

## Minutes of the Financial Stability Oversight Board Meeting December 19, 2014

A meeting of the Financial Stability Oversight Board (“Board”) was held at 10:00 a.m. (EDT) on Friday, December 19, at the offices of the Department of the Treasury (“Treasury”).

### MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Rutherford, Acting Undersecretary for Domestic Finance, Department of the Treasury

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

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

Mr. Ugoletti, Special Advisor, Federal Housing Finance Agency

### STAFF PARTICIPATING:

Mr. Treacy, Executive Director  
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, Chief Investment Officer, Office of Financial Stability, Department of the Treasury

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

Mr. Valverde, Senior Advisor, Office of Domestic Finance, Department of the Treasury

Mr. Leventis, Principal Economist, Federal Housing Finance Agency

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

The Representatives then considered draft minutes for the meeting of the Board on November 17, 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”); the Making Home Affordable (“MHA”) and Hardest Hit Fund (“HHF”) initiatives; and information concerning actions taken by Treasury in response to recommendations by the Government Accountability Office (“GAO”) and the Special Inspector General for the TARP (“SIGTARP”). 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. Officials reported that Treasury agreed to sell all of its remaining 54.9 million shares of Ally Financial Inc. (“Ally”) common stock for approximately \$1.3 billion, exiting the last TARP investment under the AIFP. Including

the Ally-related proceeds and the sale of Treasury’s AIG shares, taxpayers have recovered approximately \$442 billion on TARP investments, compared to \$426 billion disbursed. Treasury’s remaining investment in TARP investment programs is approximately \$1.0 billion associated with bank programs (CPP and the Community Development Capital Initiative (“CDCI”).

Treasury officials then provided the Representatives with an update on the CPP and CDCI. As of November 30, 2014, Treasury’s remaining aggregate CPP investment in 35 institutions was approximately \$560 million. In November, Treasury sold preferred stock in three institutions to private investors; received proceeds from one institution related to the repurchase of CPP preferred securities and exercised warrants held by Treasury; and entered into a securities purchase agreement pursuant to which Treasury agreed to sell to the CPP preferred stock of one institution, subject to the conditions specified in such agreement. As of November 30, Treasury’s remaining aggregate CDCI investment in 66 institutions was approximately \$460 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 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 the monthly volume of new permanent modifications in October was 10,023 (excluding GSE modifications). Treasury officials then reported on the HHF programs. As of November 30, 2014, the 19 HFAs have drawn a total of \$4.8 billion. In total, there are 73 active programs across the 19 HFAs. Officials also discussed generally the recent changes California has made to its principal reduction and mortgage payment assistance programs. As part of this discussion, Treasury officials reviewed the results of MHA's quarterly servicer assessment for 3Q2014. In this context, officials discussed Treasury's findings in relation to other public reports with regard to non-bank servicer Ocwen.

Treasury officials reviewed and discussed the OFS Agency Financial Report for Fiscal Year 2014, which describes the activities and financial results for the TARP since its inception in October 2008 through the fiscal year ended September 30, 2014 ("Financial Report FY2014"). The GAO audited the FY 2014 financial statements prepared by OFS for the TARP and found that the OFS maintained, in all material respects, effective internal control over financial reporting and found no material weaknesses in OFS internal controls. Treasury officials also discussed the steps being taken by Treasury to address the two significant deficiencies identified by GAO in OFS's internal controls over financial reporting, and the corrective action plan Treasury will

implement to address these concerns by June 30, 2015. As part of this discussion, officials also discussed Treasury's administration of the OFS, including staffing and related operational expenses.

Treasury officials provided Representatives with an update on Treasury's progress in responding to prior recommendations made by the GAO and SIGTARP.

Representatives and officials then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets and the effect of the programs established under the TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, staff from the Federal Housing Finance Agency ("FHFA") briefed Representatives 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.

Representatives and Staff of the Oversight Board then discussed administrative matters. Staff discussed, among other topics, the timing of the Oversight Board's report to Congress for the quarter ending September 30, 2013, and planning for 2014 monthly meetings of the Oversight Board.

The meeting was adjourned  
at approximately 11:10 a.m. (EDT).

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Mr. Gonzalez, General Counsel and  
Secretary