FINANCIAL STABILITY OVERSIGHT BOARD QUARTERLY REPORT TO CONGRESS

For the quarter ending
June 30, 2011

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

Ben S. Bernanke, Chairperson
Chairman
Board of Governors of the Federal Reserve System

Timothy F. Geithner
Secretary
Department of the Treasury

Shaun Donovan
Secretary
Department of Housing
and Urban Development

Mary L. Schapiro
Chairman
Securities and Exchange Commission

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency

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I. INTRODUCTION

This report constitutes the latest quarterly report of the Financial Stability Oversight Board ("Oversight Board"), pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covering the period from April 1, 2011, to June 30, 2011 (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"). 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 the TARP to restore liquidity and stability to the U.S. financial system.

II. OVERSIGHT ACTIVITIES OF THE FINANCIAL STABILITY OVERSIGHT BOARD

The Oversight Board met three times during the quarterly period, specifically on April 20, May 23, and June 16, 2011. The minutes of the Oversight Board's meetings[1] reflect that the Oversight Board received presentations and briefings from Treasury officials to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

a. Update on Key Initiatives and Developments During the Quarterly Period

The following highlights some important developments occurring during the quarterly period with respect to the key initiatives established under TARP and the Financial Stability Plan, subject to review and oversight by the Oversight Board. Additional details concerning these developments and programs are included in Part IV below.

The Capital and Guarantee Programs for Banking Organizations

- The Capital Purchase Program ("CPP"). During the quarterly period, Treasury received approximately $105.8 million through repurchases and approximately $240 million in dividends and interest from banking organizations in the CPP. As of June 30, 2011, the cumulative amount of bank organization repayments, dividends, and other income exceeded the total original investment of $245 billion that Treasury made (through the CPP, Targeted Investment Program, Asset Guarantee Program, and Community Development Capital Initiative) by nearly $8 billion.

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

American International Group, Inc. (“AIG”)

- On May 24, 2011, Treasury sold 200 million shares of its AIG common stock at $29.00 per share as part of AIG’s public equity offering, which also included the issuance of 100 million new common shares by AIG. With the closing of the offering on May 27, 2011, Treasury received proceeds from the sale of $5.8 billion, and Treasury’s investment in AIG was reduced from 1.655 billion shares of common stock to 1.455 billion shares of common stock (of which 494.9 million shares were held by Treasury outside of TARP), and approximately $11.5 billion of preferred equity interests. Also with the closing, AIG’s right to draw down on the $2 billion commitment under the series G capital facility was terminated. As a result of this sale of shares, Treasury’s percentage ownership of AIG’s outstanding shares of common stock declined from 92 percent to 77 percent. As of June 30, the value of Treasury’s holdings of AIG common shares totaled $42.66 billion.

Automotive Industry Financing Program (“AIFP”)

- <u>Update on Chrysler Group LLC (“Chrysler”)</u>. On May 24, 2011, Chrysler repaid Treasury $5.1 billion in TARP loans and terminated its ability to draw a remaining $2.1 billion TARP loan commitment. On May 27, 2011, Fiat irrevocably committed to exercise its option to purchase Treasury’s six percent fully diluted equity interest in Chrysler. On June 2, 2011, Treasury reached an agreement with Fiat to sell Treasury’s equity interest in Chrysler and its interest in an agreement with the United Auto Worker retiree trust for $560 million. After the completion of this transaction, Treasury will have fully exited its TARP investment in Chrysler with Chrysler having returned more than $11.2 billion of the originally committed $12.5 billion under AIFP. Treasury is unlikely to fully recover its remaining outstanding investment of $1.3 billion in Chrysler.

Small Business Administration (“SBA”) 7(a) Securities

- On June 2, 2011, Treasury announced its intention to begin the disposition of the SBA 7(a) securities portfolio over time, as part of ongoing efforts to wind-down TARP. On June 7, 2011, Treasury sold six SBA 7(a) securities for approximately $75 million, representing overall gains and income of approximately $2.8 million. On June 21, 2011, Treasury sold six more SBA 7(a) securities for approximately $76.5 million, representing overall gains and income of approximately $1.7 million. Proceeds from the sale of these 12 SBA 7(a) securities totaled approximately $151.5 million, representing overall gains and income of approximately $4.5 million.

Housing Stabilization and Foreclosure Mitigation

- <u>Making Home Affordable (“MHA”) Program and Home Affordable Modification Program (“HAMP”)</u>. As of June 30, 2011, Treasury had disbursed approximately

$1.4 billion in incentive payments and had a total maximum commitment for HAMP and its component programs of approximately $29.9 billion. Approximately 36,000, 29,000, and 32,000 HAMP trial period modification plans became permanent in March, April and May 2011, respectively. As of May 2011, there were a total of 633,459 active permanent HAMP modifications.

- Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (“Hardest Hit Fund” or “HHF”). As of June 30, 2011, the programs in 18 states and the District of Columbia had drawn approximately $478 million from the $7.6 billion Treasury had allocated under the program. Programs in 17 states and the District of Columbia (AL, AZ, CA, FL, GA, IN, KY, MI, MS, NC, NJ, NV, OH, OR, RI, SC, and TN) had begun operating HHF programs statewide as of June 30, 2011.

b. 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 ultimate cost of TARP remains subject to uncertainty, and will depend on how financial markets and the economy perform in the future. If financial and economic conditions deteriorate, for example, prospects for TARP investments will also deteriorate.

According to Treasury’s estimates, the expected overall cost of TARP will be approximately $49 billion, using market prices as of March 31, 2011 (figure 1). Using the same assumptions, Treasury has estimated that the combined net cost of TARP and other Treasury interests in AIG will be about $30 billion. The costs are expected primarily from losses related to TARP investments in auto companies and foreclosure mitigation efforts.

Figure 1

Treasury Estimates of the Impact of TARP Programs and Other Treasury Investments in AIG on the Federal Budget (as of June 30, 2011)[1]

Programs as of June 30, 2011 (dollar amounts in billions)	Obligation/ Commitment	Disbursed as of June 30	Outstanding Investment Balance as of Jun 30	Estimated Lifetime Cost as of Mar 31[1,2]
Bank Support Programs:				
Capital Purchase Program (CPP):				
Citigroup	$ 25.00	$ 25.00	$ 0.00	$ (6.46)
Other banks with assets $10 billion or greater	165.31	165.30	10.85	(10.37)
Banks with assets less than $10 billion[3]	14.59	14.59	10.84	3.18
Total	$ 204.89	$ 204.89	$ 21.69	$ (13.65)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00	$ (3.99)
Asset Guarantee Program (AGP)[4]	$ 5.00	$ 0.00	$ 0.00	$ (3.77)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.57	$ 0.23
Credit Market Programs:				
Public-Private Investment Program (PPIP):				
Equity	$ 7.51	$ 5.73	$ 5.58	$ 0.04
Debt	14.90	11.26	10.28	0.40
Total	$ 22.41	$ 16.99	$ 15.86	$ 0.44
Term Asset Backed Securities Lending Facility (TALF)	$ 4.30	$ 0.10	$ 0.10	$ (0.32)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ 0.20	$ 0.00
Other Programs:				
American International Group (AIG):				
Preferred Stock	$ 20.29	$ 20.29	$ 11.30	$ -
Common Stock	47.54	47.54	41.80	10.86
Total	$ 67.84	$ 67.83	$ 53.10	$ 10.86
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	39.01	$ 13.91
Sub-total for Investment Programs	**$ 425.06**	**$ 410.44**	**$ 130.53**	**$ 3.71**
Treasury Housing Programs Under TARP	$ 45.61	$ 1.96	$ -	$ 45.61
Total for TARP Programs	**$ 470.67**	**$ 412.40**	**$ 130.53**	**$ 49.32**
Additional AIG Common Shares Held by Treasury[5]	n/a	n/a	n/a	(19.78)
Total for TARP Programs and Additional AIG Shares	**$ 470.67**	**$ 412.40**	**$ 130.53**	**$ 29.54**

Notes:

[1] Lifetime cost information is as of March 31, 2011 except for PPIP and TALF which are as of December 31, 2010.

[2] Estimated lifetime cost figures shown above are currently updated quarterly in conjunction with the Office of Management and Budget. Estimated lifetime cost of investments in publicly-traded securities is calculated by using the aggregate value of the investments at market prices as of March 31, 2011. The following common stock value information is provided for the convenience of the reader to show the increase or decrease in aggregate value of such investments in light of market prices as of June 30, 2011 and the corresponding effect on estimated cost assuming no other changes.

Investment	3/31/2011 Market Value	6/30/2011 Market Value	Increase (Decrease) in Cost
		In billions	
AIG Common Stock	$ 38.37	$ 28.15	$ 10.22
GM Common Stock	$ 15.52	$ 15.18	$ 0.34
Additional AIG Common Shares	$ 19.78	$ 14.51	$ 5.27

[3] It is anticipated that some CPP banks will convert to the Small Business Lending Fund resulting in full repayment of associate CPP investments.

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

[5] Represents additional 563 million shares of AIG common stock that was received from the trust created by the Federal Reserve Bank of New York for the benefit of the Treasury.

III. EVALUATING THE EFFECTS OF EESA PROGRAMS

Utilizing the authority provided by EESA, Treasury has implemented a range of programs to stabilize the financial markets and financial institutions, support the flow of credit to consumers and businesses, and help at-risk homeowners remain in their homes and avoid foreclosure. These programs are described in detail in Part IV of this report and in the previous quarterly reports of the Oversight Board.

Under section 104 of EESA, the Oversight Board is charged with reviewing Treasury's efforts under EESA and the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.

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, and that TARP and other government programs have contributed to preventing the adverse effects of the crisis from becoming significantly more severe. The accumulated effects of Treasury's actions under TARP continued to contribute significantly and positively to conditions in many financial markets during subsequent quarters. Treasury has received significant repayments of financial-sector investments, and TARP financial-sector programs have been winding down or have been closed. Accordingly, the Oversight Board evaluation of the effects of Treasury's financial-sector programs under TARP places greater emphasis on Treasury's administration of the financial-sector assets it still owns and, in particular, the management of those assets over time toward exit strategies that protect taxpayers and safeguard the public interest in the stability of financial markets. These evaluations are being integrated with broader discussion of program developments in section IV.

TARP housing-sector programs, in contrast, remain open to new applications from eligible borrowers and some operate at an early phase in their respective program life-cycles. The housing-sector programs will provide assistance to additional mortgage borrowers and retain the potential to influence housing market conditions going forward. Accordingly, the Oversight Board will continue to evaluate the effects of TARP housing-sector programs from that perspective.

The Oversight Board believes that Treasury's accumulated actions under TARP, together with other federal programs, continued to provide support to the housing market and assistance to at-risk mortgage borrowers during the first quarter. These actions have helped to promote more stable conditions for housing finance and to reduce avoidable foreclosures.

a. Brief review of financial market developments

During the second quarter, conditions in financial markets generally continued on a path consistent with gradual economic recovery, aided by policy accommodation by the Federal Reserve, but also reflecting concerns about fiscal strains and banking-sector problems in the Euro-area periphery. The S&P 500 stock price index decreased about 0.5 percent in the second quarter of 2011, although stock price indexes for financial firms declined at faster pace. Credit default swap spreads for large bank holding companies, generally considered to be a key indicator of investors' views about the health and prospect of these institutions, moved up some over the quarter but remained well below the levels seen in late 2008 and early 2009, prior to the release of the results from the Supervisory Capital Assessment Program ("SCAP").

Data from the flow of funds accounts published by the Federal Reserve show that debt for households continued to decline through the end of the first quarter (the latest data available). Debt for nonfinancial businesses grew moderately during the period, owing mostly to robust expansion in corporate bond issuance and commercial and industrial ("C&I") loans. Despite the strength in C&I lending, total loans at depository institutions continued to contract in the first quarter of 2011, reflecting a decline in mortgages outstanding. Charge-offs of problem loans have been a significant contributor to weakness in the level of business and household debt over the past year.

Results from the April Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve show that, on net, banks had modestly loosened lending standards and terms during the previous three months on credit cards, auto loans, and C&I loans, while standards and terms on commercial real estate ("CRE") loans were little changed. Nonetheless these standards and terms remain tight overall after an extended period of increases in their rigor. Banks also reported an increase in the demand for C&I loans and commercial mortgages.

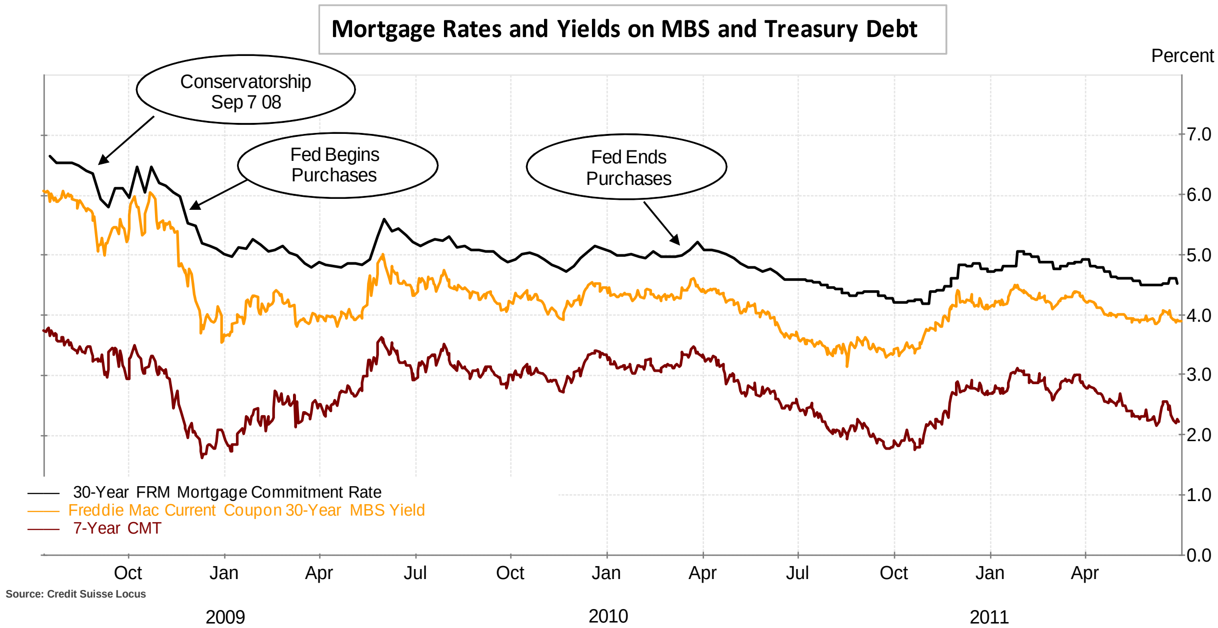
Securitization of consumer credit in the second quarter of 2011 continued at about the same pace seen in the previous quarter. Unlike auto or credit card asset-backed securities ("ABS"), however, spreads on commercial mortgage-backed securities ("CMBS") remain substantially above pre-crisis levels, and issuance of new CMBS remains low. Overall, commercial real estate markets continued to exhibit considerable stress. Gross issuance of both investment grade and speculative grade bonds for nonfinancial corporations was robust in the second quarter.

b. Effects of TARP on Housing Market Conditions

Actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act and actions taken by the Federal Reserve, HUD, and FHFA continued to support housing markets and provide assistance to mortgage borrowers during the second quarter. These actions and earlier efforts have been a stabilizing influence on housing markets, but those markets have generally shown little improvement over the past two years because of weakness in factors related to housing demand, including sluggish wages and slow growth in employment, coupled with the large volume of unsold housing inventory and unresolved mortgage delinquencies. Still-tight credit conditions for potential mortgage borrowers with less-than-pristine credit also appeared to be damping demand.

Long-term mortgage interest rates generally have been stable over the last two years, remaining near 5 percent (figure 2), close to 50 year historical lows. In the second quarter, commitment rates on new loans, as measured by Freddie Mac, eased modestly to 4.5 percent, reversing much of the rise that took place late in 2010. Spreads between mortgage rates and yields on reference Treasury securities widened somewhat, consistent with the historical tendency for mortgage rates to move more sluggishly than Treasury yields. Nonetheless, these spreads remained close to their average over the last two years and well below the crisis levels of late 2008 and early 2009.

Figure 2



Foreclosure mitigation efforts under TARP continued at significant rates during the quarter. During March, April, and May new permanent modifications under HAMP averaged 32,000 per month, roughly consistent with the pace of the past year. Total active permanent modifications increased from 560,000 at the end of February to 630,000 at the end of May. The number of trial modifications aged more than 6 months fell further (from 32,000 to 24,000) during these three months.

The Second Lien Program ("2MP"), designed to encourage modifications of second liens where the first lien mortgage has already been modified, began reporting transaction volumes during the quarter. At the end of May, 27,000 2MP modifications were active, up from 4,000 at the end of December. The Home Affordable Foreclosure Alternatives ("HAFA") program, which provides incentives for borrowers to undertake short sales or deeds-in-lieu as lower-cost alternatives to foreclosure, also began to report volumes. As of May, HAFA had completed more than 8,300 short sales and 230 deed-in-lieu transactions. In addition, according to the Hope Now Alliance, the number of non-TARP modifications in place continued to exceed the number established under HAMP. Hope Now reported an average of 62,000 non-HAMP modifications begun during the March-to-May period, and that the number of new proprietary modifications continued to taper off. Unlike HAMP modifications, the terms and impact associated with these non-HAMP modifications are not generally reported.

Data reported by Treasury indicated that, through the end of May, some 13.2 percent of all HAMP permanent modifications had re-defaulted, that is, had been cancelled for missing three or more payments.[2] Delinquency data across standardized intervals, a more conventional metric for assessing payment performance, provided some positive indications. Some 10.8 percent of HAMP permanent modifications finalized in the third quarter of 2010 had become 60 days delinquent after six months, compared with 13.2 percent for modifications made in the first half of 2010. For HAMP permanent modifications finalized in the first quarter of 2010, 20.2 percent had fallen 60 days delinquent within 12 months. In contrast, 34.1 percent of non-HAMP modifications made permanent in the first quarter of 2010 at a select group of national banks and thrifts had become 60 or more days delinquent within 12 months of the modification.[3] 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.

These efforts have contributed to the slow but steady decline in the number of seriously delinquent loans (single family mortgage loans 90 or more days past due or in the process of foreclosure, figure 3) that began at the end of 2009. Both reductions in newly delinquent loans and a high number of foreclosures during 2010 have contributed to the decline in serious delinquency rates thus far in 2011, although the pace of foreclosure resolutions was much slower at the end of 2010 and beginning of 2011 because of issues associated with loan servicing practices. Similarly, new FHA 90-day delinquencies in the quarter were 6.73 percent on a seasonally–adjusted annual rate, the best overall performance since the fourth quarter of 2007.

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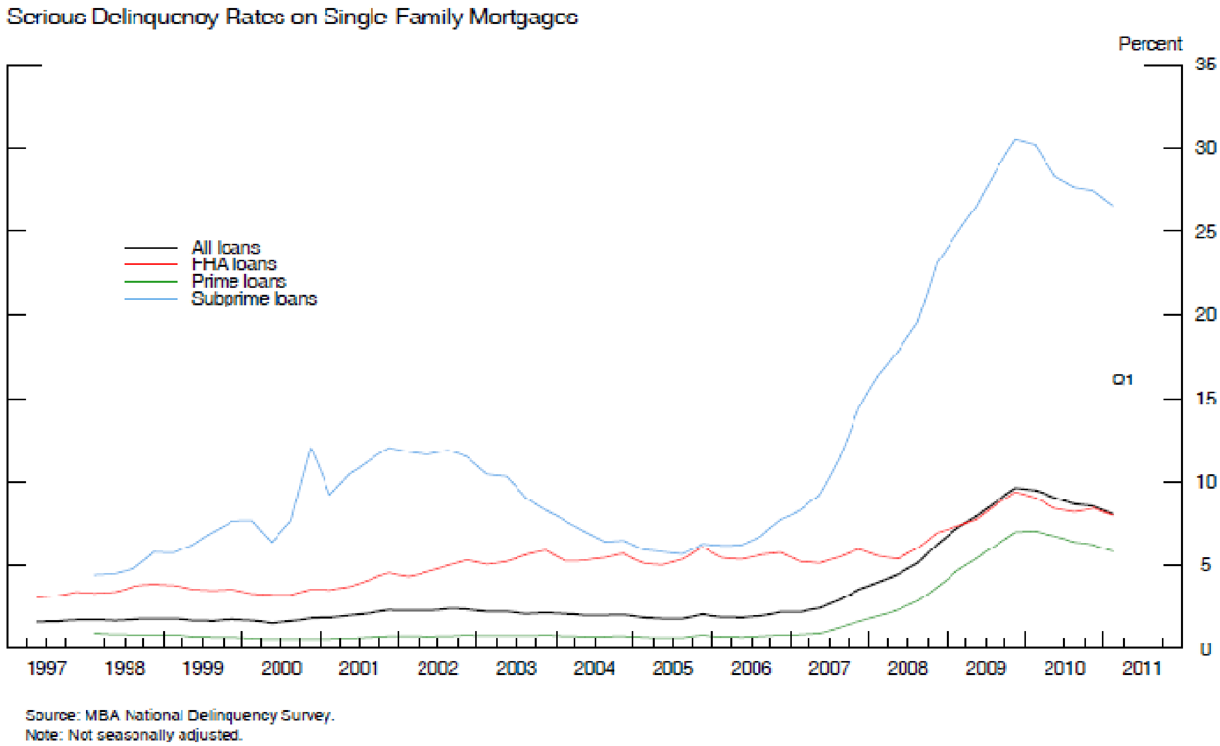
[2] Comparing cumulative re-defaults to the cumulative number of permanent modifications provides a single rough indication of portfolio-wide re-default frequency at this early stage in the life of these modified loans. The cost of this simplicity is that the single re-default metric does not take account of analytically useful distinctions within the portfolio of permanent modifications, for example, the different periods of time that have passed since the modifications were put into place. For granular analysis of delinquency patterns in HAMP permanent modifications, interested parties should consult the most recent monthly Servicer Performance Report, available at: http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Pages/default.aspx.

[3] Data for non-HAMP modifications were drawn from the *OCC and OTS Mortgage Metrics Report* for the first quarter of 2011 (Table 31), and pertain to non-HAMP modifications of mortgages serviced by a selected group of national banks and federal savings associations. For this same group of financial institutions, the *OCC and OTS Mortgage Metrics Report* indicated that 19.4 percent of HAMP permanent modifications finalized in the first quarter of 2010 had fallen 60 days delinquent within 12 months.

Figure 3

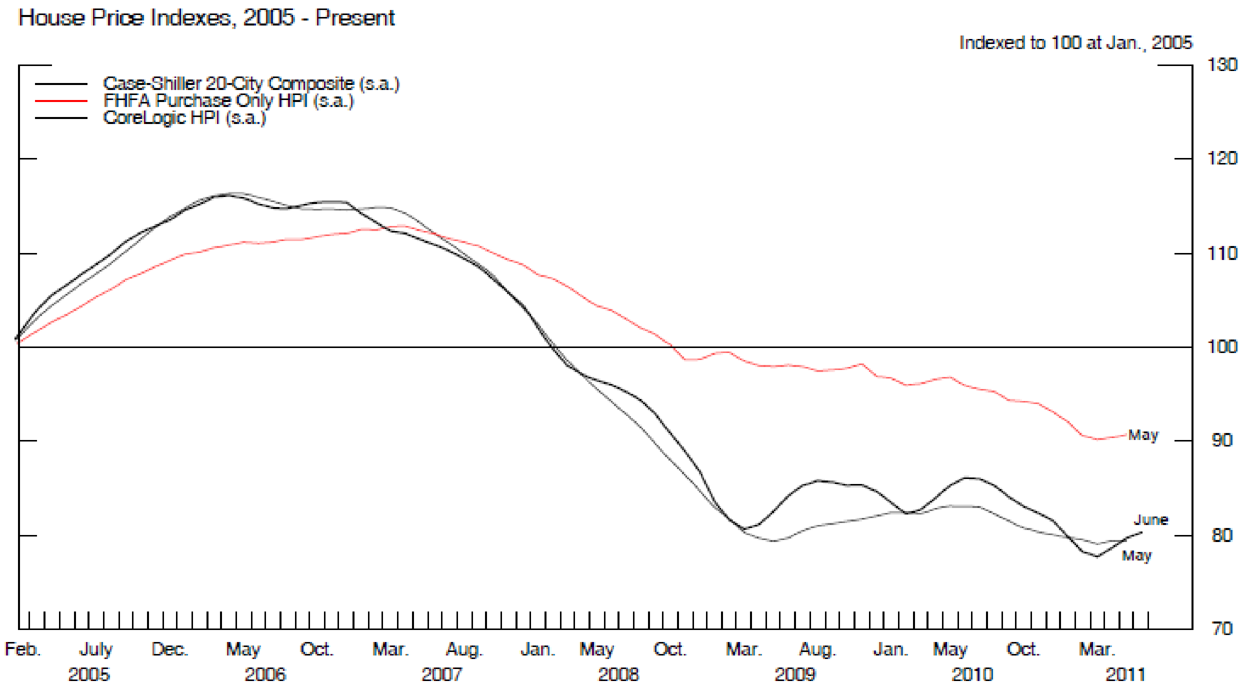


Despite continued low mortgage interest rates, the pace of mortgage refinancing slowed in 2011. Refinanced loans help lower borrowing costs for many homeowners. The non-TARP Home Affordable Refinance Program ("HARP") is designed to help borrowers whose loans were purchased or guaranteed by Fannie Mae or Freddie Mac and who are located in areas suffering from house price declines. HARP allows borrowers with high loan-to-value ratios to refinance their mortgages to take advantage of lower interest rates, if their loan-to-value ratios are no more than 125 percent. If the original loan had private mortgage insurance the insurer must agree to transfer that insurance to the new loan. Since Fannie Mae or Freddie Mac already had the credit risk on the original loan, their risk is not materially increased, and may be decreased, by helping to lower the borrower's monthly payment. During the first four months of 2011, Fannie Mae and Freddie Mac refinanced 41,000 mortgages per month on average through the HARP program. In contrast, the HARP program refinanced a record 57,000 borrowers in December 2010; that higher figure may have been spurred as borrowers reacted to a year-end run-up in interest rates (figure 2) that followed the significant declines seen earlier in 2010.

Based on early estimates of market volume for this quarter by the Mortgage Bankers Association, FHA's share of purchase loan originations rose from 25.5 to 29.0 percent, its share of national refinance volumes fell from 8.8 to 5.6 percent, and its share of overall dollar volumes of single-family mortgage originations was down from 14.7 to 14.0 percent. The dollar volume of FHA single-family insurance endorsement in the quarter was down 12 percent from the previous quarter and 31 percent from the year-earlier period. The quarterly decline was driven by a 40 percent drop in refinance volumes even though purchase loan volumes rose by 13 percent from first-quarter 2011 levels. On a year-over-year basis, purchase and refinance activity experienced declines of 32 percent and 27 percent, respectively. The higher volumes of purchase loan endorsements in 2010 were primarily attributable to first-time home-buyer tax credits, which expired during the second quarter last year. FHA refinance activity has slowed in 2011 as mortgage rates on fixed-rate, 30-year loans stayed above 5 percent from December 2010 through April 2011. Even with mortgage rates falling below 5 percent again in May and June, the increase in the monthly FHA insurance premium rates in April (by 25 basis points) offset much of the lower interest cost on refinanced loans.

Seasonally adjusted house sale volume declined somewhat over the first half of the year. As measured by the National Association of Realtors and the Census Bureau, combined existing and new single-family home sales were at a 5.1 million annual rate in May, down from a 5.7 million rate in January (seasonally adjusted). Large inventories of houses for sale and potential additions to those inventories from future foreclosures have continued to depress house prices. As of the end of April, CoreLogic estimated that there were over 3.5 million properties for sale and a further 2 million either held as real-estate-owned ("REO") by financial institutions, in the foreclosure process, or seriously delinquent and likely to become REO. The seasonally adjusted price index from FHFA and the Case-Shiller S&P 20-city index were both down over the 3 month period of February, March, and April, with the FHFA index down about 1 percent and the S&P index down about half a percent. The CoreLogic index, which is not seasonally adjusted, showed a sharper decrease of about 2 percent. However, the April FHFA index showed the first monthly increase in a year, and the CoreLogic index showed increases averaging 1 percent for both April and May (figure 4).

<u>Figure 4</u>



IV. 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 the EESA during the quarterly period, from April 1, 2011, to June 30, 2011, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Banking Organizations

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

As of June 30, 2011, Treasury had received a total of approximately $180.6 billion in repayments under the CPP, equivalent to more than 88 percent of the total funds initially invested. During the quarterly period, 13 financial institutions delivered a total of $1.46 billion in repayments, including the following most significant transactions:

- **M&T Bank Corporation ("M&T") (Buffalo, NY):** During the quarterly period, Treasury received total proceeds from M&T of approximately $700 million. In May, M&T repurchased CPP preferred shares totaling $370 million and paid accrued dividends totaling $154,167. Additionally, in May 2011, in connection with its acquisition of Wilmington Trust Corporation, M&T purchased CPP preferred shares totaling $330 million that had been issued to Treasury by Wilmington Trust. At the end of the quarter, Treasury continued to hold M&T CPP preferred shares totaling more than $381 million.

- **Associated Banc-Corp ("Associated") (Green Bay, WI):** During the quarterly period, Treasury received repayments from Associated of approximately $264 million. In April, Associated repurchased CPP preferred shares totaling more than $262 million and paid accrued dividends totaling $1.9 million. At quarter's end, Treasury continued to hold Associated CPP preferred shares totaling approximately $262 million.

- **Sterling Bancorp ("Sterling") (New York, NY):** During the quarterly period, Treasury received total proceeds from Sterling of approximately $42.4 million. In April, Sterling repurchased all of its CPP preferred shares totaling $42 million and paid accrued dividends totaling $420,000.

As of June 30, 2011, the combined total amount of bank organization repayments, dividends, and other income received from banking-related programs (the CPP, Targeted Investment Program, Asset Guarantee Program, and Community Development Capital Initiative) exceeded by nearly $8 billion Treasury's total original investment in these programs of $245 billion.

The chart below shows the top 25 CPP remaining investments by institution as of June 30, 2011 (figure 5).

Figure 5

Top 25 remaining CPP investments by institution as of June 30, 2011

	Institution	City, State	Investment Amount ($ billions)			Institution	City, State	Investment Amount ($ billions)	
1	Regions Financial Corp.	Birmingham, AL	$	3.50	14	Cathay General Bancorp	Los Angeles, CA	$	0.26
2	Marshall & Ilsley Corporation [a]	Milwaukee, WI	$	1.72	15	PrivateBancorp, Inc.	Chicago, IL	$	0.24
3	Zions Bancorporation	Salt Lake City, UT	$	1.40	16	International Bancshares Corporation	Laredo, TX	$	0.22
4	Synovus Financial Corp.	Columbus, GA	$	0.97	17	MB Financial Inc.	Chicago, IL	$	0.20
5	Popular, Inc.	San Juan, PR	$	0.94	18	Pacific Capital Bancorp [d]	Santa Barbara, CA	$	0.20
6	First Bancorp [b]	San Juan, PR	$	0.42	19	First Midwest Bancorp, Inc.	Itasca, IL	$	0.19
7	M&T Bank Corporation	Buffalo, NY	$	0.38	20	United Community Banks, Inc.	Blairsville, GA	$	0.18
8	Sterling Financial Corporation [c]	Spokane, WA	$	0.30	21	Dickinson Financial Corporation II	Kansas City, MO	$	0.15
9	Citizens Republic Bancorp, Inc.	Flint, MI	$	0.30	22	Western Alliance Bancorporation	Las Vegas, NV	$	0.14
10	First Banks, Inc.	Clayton, MO	$	0.30	23	Central Pacific Financial Corp. [e]	Honolulu, HI	$	0.14
11	New York Private Bank & Trust Corp.	New York, NY	$	0.27	24	Banner Corporation	Walla Walla, WA	$	0.12
12	Flagstar Bancorp, Inc.	Troy, MI	$	0.27	25	First Merchants Corporation [f]	Muncie, IN	$	0.12
13	Associated Banc-Corp	Green Bay, WI	$	0.26		**Total**			**$12.90 billion**

a/ In December 2010, BMO Financial Group, parent company of The Bank of Montreal ("BMO"), and Marshall & Ilsley Corporation ("M&I") announced a definitive agreement for M&I to merge into BMO in a stock-for-stock transaction. Subject to the receipt of requisite approvals, BMO has indicated it expects to repay all of M&I's TARP investment.

b/ In July 2010, Treasury exchanged its preferred stock in First BanCorp for mandatorily convertible preferred stock ("MCP") with capitalized interest. Subject to the fulfillment by First BanCorp of certain conditions, including those related to its capital plan, the MCP may be converted to common stock.

c/ In September 2010, Treasury exchanged its preferred stock in Sterling Financial for MCP. Sterling fulfilled the conversion conditions, including those related to its capital plan, so that Treasury's MCP was converted into 378,750,000 shares of common stock. Thus, in August 2010, Treasury's MCP was converted into 378,750,000 (5,738,637 as of June 30, 2011) shares of common stock.

d/ In August 2010, Treasury exchanged its preferred stock in Pacific Capital for MCP with capitalized dividends. Pacific Capital fulfilled the conversion conditions and Treasury's MCP was converted into 360,833,250 (3,608,333 as of June 30, 2011) shares of common stock.

e/ In February 2011, Treasury exchanged its preferred stock with capitalized dividends for 5,620,117 shares of common stock. On June 22, 2011, Treasury completed the sale of 2,850,000 shares of common stock for net proceeds of $35,883,281.25. Treasury still owns 2,770,117 shares.

f/ In June 2010, Treasury exchanged $46.4 million of its Series A Preferred Stock in First Merchants Corporation for a like amount of non tax-deductible Trust Preferred Securities issued by First Merchants Capital Trust III.

ii. *Update on Warrant Dispositions*

All public auctions to date have been conducted as modified "Dutch" auctions registered under the Securities Act of 1933 in a format where qualified bidders may submit one or more independent bids at different price-quantity combinations and the warrants are sold at a uniform price that clears the market.

As of June 30, 2011, Treasury had disposed of warrants from 106 banking organizations and had received approximately $9 billion in gross proceeds.[4] During the quarterly period, nine banking organizations repurchased warrants from Treasury for proceeds of approximately $105.8 million, including the following most significant transactions:

- On April 20, 2011, KeyCorp repurchased Treasury's warrant that entitled it to purchase approximately 35.2 million shares of KeyCorp common stock. Treasury's total gross proceeds under this transaction were approximately $70 million.

- On June 8, 2011, Treasury completed a public auction of its warrant that entitled it to purchase approximately 3.3 million shares of Webster Financial Corporation common stock. Treasury's total gross proceeds under this transaction were approximately $20.4 million.

- On June 3, 2011, Hancock Holding Company purchased Treasury's warrant that entitled it to purchase approximately 2.6 million shares of Whitney Holding Company common stock, pursuant to the terms of the agreement between Treasury and Hancock Holding Company entered into on June 3, 2011. Treasury's total gross proceeds under this transaction were approximately $6.9 million.

- On May 11, 2011, Financial Institutions, Inc. ("Financial Institutions") repurchased Treasury's warrant that entitled it to purchase 378,175 shares of Financial Institutions common stock. Treasury's total gross proceeds under this transaction were approximately $2.1 million.

iii. Update on CPP Dividends and Interest

As of June 30, 2011, cumulative dividends and interest income received from CPP investments was approximately $10.98 billion. During the quarterly period, Treasury received dividends and interest income from CPP investments of approximately $240 million.

a. Missed Payments

During the quarterly period, 156 institutions did not make their scheduled dividend or interest payments on Treasury's CPP investments. In the quarterly period, missed payments by portfolio institutions in the CPP were approximately $53.3 million, which represents approximately 19 percent of the CPP dividends and interest that institutions were scheduled to pay Treasury for that period. As of June 30, 2011, the cumulative missed payments by CPP

[4] Includes warrant dispositions through auction, repurchase, and repurchase of exercised warrant preferred shares from the CPP and TIP.

portfolio institutions since the beginning of the program were approximately $239.2 million,[5] which represents approximately 2.1 percent of the total CPP dividends and interest that institutions were scheduled to pay Treasury. Under the CPP preferred-stock agreements, Treasury cannot demand payment of dividends under such circumstances, but instead has a contractual right to appoint up to two directors to the institution's board of directors if that institution has missed six payments. Treasury is using board observers (drawn from Treasury staff) to inform its decisions in that regard. As of June 30, 2011, 52 banks participating in the CPP had missed six or more payments. Of these, 35 CPP recipients have agreed to have Treasury observers at their board of directors meetings, including several institutions that expected to miss their sixth dividend payment in the near future. As of the end of the quarter, Treasury had interviewed potential director candidates and had commenced the corporate and regulatory procedures to nominate directors to certain of these institutions shortly.

b. Exchanges and Dispositions

In limited cases, and in keeping with the objectives of the EESA to "restore liquidity and stability to the financial system of the United States" in a manner which "maximizes overall return to taxpayers," Treasury may agree to participate in a direct disposition of its CPP investment to new investors who are able to provide fresh equity investment, conduct a capital restructuring or otherwise strengthen the capital position of the bank. Alternatively, Treasury may participate in exchanges of CPP preferred stock for other securities. Exchanges made on this basis may be at a rate less than par and sales by Treasury to a new investor may be made at a discount. Treasury entered into the following key exchanges and dispositions during the quarterly period:

- On June 3, 2011, Treasury completed the sale of all of its Whitney Holding Corporation ("Whitney") preferred stock and warrants to Hancock Holding Company ("HHC") for an aggregate purchase price equal to the par amount of the preferred stock ($300 million) plus accrued and unpaid dividends thereon and $6.9 million for the warrant, pursuant to the terms of the agreement between Treasury and HHC entered into on June 3, 2011. Treasury's original investment in Whitney was $300 million.

- On May 3, 2011, Treasury completed the sale of all of its First Federal Bancshares of Arkansas, Inc. ("First Federal") preferred stock and warrants to Bear State Financial Holdings, LLC ("Bear State") for an aggregate purchase price of $6 million, pursuant to the terms of the agreement between Treasury and Bear State entered into on May 3, 2011. Treasury's original investment in First Federal was $16.5 million.

- On May 31, 2011, Treasury completed the sale of all of its First Community Bank Corporation of America ("FCBCA") preferred stock and warrants to

[5] 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).

FCBCA for an aggregate purchase price of $7.75 million, pursuant to the agreement between Treasury and FCBCA entered into on March 11, 2011. The sale was in connection with the acquisition of FCBCA by Community Bank of Manatee. Treasury's original investment in FCBCA was $10.7 million.

- On June 30, 2011, Treasury completed the sale of all of its Cascade Financial Corporation ("Cascade") preferred stock and warrants to Opus Acquisition, Inc. ("Opus") for an aggregate purchase price of $16.25 million, pursuant to the terms of the agreement between Treasury and Opus entered into on June 28, 2011. Treasury's original investment in Cascade was $38.97 million.

c. Receiverships

During the quarterly period, Superior Bank ("Superior") was closed by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation was appointed as receiver (Treasury's initial investment in Superior was approximately $69 million). As of June 30, 2011, nine financial institutions with CPP investments totaling approximately $2.81 billion had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership (figure 6).

Figure 6

Institution	**Original Treasury Investment Amount**
CIT Group, Inc.	$2.33 billion
UCBH Holdings, Inc.	$298.7 million
Midwest Banc Holding, Inc.	$84.78 million
Superior Bank	$69 million
Sonoma Valley Bancorp	$8.65 million
Pierce County Bancorp	$6.8 million
Legacy Bancorp Inc.	$5.498 million
Pacific Coast National Bancorp	$4.12 million
Tifton Banking Company	$3.8 million

b. Small Business Administration ("SBA") 7(a) Securities Purchase Program

SBA 7(a) securities are comprised of the portion of loans guaranteed by the SBA, which finance a wide-range of small business needs, including working capital, machinery, equipment, furniture, and fixtures. Treasury originally invested in 31 SBA 7(a) securities with a value of approximately $368 million. Those securities were comprised of 1,001 loans from 17 different industries, including retail, food services, manufacturing, scientific and technical services, healthcare, educational services, and others.

On June 2, 2011, Treasury announced its intention to begin the disposition of the SBA 7(a) securities portfolio over time, as part of ongoing efforts to wind-down TARP. In June 2011, Treasury sold 12 SBA 7(a) securities through two Bids Wanted in Competition for $151.5 million, which represents total gains and income to Treasury of $4.5 million.

Specifically, on June 7, Treasury sold six SBA 7(a) securities for approximately $75 million, which represents overall gains and income of approximately $2.8 million, and on June 21, Treasury sold six additional SBA 7(a) securities for approximately $76.5 million, which represents overall gains and income of approximately $1.7 million. As of June 30, 2011, Treasury continued to hold 19 SBA 7(a) securities with a current face value of approximately $173 million.

c. AIG

On December 8, 2010, AIG entered into a Master Transaction Agreement with Treasury, the FRBNY, certain special purpose vehicles ("SPVs") controlled by AIG, and the trustees of the AIG Credit Facility Trust regarding a series of integrated transactions (the "Recapitalization"), to accelerate the repayment of U.S. taxpayer funds and facilitate AIG's transition from a majority government owned and supported entity to a financially sound and independent entity. The Recapitalization was completed on January 14, 2011. As part of the Recapitalization, AIG entered into a Registration Rights Agreement that grants Treasury certain rights to facilitate its sale of common shares. Such rights include participation in any public registered offering of common stock by AIG and, starting August 15, 2011, the ability to cause AIG to facilitate underwritten and at-the-market offerings of Treasury's common shares.

On April 5, 2011, AIG filed an amendment to its registration statement on form S-3 with the SEC to include Treasury as a selling shareholder. On May 24, 2011, Treasury sold 200 million shares of its AIG common stock at $29.00 per share as part of AIG's public equity offering, which also included the issuance of 100 million new common shares by AIG. The underwriters elected not to exercise their 30-day option to purchase up to 45 million additional shares of common stock from Treasury on the same terms and conditions as the offering. With the closing of the offering on May 27, 2011, the aggregate gross proceeds to Treasury from the offering were $5.8 billion, reducing Treasury's remaining investment in AIG from 1.655 billion shares of common stock to 1.455 billion shares of common stock (of which 494.9 million shares are held by Treasury arising from actions outside of TARP), and approximately $11.5 billion of preferred equity interests.[6] Also with the closing, AIG's right to draw down on the $2 billion commitment under the series G capital facility was terminated. Treasury's percentage ownership of AIG's outstanding shares of common stock declined from 92 percent to 77 percent.

[6] In February 2011, the sale by AIG of its subsidiaries AIG Star Life Insurance Co., Ltd. and AIG Edison Life Insurance Company delivered $2.2 billion in proceeds to Treasury, and reduced the outstanding amount of Treasury's preferred equity interests in AIG from $20.4 billion to $18.2 billion. In March 2011, AIG sold its holdings of MetLife equity securities, obtained as part of the consideration for the sale of ALICO to MetLife, for $9.6 billion. AIG used $6.6 billion of the offering proceeds, as well as $300 million that was previously set aside for expenses related to the ALICO sale, to redeem a $6.9 billion portion of Treasury's preferred equity interests. These preferred equity interests now stand at $11.5 billion.

d. Automotive Industry Financing Program ("AIFP")

i. Update on General Motors ("GM")

During the quarterly period, Treasury's investment in GM remained unchanged, consisting of 500.1 million common shares.[7] Treasury continues to evaluate both public and private options to exit its investment in GM.

ii. Update on Chrysler Group LLC ("Chrysler")

On May 24, 2011, Chrysler repaid Treasury $5.1 billion in TARP loans and terminated its ability to draw a remaining $2.1 billion TARP loan commitment.

On May 27, 2011, Fiat irrevocably committed to purchase Treasury's 6 percent fully diluted common equity stake in Chrysler pursuant to the call option agreement between Fiat and Treasury. On June 2, 2011, Treasury reached an agreement with Fiat to sell its equity interest in Chrysler and its interest in an agreement with the United Auto Worker retiree trust for $560 million. After the completion of this transaction, Treasury will have fully exited its TARP investment in Chrysler.

As of June 30, 2011, Chrysler had returned to Treasury approximately $10.6 billion (consisting of principal repayments, interest, and cancelled commitments) of the $12.5 billion committed to Chrysler under the AIFP. Following the closing of the equity transaction with Fiat, Chrysler will have returned more than $11.2 billion to Treasury. Treasury is unlikely to fully recover its remaining outstanding investment of $1.3 billion in Chrysler.

iii. Update on Ally Financial (Formerly GMAC)

During the quarterly period, Treasury's investment in Ally Financial remained unchanged, consisting of 74 percent of the firm's common shares and $5.9 billion in aggregate liquidation preference of mandatorily convertible preferred stock. On March 31, 2011, Ally Financial filed a registration statement with the SEC for a proposed initial public offering of common shares in which Treasury would sell shares. Treasury noted that it will retain the right, at all times, to decide whether and at what level to participate in any offering. Since March 31, 2011, Ally has filed three amendments to its registration statement in response to comments from the SEC; these amendments were filed on May 17, June 3, and June 29, respectively.

e. Housing Stabilization and Foreclosure Mitigation

Treasury has indicated that reducing foreclosures for responsible homeowners and further stabilizing the U.S. housing market are key areas to which committed TARP funds will be used going forward. While Treasury can no longer make new financial commitments under TARP,

[7] In January 2011, Treasury's equity interest in GM declined from 33 percent to 32 percent due to a planned stock issuance by GM.

expenditures to implement existing housing programs will continue to be made incrementally over time.

During the quarterly period, monthly MHA Servicer Performance Reports covering March, April, and May 2011 were released in conjunction with monthly housing scorecards on the nation's housing market (the "Housing Scorecard" produced by HUD). [8]

i. *Making Home Affordable ("MHA") program and the Home Affordable Modification Program ("HAMP")*

The purposes of the MHA programs are to offer responsible but struggling homeowners the opportunity to remain in their homes at more affordable payment levels, consistent with the EESA's mandate to promote financial stability while protecting taxpayers. As the mortgage crisis evolved, Treasury enhanced MHA and developed new programs designed to meet the changing landscape. While HAMP was the primary program, MHA expanded to include a number of more specialized programs, as described below.

a. HAMP

As of June 30, 2011, Treasury had disbursed approximately $1.4 billion of incentive payments for MHA modifications out of a budgeted approximately $29.9 billion through December 31, 2012.[9] This budget is currently under review based on program performance and ongoing developments in the economic environment.

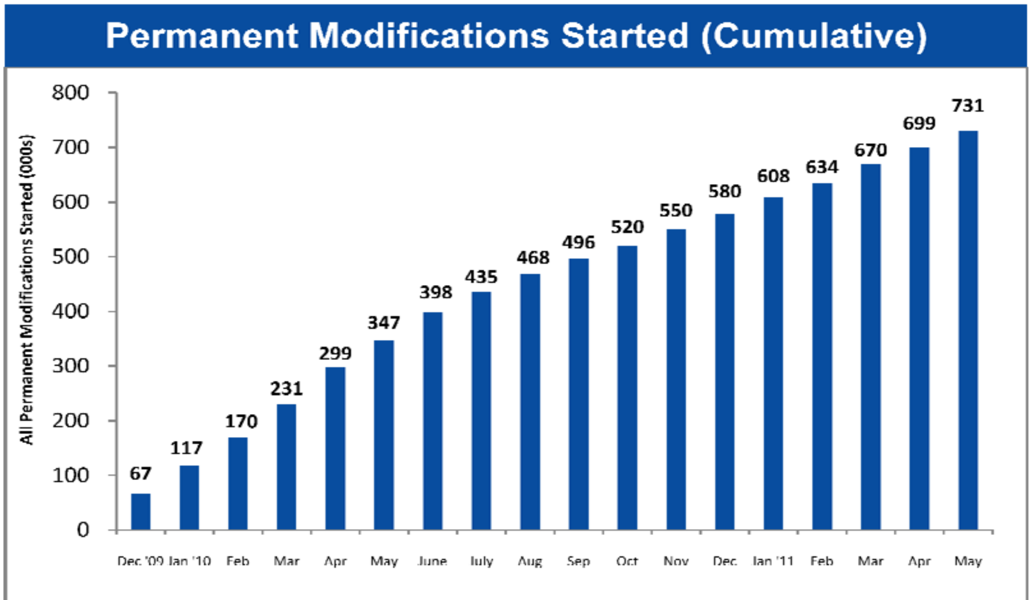
As of May 2011, there were a total of 633,459 permanent HAMP modifications. Specifically, approximately 36,000, 29,000, and 32,000 HAMP trial period plans became permanent in March, April, and May 2011, respectively (Figure 7). As servicers continued to work through the backlog of applications, the number of aged trial modifications (those initiated at least six months ago) was approximately 26,000, 25,000, and 23,600 in March, April, and May 2011, respectively.

[8] The Servicer Performance Reports, available at: http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Pages/default.aspx, include data, among others, on the characteristics of permanent modifications, servicer activity, re-default rates, waterfall of eligible borrowers, homeowner experience, HAMP activity by state and metropolitan area, modifications by investor type, and compliance reviews. The Housing Scorecard, available at: http://www.HUD.gov/scorecard, incorporates key housing market indicators and highlights the impact of housing recovery efforts, including assistance to homeowners through the FHA and HAMP.

[9] Treasury's Transactions Reports (Housing), available at: http://www.financialstability.gov, show the adjusted cap amounts for each servicer, and the total disbursements to each non-GSE servicer. Incentive payments to servicers of GSE loans are borne by the GSEs and not Treasury.

Figure 7

HAMP permanent modifications started (cumulative) through May 2011



Source: HAMP system of record.

b. Second Lien Modification Program ("2MP")

Under 2MP, Treasury provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when the first lien mortgage for the same property has been permanently modified under HAMP. As of the close of the quarterly period, there were seventeen servicers participating in 2MP, including the four largest mortgage servicers who, in the aggregate, service approximately 60 percent of outstanding second liens. As of May 2011, approximately 27,000 homeowners in a first-lien HAMP modification had an active permanent second lien modification in place.

c. Home Affordable Foreclosure Alternatives ("HAFA")Program

Under the HAFA Program, Treasury provides incentives for short sales and deeds-in-lieu of foreclosure for circumstances in which borrowers are unable or unwilling to complete the HAMP modification process. As of May 2011, approximately 17,800 homeowners had reached agreements with their servicer to exit their home under the HAFA Program and approximately 7,650 homeowners had completed a short sale or deed-in-lieu.

d. Home Affordable Unemployment Program ("UP")

The UP requires participating servicers to grant qualified unemployed borrowers a forbearance period during which their mortgage payments are temporarily reduced or suspended for a minimum of three months while they look for new jobs. At the end of this forbearance period, the homeowner is evaluated for HAMP and the forborne amount is capitalized. Treasury expects public reporting on UP to commence in the third quarter of 2011.

e. Principal Reduction Alternative ("PRA")

Under PRA, servicers of non-GSE loans are required to evaluate the benefit of principal reduction for mortgages with a loan-to-value ratio of 115 percent or greater when evaluating a homeowner for a HAMP first lien modification. While servicers are required to evaluate homeowners for PRA, they are not required to reduce principal as part of the modification.

f. Treasury Support for FHA Refinance ("FHA Short-Refinance") and FHA Second Lien Program ("FHA2LP")

The FHA Short-Refinance program provides additional refinancing options to homeowners who owe more than their homes are worth because of large declines in home prices in their local markets. The program is also designed to provide opportunities for qualifying mortgage loans to be restructured and refinanced into FHA-insured loans. Treasury implemented FHA2LP, a voluntary program that provides incentives to second lien mortgage servicers and investors who agree to full or partial extinguishment of a second lien mortgage loan in conjunction with an FHA Short-Refinance refinancing that closes on or before December 31, 2012.

g. Housing Finance Agency ("HFA") Innovation Funds for the Hardest Hit Fund ("HHF")

The HHF allows states' HFAs in the nation's hardest hit housing and unemployment markets to design innovative, locally targeted foreclosure prevention programs, provided the programs satisfy the requirements for funding under the EESA. Treasury has committed $7.6 billion to support the HHF programs in 18 states and the District of Columbia, as shown in the chart below (figure 8).[10]

[10] The 18 states and the District of Columbia were significantly impacted by unemployment and/or had average home price declines greater than 20 percent since the housing market downturn, accounting for the majority of "underwater" mortgages in the country. Approximately two-thirds of all allocated funds are currently intended to help unemployed homeowners pay or reinstate their mortgages. The remaining funds are intended for principal reduction, second lien removal, short sale assistance, and other locally-tailored initiatives.

Figure 8

HHF commitment allocation by state ($ in millions)

Alabama	$	162.52	**Indiana**	$	221.69	**North Carolina**	$	482.78
Arizona	$	267.77	**Kentucky**	$	148.90	**Ohio**	$	570.40
California	$	1,975.33	**Michigan**	$	498.61	**Oregon**	$	220.04
District of Columbia	$	20.70	**Mississippi**	$	101.89	**Rhode Island**	$	79.35
Florida	$	1,057.84	**Nevada**	$	194.03	**South Carolina**	$	295.43
Georgia	$	339.26	**New Jersey**	$	300.55	**Tennessee**	$	217.32
Illinois	$	445.60			**TOTAL**	**7.60 billion**		

As of June 30, 2011, programs in 18 states and the District of Columbia have drawn approximately $478 million of the $7.6 billion Treasury has allocated under the program. Also as of June 30, 2011, 17 states and the District of Columbia had begun operating HHF programs statewide. Illinois, which at quarter's end was operating a pilot program, was expected to begin operating its statewide program in the coming months. All 19 entities had begun selecting and training networks of housing counselors to assist with applications, the creation of homeowner portals, and the hiring of staff needed to review and approve applications. The five largest servicers (Ally Bank, Bank of America, J.P. Morgan Chase, Citibank, and Wells Fargo) are currently participating in all 18 states and D.C.

ii. *Housing programs' indicative reporting timetable*

The chart below (figure 9) shows for each MHA program an indicative reporting timetable with the approximate date of: (i) program announcement; (ii) effective date of guidance sent to servicers in the form of Supplemental Directives; (iii) provision of an infrastructure for servicers to begin reporting on program activity to Treasury's system of record ("IR2"); and (iv) Treasury having completed its review of the reported data and processes in order to provide validated data on the program activity.

Figure 9

Housing programs indicative reporting timetable

MHA Program	Program Description	Announcement	Program Effective	Servicer IR2 Reporting Capability	Public Reporting
HAMP	First-lien loan modifications	Feb-09	Mar-09	Jun-09	Aug-09
2MP	Second-lien loan modifications for borrowers who received permanent HAMP modifications	Aug-09	Jun-10	Sep-10	Feb-11
HAFA	Incentives for short sales or deeds-in-lieu of foreclosure	Mar-10	Apr-10	Jun-10	Feb-11
PRA	Principal reduction for HAMP-eligible borrowers with high loan-to-value ratios	Jun-10	Oct-10	Dec-10	July-11
Home Affordable Unemployment Program (UP)	Temporary principal forbearance for unemployed borrowers	May-10	Aug-10	Jan-11	3Q 2011
Treasury FHA-HAMP	Principal reduction and modification of delinquent or at risk FHA loans	Mar-10	Mar-10	Sep-10	Dec-10
Treasury/FHA Second Lien Program (FHA2LP)	Restructure of second liens to allow refinance of current, negative equity mortgages into FHA loans	Mar-10	Aug-10	N/A	3Q 2011

a/ Take up under FHA Short-Refinance and FHA2LP is not expected to be seen for several months. Accordingly, during the third quarter Treasury is evaluating how best to approach the content and timing of public reporting on these programs to appropriately take account of this expectation.

iii. *Servicer Performance Reports*

Beginning with the April 2011 MHA Public Report, Treasury began publishing quarterly servicer assessments. The servicer assessments, which were compiled by Treasury, summarize performance for the 10 largest MHA participating servicers from reviews conducted during the first quarter of 2011. The reviews focused on three categories of program implementation: 1) identifying and contacting homeowners; 2) homeowner evaluation and assistance; and 3) program reporting, management, and governance. The first quarterly assessment identified four servicers (Bank of America, J.P. Morgan Chase Bank, Ocwen Loan Servicing LLC, and Wells Fargo Bank) as needing substantial improvement and six servicers (American Home Mortgage Servicing, Inc., CitiMortgage, Inc., GMAC Mortgage LLC, Litton Loan Servicing LP, OneWest Bank, and Select Portfolio Servicing) as needing moderate improvement.

While servicers are required to address all instances of non-compliance, beginning June 2011, Treasury will withhold financial incentives for three of the servicers identified as needing substantial improvement (Bank of America; J.P Morgan Chase Bank; and Wells Fargo Bank). Treasury will not withhold financial incentives owed to Ocwen Loan Servicing, LLC for this quarter because its compliance results were adversely affected by a large servicing portfolio acquired during the compliance testing period. Also, for servicers requiring moderate improvement, Treasury will not withhold servicer incentives for this quarter. However, servicers that fail to improve may be subject to withholding of incentive payments in the future.

iv. MHA Guidance on Single Relationship Manager and NPV Guidance

In May 2011, Treasury released guidance requiring the 20 largest servicers participating in HAMP to provide a single relationship manager to homeowners being evaluated for MHA by September 1, 2011. During the period of evaluation for loss mitigation options, the relationship manger will contact the homeowner with status updates, coordinate the receipt of financial documents, and provide options until the delinquency is resolved.

During the quarterly period, Treasury implemented certain legislative changes made to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act. In May 2011, Treasury released its NPV calculator online that provides homeowners an estimate of whether they qualify for HAMP. When evaluating a loan for HAMP, servicers conduct a standardized NPV test that compares the NPV result for a modification to the NPV result for no modification. Servicers are required to provide a modification if the NPV test comes out higher for the workout.

APPENDIX A

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

Minutes of the Financial Stability Oversight Board Meeting
April 20, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:30 p.m. (EST) on Wednesday, April 20, 2011, via teleconference.

MEMBERS PARTICIPATING:

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

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

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

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Pendo, Director of Investments, Office of Financial Stability, Department of the Treasury

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

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

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:35 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on March 28, 2011, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

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

Using prepared materials, Treasury officials provided an update on the expected final cost of TARP programs. Treasury officials discussed with Members the results of Treasury's daily TARP update for April 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. Officials noted that Treasury had recovered approximately $251 billion from the capital and banking programs established under the TARP through repayments, dividends, interest and other income. This amount exceeds Treasury's aggregate investment in these programs by approximately $6 billion.

Treasury officials then provided an update on the status of the U.S. Government investments in General Motors, Inc. ("GM"), Chrysler Group LLC ("Chrysler") and Ally Financial, Inc. ("Ally"), including the potential public and private options available to exit from Treasury's equity investments under the AIFP. Officials noted that on March 31, 2011, Ally filed a registration statement with the Securities and Exchange Commission for a proposed public offering of common shares in which Treasury could participate by selling shares it owned. Treasury will retain the right, at all times, to decide whether and at what level to participate in the offering.

Using prepared materials, Treasury officials then reported on the status of AIG's ongoing efforts to repay the assistance provided to the company by the U.S. government.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury's recent sales of warrants received under the CPP and exchanges of Treasury's CPP investments in certain institutions for other assets. Officials noted that, as of March 31, 2011, Treasury had received approximately $178.74 billion in total repayments under the CPP. As part of this discussion, Members and officials also discussed the twenty-five largest remaining CPP investments, the likely pace of future repayments, and the influence of such repayments on the ultimate return to taxpayers. Officials also discussed the status of missed dividend or interest payments by institutions participating in the CPP, along with Treasury's contractual right to appoint up to two directors to the board of directors of any institution that has missed six payments. Officials noted that Treasury has interviewed some potential candidates to serve as directors in such cases and expected to begin the corporate and regulatory procedures to nominate directors to certain of these institutions shortly.

Using prepared materials, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Unemployment Forbearance Program and the Home Affordable Foreclosure Alternatives ("HAFA") program. As part of this discussion, Members and officials also discussed FHA's progress in reviewing loans to homeowners who had not been offered modifications through the Federal Housing Administration-HAMP, to ensure that their exclusion was appropriate.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 2010, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential content of the report.

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

[Signed Electronically]

Jason A. Gonzalez
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
May 23, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Monday, May 23, 2011, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

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

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Pendo, Director of Investments, Office of Financial Stability, Department of the Treasury

Mr. Hopkins, Special Assistant to the Acting Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Cuttler, Liaison Officer, Office of Financial Stability, Department of the Treasury

Ms. Golant, Attorney-Advisor, Office of Financial Stability, Department of the Treasury

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

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugoletti, Senior Advisor to the Office of the Director, Federal Housing Finance Agency

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

The Board first considered draft minutes for the meeting of the Board on April 20, 2011, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Automotive Industry Financing Program ("AIFP"); the American International Group, Inc. ("AIG"); the Capital Purchase Program ("CPP"); the Making Home Affordable ("MHA") program and related initiatives;

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

Using prepared materials, Treasury officials provided an update on the expected final cost of TARP programs. Treasury officials discussed with Members the results of Treasury's daily TARP update for May 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. Officials noted that in April, four financial institutions redeemed their CPP preferred shares, generating approximately $319 million in additional revenue under the program. As part of this discussion, Treasury officials also discussed the twenty-five largest remaining CPP investments, the likely pace of future repayments, and the influence of such repayments on the ultimate return to taxpayers. Treasury officials also provided an update on the status of applications filed by CPP institutions to convert Treasury's CPP preferred shares or subordinated debt into comparable instruments from Treasury's Small Business Lending Fund, a non-TARP program designed to promote small businesses. Officials also updated the Members on the status of missed dividend or interest payments by institutions participating in the CPP and Treasury's progress in identifying candidates to serve as directors for institutions that have missed at least six payments.

Using materials distributed at the meeting, Treasury officials then provided an update on the status of Treasury's investments under the AIFP. As part of this discussion, officials reviewed Treasury's current interest in Chrysler Group LLC ("Chrysler"), which included approximately $5.1 billion in outstanding loans, approximately $2 billion in undrawn commitments, and approximately 8.6 percent of Chrysler's common equity. Officials noted that in April, Chrysler announced its intention to repay its outstanding loans provided by Treasury during the second quarter of 2011, subject to market and other conditions. As part of this discussion, officials also discussed Treasury's investment in General Motors, Inc. ("GM") and Ally Financial, Inc. ("Ally"), and the public and private options available to exit from Treasury's investment in GM and Ally.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on the investment in AIG. As part of this discussion, officials discussed the future prospects for completion of a registered public offering by AIG and Treasury, as the selling shareholder, as contemplated under the April 5, 2011, amendment to AIG's registration statement on form S-3 with the Securities and Exchange Commission.

Using materials distributed at the meeting, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program ("UP"), and the Home Affordable Foreclosure Alternatives ("HAFA") Program. As part of this discussion, Members and officials also discussed the supplemental directive issued by Treasury on May 18, 2011, which requires each servicer subject to the directive to establish and implement a single point of contact ("SPOC") process through which borrowers who are potentially eligible for HAMP, UP or HAFA are assigned a relationship manager to serve as the borrower's SPOC throughout the process for addressing and resolving situations of delinquency or imminent default. Treasury officials also discussed Treasury's progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Officials noted that Treasury had recently made available to consumers an online tool designed to assist homeowners in learning about the net present value NPV evaluation of the various alternative loss mitigation approaches that might be available for their mortgage.

Treasury officials then provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Officials noted that approximately 70 percent of all obligated funds under the program are currently targeted to assigning unemployed borrowers pay or reinstate their mortgages.

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

[Signed Electronically]

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Jason A. Gonzalez
General Counsel and Secretary

Minutes of the Financial Stability Oversight Board Meeting
June 16, 2011

A meeting of the Financial Stability Oversight Board ("Board") was held at 4:30 p.m. (EDT) on Thursday, June 16, 2011, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Schapiro[1]
Mr. DeMarco

STAFF PRESENT:

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

AGENCY OFFICIALS PRESENT:

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

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Pendo, Director of Investments, Office of Financial Stability, Department of the Treasury

Mr. Hopkins, Special Assistant to the Acting Assistant Secretary for Financial Stability, Department of the Treasury

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

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission[1]

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 4:40 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on May 23, 2011, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the Automotive Industry Financing Program ("AIFP"); the American International Group, Inc. ("AIG"); the Capital Purchase Program ("CPP"); the Making Home Affordable ("MHA") program and related initiatives; and the Hardest Hit Fund Initiative ("HHF"). Among the materials distributed in advance of the meeting was the monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act ("EESA"), which contains information concerning the programs established by Treasury

[1] Participated by telephone.

under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using materials distributed at the meeting, Treasury officials then provided an update on the AIFP. As part of this discussion, Treasury officials reviewed the status of Treasury's investments under the program, including Treasury's recent exit from its investment in Chrysler Group LLC ("Chrysler"). Officials noted that, on May 24, 2011, Chrysler had repaid $5.1 billion in TARP loans to Treasury and terminated its ability to draw on the $2.1 billion loan commitment that remained available to Chrysler under the AIFP. Officials also discussed the agreement Treasury reached on June 2, 2011, to sell Treasury's remaining 6 percent fully diluted equity interest in Chrysler and Treasury's interest in an agreement with the UAW retirement trust to Fiat S.p.A. ("Fiat"), and distribution of the proceeds stemming from the transaction. Officials noted that Chrysler has returned more than $11.2 billion of the $12.5 billion Treasury committed to Chrysler under the AIFP through principal repayments, interest, and cancelled commitments. Treasury is unlikely to fully recover its remaining outstanding investment of approximately $1.3 billion in Chrysler. Officials also discussed Treasury's investment in General Motors, Inc. ("GM") and Ally Financial, Inc. ("Ally"), and the public and private options available to exit from these investments.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on the U.S. government's investment in AIG. Officials discussed AIG's public equity offering on May 27, 2011, under which Treasury completed the sale of 200 million common shares of AIG for approximately $5.8 billion. Following the transaction, Treasury continued to hold approximately 77 percent of the outstanding common shares of AIG.

Using prepared materials, Treasury officials provided an update on the CPP. Treasury officials discussed with the Members the results of Treasury's daily TARP update for June 1, 2011, which showed for each TARP program the amount of funds obligated, the amount actually disbursed, repayments and income received, and any losses with regard to individual TARP investments. As part of this discussion, Treasury officials also discussed the concentration of CPP investments remaining in smaller institutions and the likely pace of future repayments from these institutions. Officials also updated the Members on the status of missed dividend or interest payments by institutions participating in the CPP and Treasury's progress in identifying candidates to serve as directors for institutions that have missed at least six payments.

Using materials distributed at the meeting, Treasury officials then provided the Members with an update on Treasury's program to purchase securities backed by guaranteed portions of loans made under the 7(a) loan program established by the Small Business Administration ("SBA"), under which Treasury had originally purchased securities with a value of approximately $368 million. During this discussion, Treasury officials noted that, on June 3, 2011, Treasury announced its intention to begin the disposition of the SBA 7(a) securities portfolio over time, as part of ongoing efforts to wind-down TARP. Specifically, on June 7, 2011, Treasury sold six SBA 7(a) securities for approximately $75 million, which represents overall gains and income of approximately $2.8 million.

Using materials distributed at the meeting, Treasury officials then provided an update on the MHA and other related housing initiatives, including the Home Affordable Modification Program ("HAMP"). Among the matters discussed were: the numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Home Affordable Unemployment Program, and the Home Affordable Foreclosure Alternatives Program. Members and officials also discussed the results of the quarterly servicer assessments Treasury had published with the April 2011 MHA Public Report, which summarize performance for the 10 largest MHA participating servicers from reviews conducted during the first quarter of 2011. Treasury officials discussed the approaches taken: to evaluate program implementation for each servicer; identify servicers needing improvement; and to ensure that servicers address all instances of non-compliance identified by Treasury.

Treasury officials then provided the Members with an update on the HHF. As part of this discussion, officials reviewed the status of the programs approved under each funding of the HHF. Treasury officials noted that 17 states and the District of Columbia have begun operating HHF programs statewide. Illinois, which is currently operating a pilot, is expected to begin operating its statewide program in the coming months. Following this discussion, Secretary Donovan provided a brief update of HUD's Emergency Homeowner Loan Program ("EHLP"), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is designed to assist unemployed borrowers in states not served by the HHF. Mr. Donovan noted that the EHLP is operational in several states.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The data reviewed included data related to mortgage rates and delinquencies, mortgage originations, foreclosures, housing prices, and sales. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending June 30, 2011, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential content of the report.

The meeting was adjourned at approximately 5:30 p.m. (EST).

Jason A. Gonzalez
General Counsel and Secretary