

Minutes of the Financial Stability Oversight Board Meeting July 29, 2015

A meeting of the Financial Stability Oversight Board (“Board”) was held at 2:30 p.m. (EDT) on Friday, July 29, 2016, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

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

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

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

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

Mr. Golding, Principal Deputy Assistant Secretary, Office of Housing, Department of Housing and Urban Development

Ms. Nolan, 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 June 22, 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”) initiative. 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 June 30, Treasury had disbursed a total of approximately \$433.0 billion, including \$411.7 billion under TARP investment programs and \$21.3 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 \$630 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 \$210 million in 12 institutions, of which approximately \$125 million was its common stock holding in First BanCorp (“FBP”). Officials also reported that two institutions, Liberty Shares, Inc. and Tideland Bancshares, Inc. had recently exited the program.

Treasury officials then briefly discussed the CDCI program, noting that some 55 institutions remained in the program with a total investment amount of approximately \$420 million. Officials also noted that Virginia Community Capital, Inc. had exited the program for \$1.92 million. In addition, officials provided an update on possible repayment scenarios among CDCI participants, taking account of the 2018 contractual dividend-rate step-up in Treasury CDCI instruments.

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 7,100 new permanent HAMP modifications were initiated in May 2016. As of May 31, 2016, there were nearly 975,000 active permanent HAMP modifications. Officials also reported that through May 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 21,000 homeowners had been assisted through May 2016.

Treasury officials then discussed recent changes to, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Officials noted that fourteen states—California, DC, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, and

Tennessee—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 had disbursed an estimated \$5.3 billion under the program, out of a total committed amount of \$9.6 billion.

Representatives and officials then engaged in a roundtable discussion of the white paper recently published by Treasury entitled “*Guiding Principles for the Future of Loss Mitigation: How the Lessons Learned from the Financial Crisis Can Influence the Path Forward*”.

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 June 30, 2016.

The meeting was adjourned at approximately 3:00 p.m. (EDT).

[signed electronically]

Jason A. Gonzalez,
General Counsel and Secretary