

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

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:00 p.m. (EDT) on Tuesday, February 25, 2014, by teleconference.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

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. 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 January 21, 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 Community Development Capital Initiative (“CDCI”); the Automotive Industry Financing Program (“AIFP”); and the Making Home Affordable (“MHA”) and Hardest Hit Fund (“HHF”).

initiatives. Among the materials distributed in advance of the meeting 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, and Treasury’s Citizens Report on TARP for the fiscal year ending 2013. 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 then provided Representatives with an update on recent developments in the TARP programs. Officials reported that Treasury had disbursed a total of approximately \$423 billion, including \$412 billion under TARP investment programs and \$11 billion under TARP housing-related programs to assist at-risk homeowners. Total collections on all TARP investment programs, as of the meeting, were \$436 billion, including the proceeds of non-TARP common shares in American International Group (“AIG”) and \$3 billion proceeds from the recent sale of common stock in Ally Financial, Inc. (“Ally”). Approximately \$8 billion remained outstanding under all TARP investment programs.

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

As of February 20, seventy-six institutions remained in the program and eight institutions had fully exited the

program since the January meeting. In January, Treasury disposed of warrant positions in Premier Service Bank and Virginia Commerce Bankcorp, which provided combined proceeds of \$33.5 million. Treasury had also completed an auction of its preferred share holdings in six institutions which resulted in gross proceeds of \$20.6 million. Giving effect to these transactions, Treasury officials reported that approximately \$2.0 billion of CPP investments remained outstanding.

Looking forward, Treasury officials noted that more than 80 percent of the remaining CPP institutions would experience scheduled step-ups (or increases) in their dividend rate during February or March, under the terms of their TARP CPP agreements.

Treasury officials also briefly discussed the status of CPP institutions in bankruptcy or whose depository institution is in receivership. In January, Syringa Bank, a subsidiary of Syringa Bancorp, was closed by the Idaho Department of Finance. Treasury’s investment in Syringa was \$8 million. Officials noted that Treasury’s practice under such circumstances is to write off the entire investment.

Treasury officials then provided the Representatives with an update on the AIFP. As previously noted, on January 23, Treasury sold 410,000 shares of Ally common stock in a private offering, resulting in gross proceeds of \$3.0 billion. After the sale, Treasury continued to own approximately 37 percent of common stock in Ally.

Officials also discussed Treasury’s treatment of the \$1.7 billion remaining investment related to General Motors (“GM”) that had been reported in December after the sale of the Treasury’s

last GM common shares. They indicated that a portion of that amount pertained to the Old GM (i.e., pre-bankruptcy), while another portion was ultimately converted to Ally common shares.

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 that, through December, approximately 1.9 million homeowner assistance actions had been provided to at-risk borrowers since MHA’s inception. During December, more than 34,000 total assistance actions were completed, including more than 13,500 permanent modifications under HAMP. Active permanent modifications at the end of December totaled nearly 927,000.

Treasury officials reported that delinquency rates in HAMP modifications have continued to improve over time, noting that modifications that provided larger proportionate reductions in monthly payments have consistently achieved lower delinquency rates. Officials noted that demand for loan modifications under HAMP remained steady, with the volume of new permanent modifications continuing to run between 13,000 and 15,000 each month.

Treasury officials also discussed the evolution over time in the share of MHA assistance actions being taken on mortgages guaranteed by the Government Sponsored Enterprises (“GSEs”). Officials indicated that the overall decline in GSE modifications under HAMP reflects the increased use by the GSEs of the streamlined modification option, which has been made available as a

default option to at-risk borrowers who did not seek or respond to HAMP assistance options.

Treasury officials noted that many housing markets continued to experience weakness in housing prices, despite a general upward trend in U.S. housing markets. Officials indicated that most new assistance actions continue to be for borrowers struggling to afford their mortgage payments.

Treasury officials then provided the Representatives with an update on the HHF initiative. As of January 31, the 19 HFAs had drawn a total of \$3.4 billion under 69 active programs. During January, there was a total of \$179.1 million drawn under HHF, all from five HFAs. Treasury officials noted that they continue to participate in bi-weekly conference calls with the HFAs and the large servicers participating in the HHF to discuss best practices, options for best utilization of program funds, and matters associated with the wind down of assistance programs.

Staff of the Oversight Board then discussed several administrative matters with the Representatives, including the timing of the Oversight Board’s quarterly report and the prospective schedule and attendance for future Oversight Board meetings.

The meeting was adjourned at approximately 2:35 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary