

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

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EDT) on Monday, September 21, 2015, at the offices of the Department of Treasury (“Treasury”).

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

Mr. Green, Senior Advisor, Office of Policy Development and Research, Department of Housing and Urban Development

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

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

AGENCY OFFICIALS PARTICIPATING:

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

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

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

Mr. Leventis, Principal Economist, Federal Housing Finance Agency

Ms. Nolan, Supervisory Financial Analyst, Federal Reserve Board

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

The Representatives then considered draft minutes for the meeting of the Board on August 24, 2015, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Representatives voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Representatives.

Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the Capital Purchase Program (“CPP”); the Community Development Capital Initiative (“CDCI”);

and the Making Home Affordable (“MHA”) and Hardest Hit Fund (“HHF”) initiatives. Among the materials distributed in advance of the meeting was the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act (“105(a) report”), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP.

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

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP program. As of August 31, Treasury had disbursed a total of approximately \$429.4 billion, including \$411.7 billion under TARP investment programs and \$17.3 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were \$441.9 billion, including the proceeds of non-TARP common shares in American International Group (“AIG”). Treasury’s remaining investment in TARP programs was about \$730 million, all associated with CPP and CDCI.

Treasury officials then provided the Representatives with an update on recent developments in the CPP and CDCI. As of the meeting date, Treasury’s remaining aggregate CPP investment was

approximately \$268 million in 19 institutions, of which approximately \$125 million was its common stock holding in First BanCorp (“FBP”). Treasury officials reported that two institutions had exited the program since the last Oversight Board meeting: Patapsco Bancorp, Inc., by completing a full repurchase, and Goldwater Bank, N.A. through restructuring.

Treasury officials then discussed the CDCI program, noting that 62 institutions remained in the program with a total investment amount of approximately \$446 million. Treasury officials reported that Prince Kuhio Federal Credit Union had exited the program by completing a full repurchase at par for \$273,000. In addition, officials reported that Security Capital Corporation had made a partial repurchase at par for \$9.25 million.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA’s Home Affordable Modification Program (“HAMP”). Treasury officials reported on the number of homeowner assistance actions that had been provided to at-risk borrowers since MHA’s inception, including the continuing inflow of new HAMP permanent modifications and other borrower assistance actions. Officials noted that some 9,700 new permanent HAMP modifications were initiated in July 2015. As of July 2015, there were approximately 986,000 active permanent HAMP modifications. Officials also reported that, through July, homeowners with HAMP modifications who had experienced their first interest rate reset had not experienced a notable change in performance, and that a small number had experienced a second interest rate adjustment.

Treasury officials then discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Since the inception of HHF, participating housing finance agencies had disbursed an estimated \$4.4 billion in Hardest Hit Fund assistance, or 66 percent of the total program allocations. Officials reported that some 248,000 borrowers had been assisted since the beginning of the program. Officials then briefly noted that one state, North Carolina, had made a recent program change to provide reinstatement assistance under its Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages program to better assist at-risk borrowers.

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 a part of this discussion, officials from the Federal Housing Finance Agency (“FHFA”) summarized key reasons for the upward trend in the 12-month re-defaults rates for HAMP modifications, including the effects of the passage of time and the significant shift from bank to non-bank servicers. Officials then briefed members on developments in the housing and housing and finance markets. The information reviewed included data related to mortgage rates and Treasury yields,

housing price indices and sales, and refinancing activities.

During this discussion, FHFA officials also presented data related to delinquencies, GSE foreclosure prevention actions, and re-default experience on GSE-modified mortgages.

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

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

[signed electronically]

William F. Treacy,
Executive Director