FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
June 30, 2015

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

<u>Statutory Members</u>

Janet Yellen
Chair
Board of Governors of the Federal Reserve System

Jacob J. Lew
Secretary
Department of the Treasury

Mary Jo White
Chair
Securities and Exchange Commission

Julián Castro
Secretary
Department of Housing and Urban Development

Mel Watt
Director
Federal Housing Finance Agency

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I. INTRODUCTION

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

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

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

The Oversight Board met three times during the quarterly period, specifically on April 30, May 21, and June 22, 2015. As reflected in the minutes of the Oversight Board's meetings,[2] the Oversight Board regularly receives presentations and briefings from Treasury officials during these meetings to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

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

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

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

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

In past quarterly reports the Oversight Board has indicated that actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act and actions taken by the Federal Reserve, HUD, and FHFA have continued to support housing markets and provide assistance to mortgage borrowers. These accumulated and ongoing actions continue to be a stabilizing influence on housing markets and to reduce avoidable foreclosures.

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

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

a. Volume of TARP mortgage borrower assistance actions

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During January, February and March 2015, new permanent modifications totaled about 11,900 per month, while total active permanent modifications increased from roughly 968,600 at the end of December 2014 to more than 974,200 at the end of March 2015. 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 March 2015, more than 84,800 2MP modifications were active, just below 84,900 at the end of December 2014.

More than 146,900 2MP modifications had been started, cumulatively, through March, and more than 40,100 of these involved full extinguishment of the second lien. As of the end of March there were nearly 180,700 active permanent HAMP first-lien modifications with principal reduction. Also through March, completed transactions under the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu-of-foreclosure as lower-cost alternatives to foreclosure, had reached about 315,600 short sales and more than 41,700 deed-in-lieu transactions.

The Hope Now Alliance reported that the number of non-HAMP 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 roughly 29,000 non-HAMP modifications had been initiated per month during January, February and March 2015, slightly above the average for the previous three months (25,600).[3] Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

b. Performance of past TARP mortgage borrower assistance actions

Data reported by Treasury during the quarter indicated that through the end of March some 30.9 percent of all HAMP permanent modifications had re-defaulted, that is, were disqualified for missing three or more payments.[4] Delinquency data across standardized intervals, a more conventional metric for assessing payment performance, continued to provide some positive indications.[5] Data reported during the quarter indicated that 13.1 percent of HAMP Tier 1 modifications made permanent in the first quarter of 2014 had become delinquent by 60 days or more within 12 months of receiving a modification (figure 1). Similarly, among loan modifications made permanent in the fourth quarter of 2013, some 12.2 percent had become delinquent by 60 or more days within the same 12-month interval. At 13.1 percent, the 12-month re-default rate for the first quarter of 2014 cohort is the highest reported since the second quarter of 2012, although it is well

[3] The figure reported by the Hope Now Alliance for the 4th quarter of 2014, which should be 25,600, was incorrectly reported as 28,900 in the previous Oversight Board report.

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

[5] The quarterly delinquency data reported in the MHA Performance Report, in this section, and in figure 1 exclude HAMP Tier 2 permanent modifications, with the exception of the cumulative re-default rate of 30.9 percent cited above.

below the comparable-interval delinquency rates seen prior to 2012.

In contrast, 20.9 percent of non-HAMP modifications made permanent in the first quarter of 2014 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] As with modifications made permanent in earlier quarters, the lower rate of delinquency for HAMP permanent modifications was likely influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

[6] Data for non-HAMP modifications were drawn from the OCC Mortgage Metrics Report for the first quarter of 2015 (Table 35), 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 17.9 percent of HAMP permanent modifications finalized in the first quarter of 2014 had fallen 60 days delinquent within 12 months.

Figure 1

Delinquency: Months After Conversion to Permanent Modification						
Modification Effective in:	12		24		36	
	#	60+ Days	#	60+ Days	#	60+ Days
2009Q3	4,634	25.90%	5,068	36.90%	5,167	44.00%
2009Q4	51,389	20.40%	55,528	31.60%	56,351	39.70%
2010Q1	161,100	20.40%	167,926	31.90%	166,208	39.70%
2010Q2	173,450	19.50%	178,764	31.10%	174,991	39.20%
2010Q3	104,183	18.20%	106,201	29.50%	104,469	37.10%
2010Q4	65,131	18.40%	66,447	29.60%	65,951	36.30%
2011Q1	79,566	17.00%	80,788	27.60%	80,935	33.80%
2011Q2	92,553	16.20%	91,403	27.30%	91,484	33.20%
2011Q3	86,849	15.60%	85,066	25.80%	86,816	31.00%
2011Q4	67,714	14.70%	67,594	23.40%	67,697	28.50%
2012Q1	50,821	14.10%	50,720	22.50%	50,262	27.90%
2012Q2	45,214	13.60%	44,939	22.00%	*15,543*	*27.70%*
2012Q3	49,673	13.00%	50,470	20.90%		
2012Q4	42,400	12.30%	42,794	19.90%		
2013Q1	42,002	12.60%	42,160	19.90%		
2013Q2	33,686	11.70%	*11,326*	*19.70%*		
2013Q3	34,802	12.10%				
2013Q4	29,889	12.20%				
2014Q1	26,397	13.10%				
2014Q2	*7,469*	*13.40%*				
All	**1,248,922**	**16.60%**	**1,147,194**	**27.50%**	**965,874**	**35.70%**

Notes:

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

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 2013, 19.9 percent had become delinquent by 60 or more days 24 months after the modification. Similarly, 36 months after becoming permanent, loan modifications made during the first quarter of 2012 experienced a serious delinquency rate of 27.9 percent.

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 February 28, 2015 (figure 2). According to these estimates, the expected overall cost of TARP will be approximately $37.38 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $19.83 billion.

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

Figure 2

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

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

	Obligation/ Commitment	Disbursed as of June 30	Outstanding Investment Balance as of June 30	Estimated Lifetime Cost as of February 28[1]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 0.12	$ (10.24)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 0.19	$ 0.89
Total	$ 204.89	$ 204.89	$ 0.31	$ (16.24)
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	$ 0.46	$ 0.10
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 6.25	$ 6.25	$ -	$ (3.06)
Debt	$ 12.38	$ 12.38	-	$ 0.33
Total	$ 18.63	$ 18.63	$ -	$ (2.73)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.61)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ -	$ -
Common Stock	$ 47.54	$ 47.54	-	$ 15.18
Total	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ -	$ 12.27
Sub-total for Investment Programs	**$ 417.08**	**$ 411.72**	**$ 0.77**	**$ (0.03)**
Making Home Affordable	$ 29.78	$ 11.28	n/a	$ 29.78
Hardest Hit Fund	$ 7.60	$ 5.22	n/a	$ 7.60
FHA-Refinance[4]	$ 0.13	$ 0.02	n/a	$ 0.03
Sub-total for Housing Programs	**$ 37.51**	**$ 16.52**	**n/a**	**$ 37.41**
Total for TARP Programs	**$ 454.59**	**$ 428.24**	**$ 0.77**	**$ 37.38**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 454.59**	**$ 428.24**	**$ 0.77**	**$ 19.83**

Footnotes

Notes:

[1] Lifetime cost information is as of February 28, 2015. Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. Figures include interest on re-estimates. Costs for the Making Home Affordable program were updated in April to reflect some terminations.

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

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

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

[5] As discussed in note 10 to the Monthly TARP Update, Treasury's investment in AIG common shares consisted of shares acquired in exchange for preferred stock purchased with TARP funds ("TARP shares") and shares received from the trust created by the FRBNY for the benefit of Treasury as a result of its loan to AIG ("non-TARP shares"). Treasury managed the TARP shares and non-TARP shares together, and disposed of them pro-rata in proportion to its holdings. Only the TARP shares are included under "Other Programs—AIG" and the lifetime cost estimate shows a loss based on Treasury's cost basis in the TARP shares alone. However, a gain is shown for the non-TARP shares 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 April 1 to June 30, 2015, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

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

As of June 30, 2015, 25 institutions remained in the CPP program with total outstanding CPP obligations of $0.31 billion. As of that date, Treasury had received approximately $207.57 billion in gross proceeds from repayments and auction sales under the CPP, exceeding the $204.89 billion in total funds initially disbursed.[7] These repayments and auction sales, along with dividends, interest, warrant sales, and fee income from participating bank organizations brought the total cash received from the CPP to $226.59 billion.

During the quarterly period, one financial institution fully repaid its CPP investment of $19.82 million. In addition, in June 2015, Treasury sold all of its remaining investments in five institutions through a CPP auction for aggregate gross proceeds of $15.36 million. Treasury had originally invested a combined total of $14.75 million in these institutions.

During the quarterly period, Treasury received proceeds of approximately $77.41 million from CPP warrants that were repurchased, auctioned or otherwise sold. Treasury also received dividends and interest income from CPP investments of approximately $6.19 million.

As of June 30, 2015, the cumulative total of non-current dividend or interest payments by CPP portfolio institutions was approximately $50.58 million.[8] 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.

No institutions participating in the CPP program had their subsidiary banks placed in receivership during the quarterly period. A total of 32 CPP recipients have been placed in receivership or bankruptcy since the inception of the program, 11 of which had exited the

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

[8] 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).

receivership or bankruptcy process by June 2015 (figure 3).

Figure 3

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

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

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

As of June 30, 2015, there were 64 institutions remaining in the CDCI. During the quarterly period, Treasury collected $2.25 million in dividend and interest payments from CDCI institutions. Two CDCI institutions missed a dividend payment during the quarterly period. As of June 30, 2015, cumulative dividends and interest income received from CDCI investments was approximately $50.12 million. Since the program started in 2010, just one CDCI institution has been closed (Premier Bancorp, Inc., Wilmette, IL, with the FDIC having been named receiver).

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

b. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, a quarterly Making Home Affordable ("MHA") Program Performance Report was released covering program activity during the period January 2015 through March 2015, including a quarterly MHA Servicer Assessment for the same period.[9] A Performance Summary for HHF was also released covering the first quarter of 2015.[10] In addition, housing scorecards on the health of the nation's housing market produced by HUD were released for each month of the quarter.[11]

i. MHA

MHA programs provide assistance actions through first and second lien permanent modifications under HAMP, Treasury FHA-HAMP, RD-HAMP, 2MP, and other assistance provided through HAFA transactions and UP forbearance plans (figure 4). For some programs, assistance includes that provided by the Government Sponsored Enterprises ("GSEs").

[9] The MHA Program Performance Report includes data on the characteristics of permanent modifications, servicer activity, re-default rates, homeowner experience, HAMP activity by state and metropolitan area, modifications by investor type, and compliance reviews. The quarterly Servicer Assessments summarize performance on metrics in three categories of program implementation: identifying and contacting homeowners, homeowner evaluation and assistance, and program management and reporting. The reports are available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx.

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

[11] The Housing Scorecard incorporates key housing market indicators and highlights the impact of housing recovery efforts. The scorecard is available at: http://www.HUD.gov/scorecard.

Figure 4

	As of March 31. 2015	Q1 2015
MHA First Lien Permanent Modifications Started	1,804,468	48,896
HAMP Tier 1	1,378,855	15,387
HAMP Tier 2	98,702	13,714
GSE Standard Modifications	248,794	12,526
Treasury FHA and RD HAMP	78,117	7,269
2MP Modifications Started	146,925	2,251
HAFA Transactions Completed	357,388	16,234
UP Forbearance Plans Started	42,971	829
Cumulative Activity	2,351,752	68,210

Notes:

- First lien permanent modifications include GSE Standard Modifications since October 2011 under the GSEs' Servicer Alignment Initiative.
- Treasury FHA-HAMP volume experienced significant increases in the latter half of 2014 due to policy clarification issued by Treasury to align with policy changes made by FHA. This clarification included allowing homeowners with a debt-to-income level below 31 percent to qualify for FHA-HAMP.
- HAFA totals include GSE and non-GSE activity.

A total of $29.79 billion has been committed to MHA. As of June 30, 2015, Treasury had disbursed $11.3 billion in incentive payments for MHA, $0.7 billion of which was disbursed during the second quarter of 2015.[12] Based on all MHA activity in place as of March 31, 2015, Treasury estimated that $18.8 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions if all active modifications were to remain current and receive incentives for six years.

a. HAMP

Through March, 2015, more than 1.5 million HAMP permanent modifications had been completed since the start of the program. As of March 31, 2015, homeowners that received HAMP permanent modifications saved approximately $485 per month (median savings), representing a reduction of more than one third from their before-modification mortgage payment. Since HAMP

[12] Treasury's Transactions Reports (Housing), available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/TARP-Housing-Transaction-Reports.aspx, show the adjusted cap amounts for each servicer, and the total disbursements to each servicer with respect to non-GSE loans. Incentive payments for GSE loans are borne by the GSEs and not Treasury.

began, homeowners who received permanent modifications had saved an estimated total of $34.8 billion in monthly mortgage payments. During the period January to March 2015, more than 29,100 new permanent modifications were initiated, as reported in Treasury's Making Home Affordable Program Performance Report.[13] An additional 32,600 new HAMP trial period plans were begun during that same period.

b. HAMP Rate Step-ups

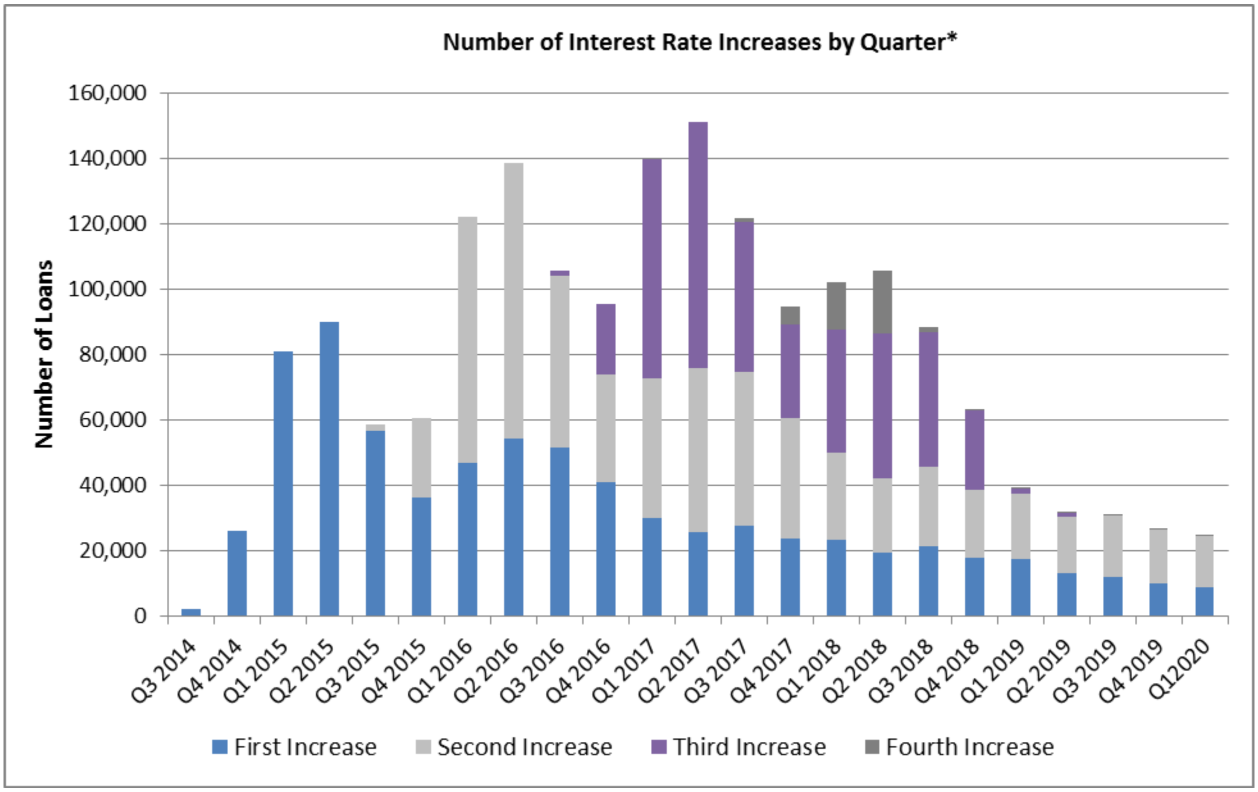
The HAMP Tier 1 modification was designed to provide relief to homeowners facing a financial hardship by providing a modification that would reduce their monthly mortgage payment to an affordable level. The interest rate is reduced in increments to achieve the target 31 percent DTI with an interest rate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

Some 83 percent of HAMP Tier 1 homeowners will experience an interest rate increase after five years. The majority of HAMP homeowners will experience two to three interest rate increases. Homeowners who received a modification in 2009-2011 are more likely to experience three to four increases than homeowners who received a modification in 2012-2013, most of whom will experience two increases (figure 5).

The first interest rate increase went into effect in the third quarter of 2014 for the earliest group of HAMP modifications. Treasury is monitoring these cohorts closely for signs or trends that re-defaults are increasing as borrowers experience an interest rate step-up. As of March 31, 2015, nine vintages had experienced an interest rate step-up. At this stage, Treasury indicated that there does not appear to be a notable performance impact for the modifications that have experienced a step-up.

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

Figure 5



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

c. HAMP PRA

As of March 31, 2015, about 231,900 permanent HAMP modifications had been initiated with a principal reduction feature, according to data reported during the quarterly period. Of all non-GSE loans eligible for principal reduction entering HAMP in the fourth quarter of 2014 (the most recent semiannual tabulation available in the quarterly period), 69 percent of Tier 1 loans included a principal reduction feature and 65 percent of Tier 2 loans included a principal reduction feature.

ii. HHF

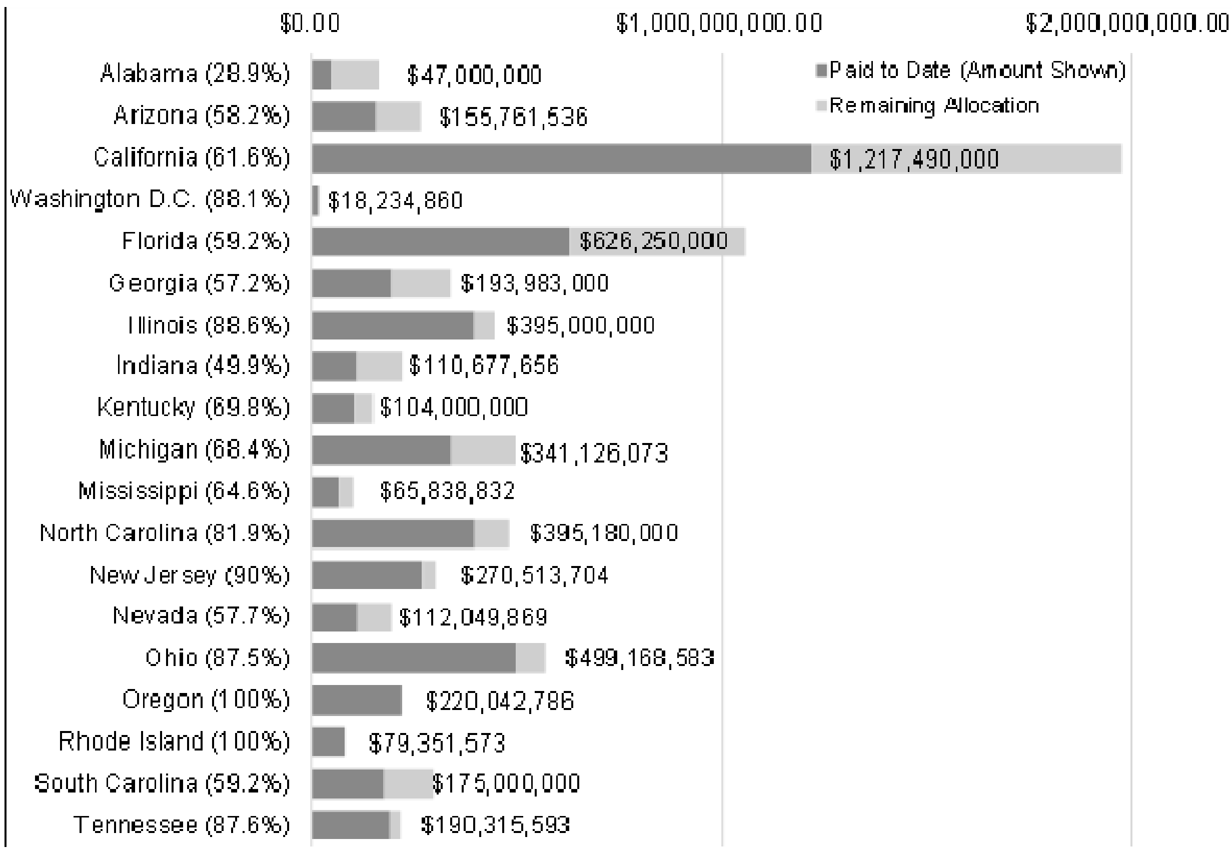
As of June 30, 2015, all 19 jurisdictions eligible for HHF (18 states and the District of Columbia) were operating HHF programs throughout their respective jurisdictions and collectively had drawn approximately $5.22 billion (69 percent) of the $7.60 billion allocated under the program. Each of these eligible jurisdictions draws down funds as they are needed (figure 6). The jurisdictions have until December 31, 2017, to expend funds and must have no more than five percent of their allocation on hand before they can draw down additional funds.

As of June 30, 2015, there were 76 active programs across the 19 HHF jurisdictions. Approximately 65 percent of total program funds were targeted to help unemployed borrowers, primarily through programs that help homeowners pay their mortgage while looking for work, or borrowers needing assistance reinstating a delinquent mortgage. Treasury continued its efforts to identify best practices, share lessons learned among programs and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury approved program changes for Arizona, the District of Columbia, Florida, Nevada, New Jersey, and North Carolina. Program changes are outlined each month in the Monthly Report to Congress. [14]

Figure 5

Hardest Hit Fund as of June 30, 2015



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

APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
April 30, 2015

A meeting of the Financial Stability Oversight Board ("Board") was held at 1:00 p.m. (EDT) on Thursday, April 30, 2015, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

Mr. Ugoletti, Special Advisor, Federal Housing Finance Agency (Interim Chair)

Mr. Carpenter, Acting Under Secretary for Domestic Finance, Department of Treasury

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

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

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

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

Mr. Roberts, Special Assistant, Office of Financial Stability, Department of the Treasury

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Ugoletti at approximately 1:05 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on March 23, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

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

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

As of meeting date, Treasury's remaining aggregate CPP investment in 30 institutions was approximately $329 million. Treasury officials reported that since the last Oversight Board meeting, one institution (Chambers Bancshares, Inc.), had exited the CPP program. Officials also reported that, during the month of April, Citizens First Corporation had repurchased outstanding warrants. As of April 30, Treasury's largest CPP investment remains its common stock holdings in First BanCorp ("FBP"). As of the meeting date, Treasury's remaining investment in FBP totaled approximately $125 million.

Treasury officials then briefly discussed the CDCI program, noting that 64 institutions remained in the program. Officials then noted that the dividend rate on CDCI shares (2 percent) is lower than that for CPP shares, and the dividend-rate step-ups take place after eight years rather than five years for CPP.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP").

Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Treasury officials noted that some 10,000 new permanent HAMP modifications were initiated in February 2015. As of February 2015, there were more than 973,000 active permanent HAMP modifications in place.

Treasury officials then discussed recent changes to, and funding drawn by, HHF programs in the 19 eligible jurisdictions. Officials briefly described recent programs changes in California and Michigan, to better assist at-risk borrowers. Since the inception of HHF, participating housing finance agencies have disbursed an estimated $4.0 billion in Hardest Hit Fund assistance, or 59 percent of total program allocations. Officials also noted that some 233,000 borrowers had been assisted since the beginning of the program.

Staff of the Oversight Board then discussed the timing of the next quarterly report.

The meeting was adjourned at approximately 1:30 p.m. (EDT).

[signed electronically]

William F. Treacy,
Executive Director

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

A meeting of the Financial Stability Oversight Board ("Board") was held at 11:00 a.m. (EDT) on Thursday, May 21, 2015, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Ugoletti, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

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

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

Mr. Roberts, Special Assistant, Office of Financial Stability, Department of the Treasury

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

The meeting was called to order by Mr. Wilcox at approximately 11:02 a.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on April 30, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

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

Throughout the meeting, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with an update on the CPP and CDCI.

Treasury's remaining aggregate CPP investment at the end of April was approximately $329 million in 30 institutions, of which approximately $125 million was its common stock holding in First BanCorp ("FBP"). Officials then noted that on May 21, Treasury announced its completion of an auction to sell its warrant positions in nine institutions, for aggregate gross proceeds of approximately $50.9 million. As of April 30, Treasury's remaining aggregate CDCI investment in 64 institutions was approximately $455 million.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Treasury officials noted that some 8,300 new permanent HAMP modifications were initiated in March 2015. As of March 2015, there were more than 974,000 active permanent HAMP modifications in place.

Treasury officials then discussed recent changes to, and funding drawn by, HHF programs in the 19 eligible jurisdictions. Officials briefly described a recent change Florida made to its Down Payment Assistance program. Since the inception of HHF, participating housing finance agencies have drawn approximately $5.1 billion in Hardest Hit Fund assistance, or 67 percent of the total program allocation amount of $7.6 billion. Officials also noted that some 236,000 borrowers had been assisted since the beginning of the program.

Treasury officials then provided the Representatives with an update on the FHA Short Refinance Program. Officials briefly discussed changes, which occurred in March, to the letter of credit between Treasury and Citibank by which Treasury provides loss protection to FHA for loans made under the program. Officials indicated that the maximum support provided by the letter of credit was reduced from $1 billion to $100 million and the availability period under the letter of credit (and the program) was extended by approximately two years to June 2017. As of this meeting, approximately $145,000 (a total of three claims) had been disbursed under the FHA Short Refinance Program to assist at-risk homeowners.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the status of the Oversight Board's quarterly report for the period ending March 31, 2015.

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

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting June 22, 2015

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Monday, June 22, 2015, at the offices of the Department of Treasury ("Treasury").

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Golding, Principal Deputy Assistant Secretary, Office of Housing, Department of Housing and Urban Development

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

Mr. Ugoletti, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

Mr. Warden, Deputy Chief Financial Officer, Office of Financial Stability, Department of the Treasury

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

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

Mr. Leventis, Principal Economist, Federal Housing Finance Agency

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

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

The Representatives then considered draft minutes for the meeting of the Board on May 21, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

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

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP program. As of June 1, Treasury had disbursed a total of approximately $428.0 billion, including $411.7 billion under TARP investment programs and $16.3 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were $441.9 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was about $780 million, all associated with CPP and CDCI.

As of the meeting date, Treasury's remaining aggregate CPP investment was approximately $314 million in 25 institutions, of which approximately $125 million was its common stock holding in First BanCorp ("FBP"). Treasury officials reported that since the last Oversight Board meeting, five institutions had exited the CPP program. Officials then noted that on May 19, Treasury announced its completion of an auction to sell its preferred stock in five institutions, for aggregate gross proceeds of approximately $15.4 million.

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

Treasury officials then provided an update on the TARP housing initiatives, including the MHA's Home Affordable Modification Program ("HAMP"). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Officials noted that some 15,000 new permanent HAMP modifications were initiated in April 2015. As of April 2015, there were approximately 982,000 active permanent HAMP modifications. Officials also reported that through April, approximately 135,000 homeowners had experienced their first interest rate step-up and at this stage there did not appear to be a notable performance impact on these modifications.

Treasury officials then discussed recent changes to, and funding disbursed by HHF programs in the 19 eligible jurisdictions. Officials briefly described recent program changes in the District of Columbia, Arizona, and New Jersey, to better assist at-risk borrowers. Since the inception of HHF, participating housing finance agencies have drawn approximately $5.2 billion in Hardest Hit Fund assistance, or 68 percent of the total program allocation amount of $7.6 billion, and have disbursed approximately $4.2 billion. Officials also noted that some 239,000 borrowers had been assisted since the beginning of the program.

Officials from the Federal Housing Finance Agency ("FHFA") then briefed members on the developments in the housing and finance markets.

The information reviewed included data related to mortgage rates and Treasury yields, housing price indices and sales, and refinancing activities. During this discussion, FHFA officials also presented data related delinquencies, GSE foreclosure prevention actions, and re-default experience on GSE-modified mortgages.

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

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

[signed electronically]

William F. Treacy,
Executive Director