

Minutes of the Financial Stability Oversight Board Meeting June 22, 2015

A meeting of the Financial Stability Oversight Board (“Board”) was held at 3:00 p.m. (EDT) on Wednesday, June 22, 2016, at the offices of the Department of the Treasury (“Treasury”).

MEMBER REPRESENTATIVES PARTICIPATING:

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

Mr. Singh, Acting Assistant Secretary of Domestic Finance, Department of the Treasury

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

Mr. Liftik, Deputy Chief of Staff, Securities and Exchange Commission

Ms. Moore, Special Advisor, Federal Housing Finance Agency

STAFF PARTICIPATING:

Mr. Treacy, Executive Director

Mr. Gonzalez, General Counsel and Secretary

AGENCY OFFICIALS PARTICIPATING:

Mr. McArdle, Deputy Assistant Secretary, Office of Financial Stability, Department of the Treasury

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

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

Ms. Johnson-Kutch, Acting Chief Homeownership Officer, Office of Financial Stability, Department of the Treasury

Mr. Roberts, Financial Analyst, 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 3:01 p.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on May 24, 2016, 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 a report on recent developments in the TARP program. As of May 31, Treasury had disbursed a total of approximately \$432.8 billion, including \$411.7 billion under TARP investment programs and \$21.0 billion under TARP housing-related programs to assist at-risk homeowners. Total receipts on all TARP investment programs were \$442.1 billion, including the proceeds of non-TARP common shares in American International Group (“AIG”). Treasury’s remaining investment in TARP programs was about \$663 million, all associated with CPP and CDCI.

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

about \$241 million in 14 institutions, of which approximately \$125 million was its common stock holding in First BanCorp (“FBP”).

Treasury officials then briefly discussed the CDCI program, noting that some 56 institutions remained in the program with a total investment amount of approximately \$422 million. In addition, officials reported that Security Capital Corporation had exited the program for \$5.66 million.

Treasury officials then provided an update on the TARP housing initiatives, including the MHA’s Home Affordable Modification Program (“HAMP”). Using prepared materials, 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 nearly 9,000 new permanent HAMP modifications were initiated in April 2016. As of April 2016, there were nearly 977,000 active permanent HAMP modifications. Officials also reported that through April 2016, homeowners with HAMP modifications who had experienced one or more interest rate step-ups did not appear to experience a notable change in performance. Officials then provided a brief update on the HAMP Streamline Modification initiative, noting that some 20,000 homeowners had been assisted through April 2016.

Treasury officials then discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Officials noted that five states—Arizona, Florida, Georgia,

Mississippi, and South Carolina—had received approval to allocate Fifth Round funds to their programs to better assist at-risk borrowers. Since the inception of HHF, participating housing finance agencies have disbursed an estimated \$5.2 billion under the program, out of a total committed amount of \$9.6 billion.

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 assistant to at-risk mortgages 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 preparations underway to complete the Oversight Board’s quarterly report to Congress for the period ending March 31, 2016.

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

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary