FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
June 30, 2014

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
Chairman
Securities and Exchange Commission

Julián Castro
Secretary
Department of Housing and
Urban Development

Mel Watt
Director
Federal Housing Finance Agency

Table of Contents

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, 2014 to June 30, 2014 (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 25, May 16, and June 27, 2014. As reflected in the minutes of the Oversight Board's meetings, 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.[2]

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.

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[1] The respective Members named the following Representatives: Mr. David Wilcox, Division Director, Federal Reserve Board; Ms. Mary John Miller, 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

Recent repayments of and other recoupments of financial sector investments 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 being integrated with broader discussion of program developments in section III.

Similarly, 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, in contrast to financial-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.

a. Volume of TARP mortgage borrower assistance actions

Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During March, April, and May, new permanent modifications averaged about 12,300 per month, while total active permanent modifications increased from 939,000 at the end of February to nearly 955,000 at the end of May. The Second Lien Modification Program ("2MP"), which is designed to encourage modifications of second liens where the first lien mortgage has already been modified under HAMP, continued to expand. By the end of May, nearly 83,000 2MP modifications were active, up from 82,000 at the end of February. Nearly 136,000 2MP modifications had been started, cumulatively, through May, and roughly 36,500 of these involved full extinguishment of the second lien. As of the end of May there were more than 12,500 active trial modifications and more than 163,000 active permanent HAMP first-lien modifications with principal reduction. Also through May, the Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu-of-foreclosure as lower-cost alternatives to foreclosure, showed a substantial increase in volume, to nearly 268,000 short sales and roughly 27,000 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 March, April, and May, essentially the same as the average for the foregoing three months. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

b. Performance of TARP mortgage borrower assistance actions

Data reported by Treasury during the quarter indicated that through the end of April some 28.3 percent of all HAMP permanent modifications had re-defaulted, that is, were disqualified 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 12.5 percent of HAMP modifications made permanent in the first quarter of 2013, had become delinquent by 60 days or more within 12 months of receiving a modification (figure 1). By comparison, among loan modifications made permanent in the first quarter of 2012, some 13.9 percent had become delinquent by 60 or more days within the same 12-month interval. Each continued an overall trend of declining delinquency rates at those intervals across cohorts.

In contrast, 18.6 percent of non-HAMP modifications made permanent in the first quarter of 2013 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

[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. 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. Following publication of the MHA Performance Report for May 2014, these Reports are being reported on a quarterly, rather than monthly, schedule. 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".)

[4] Beginning with data reported during the fourth quarter of 2013, 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. The quarterly delinquency data reported in the MHA Performance Report and in figure 1 exclude HAMP Tier 2 permanent modifications.

modification.[5] The lower rate of delinquency for HAMP permanent modifications has likely been influenced by differences in documentation standards, magnitudes of payment reduction and requirements for a trial period.

Figure 1

Modification Became Permanent In	Delinquency: Months After Conversion to Permanent Modification					
	Month 12		Month 24		Month 36	
	#	60+ Days	#	60+ Days	#	60+ Days
Q3 2009	4,631	25.3%	5,073	36.6%	5,176	43.8%
Q4 2009	51,286	19.8%	55,498	31.3%	56,327	39.4%
Q1 2010	160,758	19.9%	167,925	31.7%	166,099	39.5%
Q2 2010	173,177	19.2%	178,805	30.9%	174,937	39.1%
Q3 2010	103,929	17.8%	106,215	29.3%	104,523	37.0%
Q4 2010	64,863	18.0%	66,243	29.4%	65,853	36.3%
Q1 2011	79,494	16.7%	80,798	27.3%	81,124	33.7%
Q2 2011	92,568	16.0%	91,420	27.1%	34,105	33.3%
Q3 2011	86,860	15.4%	85,063	25.7%		
Q4 2011	67,747	14.6%	67,640	23.3%		
Q1 2012	50,833	13.9%	50,735	22.4%		
Q2 2012	45,231	13.5%	15,670	22.6%		
Q3 2012	49,673	12.8%				
Q4 2012	42,410	12.2%				
Q1 2013	42,027	12.5%				
Q2 2013	11,370	12.1%				
ALL	**1,126,857**	**16.8%**	**971,085**	**28.6%**	**688,144**	**37.7%**

Note: Performance of HAMP Tier 1 Permanent Modifications as of April, 2014, showing selected details for the full set of quarterly cohorts that lays behind more summarized cohort information contained in the regular MHA Performance Reports. See notes in those reports for further details, available at http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx.

[5] Data for non-HAMP modifications were drawn from the Office of the Comptroller of the Currency ("OCC") Mortgage Metrics Report for first quarter of 2014 (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 10.3 percent of HAMP permanent modifications finalized in the first quarter of 2013 had fallen 60 days delinquent within 12 months.

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 second quarter of 2012, 22.6 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 second quarter of 2011 experienced a serious delinquency rate of 33.3 percent. These 24- and 36-month delinquency rates provide a broadening indication of performance for the overall portfolio of HAMP permanent modifications, because roughly 75 percent and 50 percent of the total portfolio, respectively, had been in place for at least 24 and 36 months as of the reporting date.

Under the terms of HAMP modifications, after five years at a rate as low as two percent, most homeowners in HAMP Tier 1 modifications will experience a gradual interest rate increase of up to one percent per year until their rate adjusts to the market rate at the time of their modification. For example, rate resets will begin in October 2014 for the approximately 30,000 homeowners who received modifications in 2009. As of December 2013, a little over 80 percent of borrowers will experience at least one future rate reset. For 92 percent of homeowners, this will result in a rate at or below five percent, well below the homeowner's interest rate before modification. The typical final rate increase after all resets will result in a cumulative monthly payment increase of approximately $200. Treasury continues to monitor the interest rate resets to ensure that if signs of homeowner distress arise, servicers are ready and able to help by providing loss mitigation options and alternatives to foreclosure.[6]

c. Projected Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs four times per year and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The most recent lifetime cost estimates of TARP that were available during the reporting period were as of May 31, 2014 (figure 2). According to these estimates, the expected overall cost of TARP will be approximately $37.50 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $19.95 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, 2014, and are provided in Section III.

[6] See Mark McArdle, "HAMP Rate Reset; Just the Facts," Treasury Notes Blog, March 11, 2014, available at: http://www.treasury.gov/connect/blog/Pages/HAMP-Rate-Reset.aspx

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, 2014 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of June 30	Outstanding Investment Balance as of June 30	Estimated Lifetime Cost as of May 31[1]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ -	$ (6.89)
Other banks with assets $10 billion or greater	$ 165.33	$ 165.33	$ 1.17	$ (10.28)
Banks with assets less than $10 billion[2]	$ 14.57	$ 14.57	$ 0.51	$ 1.02
Total	$ 204.89	$ 204.89	$ 1.69	$ (16.15)
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	$ 0.11
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 6.37	$ 6.25	$ -	$ (3.06)
Debt	$ 12.38	$ 12.38	$ -	$ 0.33
Total	$ 18.75	$ 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	$ 2.12	$ 12.23
Sub-total for Investment Programs	**$ 417.21**	**$ 411.72**	**$ 4.28**	**$ 0.03**
Making Home Affordable	$ 29.83	$ 8.53	n/a	$ 29.83
Hardest Hit Fund	$ 7.60	$ 4.18	n/a	$ 7.60
FHA-Refinance[4]	$ 1.03	$ 0.06	n/a	$ 0.04
Sub-total for Housing Programs	**$ 38.46**	**$ 12.77**	**n/a**	**$ 37.47**
Total for TARP Programs	**$ 455.67**	**$ 424.49**	**$ 4.28**	**$ 37.50**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 455.67**	**$ 424.49**	**$ 4.28**	**$ 19.95**

Notes

[1] Lifetime cost information is as of May 31, 2014. 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. The Daily TARP Update is available at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/daily-tarp-reports.aspx.

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

This section provides an update on the programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from April 1 to June 30, 2014, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Financial Institutions

i. Update on the CPP

As of June 30, 2014, Treasury had received approximately $205.22 billion in gross proceeds from repayments and auction sales under the CPP, equivalent to just over 100 percent of the $204.89 billion in total funds initially invested.

These repayments and auction sales, along with dividends, interest, warrant sales, and fee income from participating bank organizations bring the total cash received from the CPP to $225.26 billion. As of June 30, 2014, 54 institutions remained in the program with total outstanding CPP obligations of $1.69 billion.[7]

On July 2, 2014, following the end of the quarter, Treasury received $945.99 million from Popular, Inc., the largest outstanding investment remaining in CPP. With this full repayment, taxpayers recovered a total of $1.22 billion in principal and interest from the original investment of $935.00 million in Popular, Inc. On July 23, 2014, Treasury recovered an additional $3.00 million in proceeds from the repurchase of Popular, Inc.'s warrants held by Treasury.

a. Repayments, Dispositions, and Auction Sales

During the quarterly period, eight financial institutions delivered a total of $38.69 million in full or partial repayments. In addition, Treasury sold all of its remaining investments in an additional four institutions through a CPP auction for total gross proceeds of $51.12 million. Treasury had originally invested a combined total of $55.24 million in these institutions. Treasury also individually sold or restructured five institutions for total proceeds of $37.19 million.

b. Update on Warrant Dispositions and Dividends and Interest

During the quarterly period, Treasury received proceeds of approximately $13.30 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 $31.28 million.

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[7] Proceeds from the preferred shares and warrant repurchase by one of the institutions, BCB Holding Company, Inc., were sent to Treasury on June 30, 2014, but were not received by Treasury until July 1, 2014. This is included as a June repurchase.

c. Missed Payments by Portfolio Institutions [8]

As of June 30, 2014, the cumulative total of non-current dividend or interest payments by CPP portfolio institutions was approximately $86.92 million, which represents less than one percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury.[9]

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 April 24, Idaho Bancorp filed for Chapter 11 protection in the U.S. Bankruptcy Court for the District of Idaho. Treasury's investment in Idaho Bancorp was $6.9 million, and no repayments had been made to Treasury as of June 30, 2014.

[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).

Figure 3

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

Institution Name	Bankruptcy/ Receivership	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
Gulf South 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
*Institution has exited the bankruptcy/receivership process		

ii. Update on the CDCI

As of June 30, 2014, there were 68 institutions remaining in the CDCI. During the quarterly period, two financial institutions delivered a total of $1.09 million in full and partial repayments.

During the quarterly period, Treasury also collected $2.56 million in dividends and interest payments from CDCI institutions. No CDCI institutions missed dividend or interest payments during the quarterly period. As of June 30, 2014, cumulative dividends and interest income received from CDCI investments was approximately $40.87 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. Ally Financial

On April 15, Treasury sold 95.0 million shares of Ally Financial Inc. ("Ally") common stock at a price to the public of $25.00 per share for approximate proceeds of $2.4 billion in an initial public offering (IPO). Prior to the IPO, taxpayers held approximately 37 percent of common stock in the company, or approximately 177.3 million shares. More information can be found in Treasury's Press Release available at: http://www.treasury.gov/press-center/press-releases/Pages/jl2351.aspx.

On May 9, Treasury announced that the underwriters exercised their option to purchase an additional 7.3 million shares of Ally common stock at the IPO price for an additional $181 million in proceeds. Following the sale, Treasury now holds approximately 16 percent of common stock in Ally. More information can be found in Treasury's Press Release available at: http://www.treasury.gov/press-center/press-releases/Pages/jl2392.aspx

As of June 30, 2014, Treasury had recovered approximately $17.8 billion of its investment in Ally, approximately $0.7 billion more than was originally invested in the company.[10] Treasury will continue to evaluate exit strategies for its remaining Ally investment consistent with its goals of maximizing taxpayer returns and exiting its investments as soon as practicable.

c. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, monthly Making Home Affordable ("MHA") Program Performance Reports were released covering March 2014, April 2014, and May 2014, as well as a quarterly MHA Servicer Assessment for the first quarter of 2014. These reports were released in conjunction with the monthly housing scorecard on the health of the nation's housing market produced by HUD.[11] In addition, a Performance Summary for HHF was released covering the fourth quarter of 2013.[12] Following the issuance of the June MHA Program Performance report, the publication will change to a quarterly, rather than monthly schedule. The next MHA Program Performance Report and Servicer Assessment will be

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[10] This amount is calculated on a cash in and cash out basis, and includes disbursements and repayments related to the loan extended to GM for the GMAC Rights Offering ($884 million).

[11] 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 management and reporting.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.

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

released in September and cover the period of July through September, 2014.

i. MHA

MHA provides assistance to homeowners through first and second lien mortgage modifications, short sales and deeds in lieu of foreclosure, and unemployment forbearance plans (figure 4). For some programs, assistance includes actions taken by the Government Sponsored Enterprises ("GSEs").

Figure 4

	Program-to-Date	March - May 2014
MHA First Lien Permanent Modifications Started	**1,615,764**	**60,387**
HAMP Tier 1 Permanent Modifications Started	*1,319,403*	*23,733*
HAMP Tier 2 Permanent Modifications Started	*57,105*	*13,033*
Treasury FHA Permanent Modifications Started	*35,611*	*6,666*
Other (Primarily GSE Standard Modifications Started	*203,645*	*16,955*
Second Lien Modification Program - Modifications Started	**135,760**	**6,086**
Home Affordable Foreclosure Alternatives Program - Transactions Completed	**294,598**	**21,665**
Unemployment Program - Forbearance Plans Started (through April 2014)	**39,887**	**1,235**
Cumulative Activity	**2,086,009**	**89,373**

Notes

- First lien permanent modifications include GSE Standard Modifications since October 2011 under the GSEs' Servicer Alignment Initiative.
- HAFA totals include GSE and non-GSE activity.
- UP reporting occurs on a one-month delay due to the use of a different reporting process.

A total of $29.83 billion has been committed to MHA. As of June 30, 2014, Treasury had disbursed $8.53 billion in incentive payments for MHA, $0.72 billion of which was disbursed during the second quarter of 2014.[13] Based on all MHA activity in place as of December 31, 2013, Treasury estimates that $14.33 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.

[13] 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.

a. HAMP

As of May 31, 2014, more than 1.3 million homeowners had received a permanent first lien modification through HAMP since the start of the program. As of May 31, 2014, homeowners in active HAMP permanent modifications saved approximately $540 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 $28.2 billion in monthly mortgage payments. During the quarterly period, 30,708 new HAMP trial plans were initiated.

b. HAMP PRA

As of May 31, 2014, there had been 199,166 permanent HAMP modifications with principal reduction. Of all non-GSE loans eligible for principal reduction entering HAMP in May 2014, 66 percent included a principal reduction feature.

ii. HHF

As of June 30, 2014, all 18 states and the District of Columbia were operating HHF programs, and collectively had drawn approximately $4.18 billion (55 percent) of the $7.60 billion allocated under the program. Each state draws down funds as they are needed (see figure 5), but must have no more than five percent of their allocation on hand before they can draw down additional funds. States have until December 31, 2017 to expend funds.

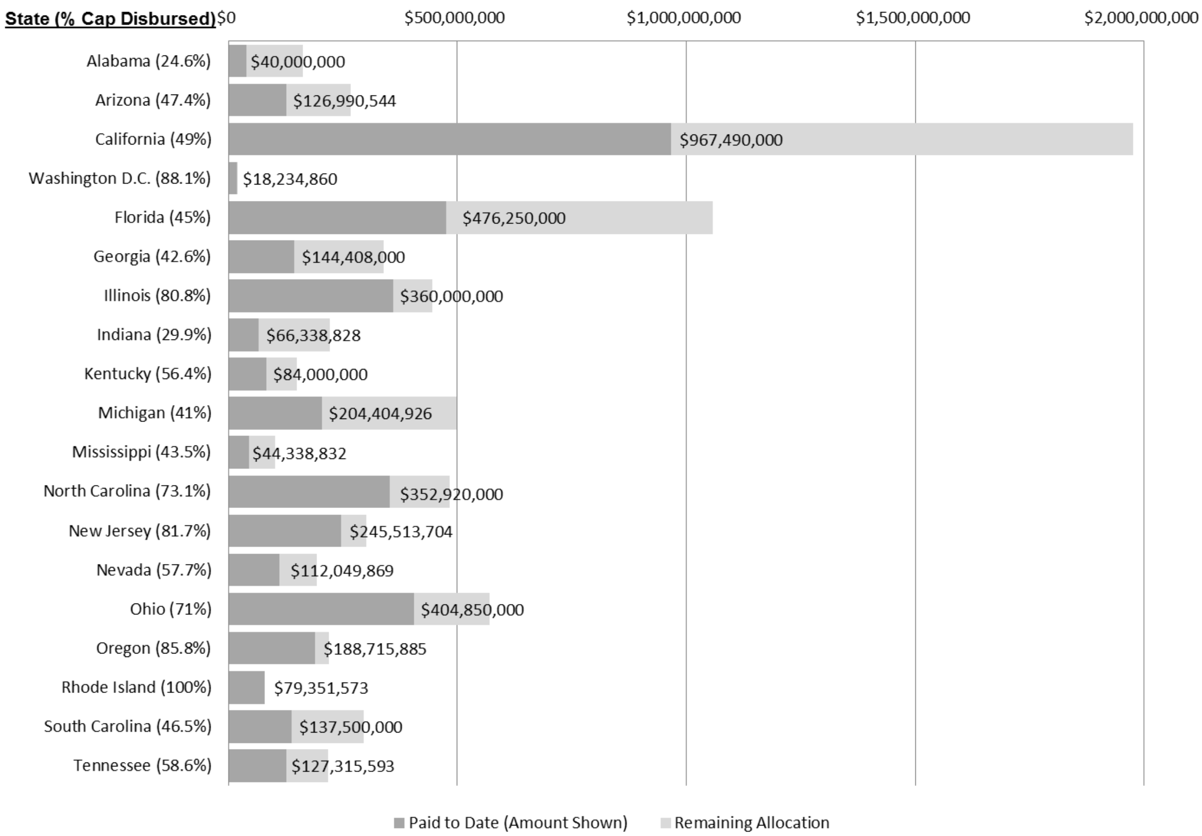
As of June 30, 2014, there were 70 active programs across the 19 HFAs. Approximately 66 percent of total program funds were targeted to help unemployed borrowers, primarily through "reinstatement," where missed mortgage payments (including taxes and insurance) and any associated fees and late charges are repaid for homeowners, and programs that help homeowners pay their mortgage while looking for work. Treasury has continued its efforts to identify best practices, share lessons learned among states and provide additional assistance and oversight to HFAs in need of improvement.

During the quarter, Treasury approved program changes for California, Illinois, Nevada, New Jersey, Oregon, and Tennessee. Also during the quarter, two HFAs ceased accepting new applications for their respective programs. On April 30, 2014, Ohio ceased accepting new applications for its respective programs due to successful administration of and projected full commitment of its their program funds, and Oregon followed on June 30, 2014. Program changes are outlined each month in the Monthly Report to Congress.[14]

[14] Illinois, New Jersey, Rhode Island, and Washington D.C. previously closed their application processes for new applicants.

Figure 5

Hardest Hit Fund as of June 30, 2014



APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
April 25, 2014

A meeting of the Financial Stability Oversight Board ("Board") was held at 3:00 p.m. (EDT) on Friday, April 25, 2014, by teleconference.

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Golding, Senior Advisor, 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:

Mr. Bowler, Acting 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. Cuttler, Attorney Advisor, Office of Financial Stability, Department of the Treasury

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

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

The meeting was called to order by Mr. Wilcox at approximately 3:00 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on March 28, 2014, 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 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 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. As of April 22, Treasury had disbursed a total of approximately $423.4 billion, including $411.7 billion under TARP investment programs and $11.7 billion under TARP housing-related programs to assist at-risk homeowners. Total collections on all TARP investment programs were $438.4 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs had declined to $4.6 billion, primarily due to the Ally Financial Inc. ("Ally") initial public offering ("IPO") completed on April 15, which raised $2.4 billion.

Treasury officials then provided the Representatives 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. In early April an auction of CPP investments in four institutions was completed. Treasury also sold its CPP common shares in one bank, Hampton Roads Bankshares, Inc. Taken together, these transactions resulted in gross proceeds of approximately $55 million. As of April 22, the remaining CPP balance had been reduced to $1.8 billion and sixty-two institutions remained in the program. Treasury officials then discussed the two largest remaining CPP investments, Popular and First BanCorp in Puerto Rico. Treasury officials also briefly discussed the status of CPP institutions in bankruptcy or whose depository institution is in receivership.

Treasury officials then briefly discussed the Community Development Capital Initiative ("CDCI") program, noting that 68 institutions remained in the program.

Treasury officials then provided the Representatives with an update on the AIFP. As a result of the April IPO sale of 95 million shares in Ally common stock, Treasury reduced its remaining ownership interest in Ally to 17 percent. As of April 22, total cash and dividends received on Treasury's Ally investment totaled $17.6 billion, which exceeded the original investment by $0.5 billion. The IPO underwriters still had an outstanding option to purchase an additional 13.4 million shares within 30 days. Treasury officials confirmed that Ally would continue to be subject to EESA restrictions on executive compensation until the last of Treasury's shares in Ally are sold.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") HHF. Treasury officials reported on the homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the volume of new permanent modifications, as provided in the most recent published report. Officials noted that the monthly volume had been trending slightly downward over the first three months of 2014.

Treasury officials then discussed its recently issued Supplemental Directive 14-02 ("SD 14-02"), which provided MHA servicers with administrative clarifications to the HAMP and the Second Lien Modification Program ("2MP"). This guidance established new minimum requirements for notifying MHA recipients of interest rate resets and made other changes that could expand the eligible population for Tier 2. The changes will also benefit those who experience difficulty making their Tier 1 payments following rate resets. Treasury officials noted that they are considering other possible steps within MHA to assist HAMP borrowers who might be hurt by the impending interest rate resets. Treasury officials also noted that they are taking steps within MHA to provide alternatives through HAMP Tier 2 for HAMP borrowers who might be seriously hurt by the impending interest-rate re-sets. The provisions of SD 14-02 take effect on July 1, 2014.

Treasury officials then provided an update on the HHF initiative, noting the number of active programs across HHF jurisdictions and total amount drawn under these programs. On May 8, Treasury will host a summit of the HFAs. Treasury officials also noted that Ohio's HFA, as previously announced, will cease accepting new HHF assistance applications effective April 30. Ohio is thus the fifth state to close its application process due to fully committing its HHF allocation.

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

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

[signed electronically]

William F. Treacy
Executive Director

Minutes of the Financial Stability Oversight Board Meeting
May 16, 2014

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Friday, May 16, 2014, by teleconference.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Golding, Senior Advisor, 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:

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

Mr. Valverde, Senior Advisor, Office of Domestic Finance, 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. Roberts, Special Assistant, Office of Financial Stability, Department of the Treasury

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

The meeting was called to order by Mr. Wilcox at approximately 2:00 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on April 25, 2014, 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 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 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. As of May 13, Treasury had disbursed a total of approximately $423.8 billion, including $411.7 billion under TARP investment programs and $12.1 billion under TARP housing-related programs to assist at-risk homeowners. Total collections on all TARP investment programs were $438.5 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was $4.6 billion. Recent reductions in investments included $181 million proceeds from the sale, in May, of Ally common stock by underwriters of the Ally Financial Inc. ("Ally") April initial public offering ("IPO") in a "green shoe" offering.

Treasury officials then provided the Representatives 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. In April, four institutions repaid all their outstanding CPP preferred shares or subordinated debentures held by Treasury for total proceeds of $25.7 million. In addition, transactions completed with two institutions on May 14 resulted in additional repayments on CPP investments of $3.4 million. Treasury officials then noted that fifty-seven institutions remained in the program with an outstanding balance of $1.75 billion.

Treasury officials also briefly discussed the status of CPP institutions in bankruptcy or whose depository institution is in receivership, noting that On April 24, Idaho Bancorp had filed for Chapter 11 protection in the U.S. Bankruptcy Court for the District of Idaho. Treasury's investment in Idaho Bancorp was $6.9 million, and no repayments had been made to Treasury as of April 30, 2014. Thirty-eight institutions remained in receivership as of May 13.

Treasury officials then provided the Representatives with an update on the AIFP. As reported at the last meeting, the Ally's IPO was completed on April 15, which raised $2.4 billion. Subsequently, on May 13, the underwriters of the April IPO exercised their option to purchase an additional 7.2 million shares of Ally common stock from Treasury at $25.00 resulting in additional proceeds of $181 million in a green shoe offering. After giving effect to this sale, Treasury continued to hold approximately 16 percent of Ally's common stock. Treasury officials then discussed the earnings reported by Ally in its first-quarter report.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Housing Finance Agency ("HFA") HHF. Treasury officials reported on the homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new permanent modifications and other borrower assistance actions, as described in the most recent monthly MHA Performance Report. Treasury officials then provided an update on the HHF initiative, noting that some 188,000 homeowners had been assisted since the beginning of the initiative drawn under these programs.

On May 8, Treasury held its Fifth Annual Hardest Hit Fund Summit in Washington, D.C., which brought together representatives from the 19 HFAs, including the 18 states and the District of Columbia, major servicers, Fannie Mae, Freddie Mac, and FHFA. As part of this discussion, FHFA officials summarized key aspects of the agency's recently-updated strategic plan. For their part, HUD officials described FHA's recently-proposed Homeowners Armed With Knowledge ("HAWK") pilot program which allows FHA borrowers to qualify for a reduced mortgage insurance premium when borrowers agree to HUD-approved housing counseling.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the preparations underway to complete the Oversight Board's next quarterly report.

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

[signed electronically]

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William F. Treacy,
Executive Director

Minutes of the Financial Stability Oversight Board Meeting
June 27, 2014

A meeting of the Financial Stability Oversight Board ("Board") was held at 10:00 a.m. (EDT) on Friday, June 27, 2014, at the offices of the Department of Treasury ("Treasury").

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Golding, Senior Advisor, 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
Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

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

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

Mr. Valverde, Senior Advisor, Office of Domestic Finance, 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. Roberts, Special Assistant, Office of Financial Stability, Department of the Treasury

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

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

The meeting was called to order by Mr. Wilcox at approximately 10:10 a.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on May 16, 2014, 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 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 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. As of June 24, Treasury had disbursed a total of approximately $424.1 billion, including $411.7 billion under TARP investment programs and $12.4 billion under TARP housing-related programs to assist at-risk homeowners. Total collections on all TARP investment programs were $438.7 billion, including the proceeds of non-TARP common shares in American International Group ("AIG"). Treasury's remaining investment in TARP programs was $4.3 billion, split about evenly between bank programs (CPP and the Community Development Capital Initiative) and Ally Financial, Inc. ("Ally").

Treasury officials then provided the Representatives 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. Officials noted that Banco Popular, Treasury's single largest remaining CPP investment, announced in mid-June that it had received regulatory approval to fully repay its CPP investment totaling $935 million. Banco Popular indicated that the repayment would be funded from a combination of internal liquidity and issuance of approximately $400 million of debt securities. The expected repayment by Banco Popular will significantly reduce remaining CPP investments, to less than $700 million. Treasury officials then noted that forty-nine institutions remained in the CPP. Treasury officials also briefly discussed the status of CPP institutions in bankruptcy or whose depository institution is in receivership.

Treasury officials then provided the Representatives with an update on the AIFP. Officials noted that Treasury's investment in Ally Financial Inc. ("Ally") remained unchanged since the April IPO and subsequent exercise of common stock options by Ally's underwriters in May. As a result of these transactions, Treasury continued to hold approximately 16 percent of Ally's common stock. Treasury officials then noted that, today, Ally's common shares were included for the first time in the Russell 3000 Index.

Treasury officials then provided an update on the MHA program and other related housing initiatives, including the Home Affordable Modification Program ("HAMP") and the Hardest Hit Fund ("HHF"). Treasury officials reported on the homeowner assistance actions that had been provided to at-risk borrowers since MHA's inception, including the continuing inflow of new permanent modifications and other borrower assistance actions, as described in the most recent monthly MHA Performance Report. Treasury officials had observed a slowing in the rate of new HAMP modifications since the beginning of 2014, to an average of 12,000 per month.

Representatives and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and 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, delinquencies and re-default rates of modified mortgages, refinancing activity, trends in house price indices, and sales of new and existing homes. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

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

The meeting was adjourned at approximately 10:50 a.m. (EDT).

[signed electronically]

Mr. Gonzalez, General Counsel and Secretary