

Minutes of the Financial Stability Oversight Board Meeting November 17, 2014

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:30 p.m. (EDT) on Monday, November 17, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Golding, Senior Advisor,
Department of Housing and Urban
Development

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

Mr. Ugoletti, Special Advisor, Federal
Housing Finance Agency

STAFF PARTICIPATING:

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

AGENCY OFFICIALS PARTICIPATING:

Mr. Bowler, Deputy 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

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

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

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

The meeting was called to
order by Mr. Wilcox at
approximately 2:30 p.m. (EDT).

The Representatives then
considered draft minutes for the
meeting of the Board on October
20, 2014, which had been circulated
in advance of the meeting. Upon a
motion duly made and seconded,
the Representatives voted to
approve the minutes of the meeting,
subject to such technical revisions
as may be received from the
Representatives.

Treasury officials then
provided an update on the programs
established by Treasury under the
Troubled Asset Relief Program
(“TARP”). Discussion during the
meeting focused on the Capital
Purchase Program (“CPP”); the
Automotive Industry Financing
Program (“AIFP”); and the Making
Home Affordable (“MHA”) and
Hardest Hit Fund (“HHF”)

initiatives. Among the materials distributed in advance of the meeting were the latest monthly report issued by Treasury under Section 105(a) of the Emergency Economic Stabilization Act (“105(a) report”), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. Throughout the meeting, Representatives raised and discussed various matters on behalf of the Members with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials provided Representatives with an update on recent developments in the TARP programs. As of November 13, Treasury had disbursed a total of approximately \$426.1 billion, including \$411.7 billion under TARP investment programs and \$14.4 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were \$440.3 billion, including the proceeds of non-TARP common shares in American International Group (“AIG”). Treasury’s remaining investment in TARP investment programs was approximately \$2.5 billion, including approximately \$1.5 billion in Ally Financial, Inc. (“Ally”) and approximately \$1.0 billion associated with bank programs (CPP and the Community Development Capital Initiative).

Treasury officials then provided the Representatives with an update on the CPP. Treasury’s

remaining aggregate CPP investment in 39 institutions was approximately \$580 million, including investment in four institutions recently announced for auction. Treasury’s common stock holdings in First BanCorp (“FBP”), the largest remaining CPP investment, totaled \$239 million. Officials noted that the initial trading plan for the sale of a portion of FBP common stock remained in progress.

Treasury officials then provided the Representatives with an update on the AIFP. Treasury continues to assess exit alternatives with respect to Ally.

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 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, as described in the most recent MHA Performance Report, which earlier in 2014 shifted from a monthly to a quarterly frequency. Officials noted that the monthly volume of new permanent modifications in September was approximately 9,600 (excluding GSE modifications). This figure was largely unchanged from the prior month, although monthly volumes, overall, had continued to trend downward in 2014. Officials then noted the recent release of a supplemental directive revising HAMP

Tier II program requirements, aimed at further streamlining administrative requirements to enhance program efficiency going forward.

Treasury officials then reported on the status of the interest rate resets of existing HAMP permanent modification, which began in August for the earliest HAMP borrowers, in accordance with standard HAMP terms that provide for gradual interest rate increases beginning after the fifth year of the modification. Treasury estimated a median first-year monthly payment increase of \$95 and estimated final median increase of \$211 over the life of a loan. While the loan resets had affected approximately 15,000 borrowers as of November, the number of loans experiencing interest rate resets will accelerate in December and thereafter. Treasury officials indicated that targeted advance communications were well underway to borrowers as they approached their first rate reset. Treasury will continue to closely monitor the population of borrowers receiving the rate resets to assess any adverse effects on loan performance.

Treasury officials then discussed the general status of, and funds drawn by, HHF programs. In October, two HFAs drew a total of \$281 million while four states made changes to their programs to better assist at-risk borrowers. Since the inception of HHF, the 19 HFAs across the eligible jurisdictions had drawn a total of \$4.8 billion and had assisted more than 200,000

homeowners.

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

The meeting was adjourned at approximately 2:45 p.m. (EDT).

Mr. Gonzalez, General Counsel and Secretary