an update on the "AIFP". As previously announced to the public, Treasury had sold all remaining holdings of General Motors ("GM") common stock on December 9, when it completed the sale of its remaining 31.1 million shares under a fourth and final trading plan. The liquidation of Treasury's GM stock began in December 2012, when GM completed an initial purchase of 200 million shares, followed in 2013 by the sale of stock under four successive pre-arranged written trading plans. Treasury officials noted that $39 billion had been recovered through repayments, the sale of stock, dividends, and interest, which represented approximately 80 percent of Treasury's invested amount in GM.

Treasury officials then discussed the status of Treasury's investment in Ally. Completing a transaction previously discussed with Members, on November 20 Treasury's outstanding investment in Ally was reduced by $5.9 billion as Ally repurchased Mandatory Convertible Preferred ("MCP") shares owned by Treasury as well as eliminating Treasury's Share Appreciation Right ("SAR"). Earlier in November, Ally received notification that the Federal Reserve Board did not object to its revised Comprehensive Capital Analysis and Review ("CCAR") plan, which satisfied a key closing condition related to the transaction involving the $1.3 billion private placement of Ally common stock as well as the MCP and SAR transactions.

Treasury officials also provided an update on the bankruptcy proceeding of Ally's non-bank mortgage affiliate, Residential Capital LLC ("ResCap"), noting that the bankruptcy court had approved Ally's reorganization plan last week. Officials also noted that Ally's debt rating had been upgraded by one credit rating agency (Fitch) to BB, due to these positive recent developments.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") Hardest-Hit Fund ("HHF").

Treasury officials reported that, from the initiation of the MHA program through October 2013, more than 1.8 million homeowner assistance actions had been taken, with the majority of assistance actions (approximately 1.2 million) being HAMP Tier 1 modifications. During October, roughly 14,000 new trial modifications and 16,000 permanent modifications were completed under HAMP.

Treasury officials also provided the Members with an update on the HHF initiative. They reported that four HFAs drew a total of $90.3 million in November, bringing to $3.1 billion the amount drawn by the 19 HFAs, out of $7.6 billion committed, to assist at-risk mortgage borrowers since the program's inception. Treasury officials also noted that three states, Washington, New Jersey, and Illinois, had hit their funding limits.

Officials indicated that HHF funding for blight elimination was recently approved for Indiana, and that Illinois was considering a program similar to those in Michigan, Ohio and Indiana. Ohio is expected to implement its blight elimination program in the first quarter of 2014. Members expressed interest in seeing data on the results of these programs once available.

Treasury then discussed the results of the most recent Quarterly Servicer Assessment, which covered seven of the largest MHA servicers for the third quarter of 2013. For this period, three servicers were found to need minor improvement, three servicers required moderate improvement, and one servicer required significant improvement. For the latter, Treasury officials noted that the servicer needing significant improvement (CitiMortgage) had agreed to make program adjustments that would improve its performance.

Treasury officials also provided an update on OFS staffing and administrative matters. OFS reported it currently had 110 direct employees, down from a peak of 240 employees during the height of the TARP programs. The majority of remaining OFS staff is associated with activities related to the administration of ongoing housing initiatives.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The information reviewed included data related to mortgage rates and Treasury yields, housing price indices and sales, and refinancing activity. During this discussion, FHFA officials also presented data related to delinquencies, recovery rates, re-default rates on modified mortgages, foreclosure prevention actions taken by the Government Sponsored Enterprises ("GSEs"), and refinancing activity. FHFA officials indicated that they will soon announce that refinancing of underwater GSE mortgages under FHFA's Home Affordable Refinancing Program ("HARP") since that program's inception had reached a total of three million transactions.

Staff of the Oversight Board then provided Members with an update on Oversight Board administrative matters. Staff discussed, among other topics, the status of the Oversight Board's report to Congress for the quarter ending September 30, 2013, and planning for 2014 monthly meetings of the Oversight Board.

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

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary