

Minutes of the Financial Stability Oversight Board Meeting October 18, 2016

A meeting of the Financial Stability Oversight Board (“Board”) was held at 10:00 a.m. (EDT) on Tuesday, October 18, 2016, via conference call.

MEMBER REPRESENTATIVES PARTICIPATING:

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

Ms. Perry, 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

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

The meeting was called to order by Mr. Wilcox at approximately 10:02 a.m. (EDT).

The Representatives then considered draft minutes for the meeting of the Board on September 28, 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 (“Monthly Report to Congress”), which contains information concerning the programs established by Treasury under TARP and aggregate information regarding the allocation and disbursed amount 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 September 30, Treasury had disbursed a total of approximately \$434.0 billion, including \$411.7 billion under TARP investment programs and \$22.3 billion under TARP housing-related programs to assist at-risk homeowners and stabilize housing markets. 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 investments.

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”). Representatives discussed with Treasury staff the potential for achieving additional returns to the taxpayers from these wind down of the program.

Treasury officials then discussed the CDCI program, noting that some 53 institutions remained in the program as of the meeting date, a total investment of approximately \$349 million. Treasury officials then provided an update regarding the progress of the CDCI early repurchase option, part of ongoing efforts to wind

down this TARP program. As of the meeting date, Treasury had received proposals from 32 CDCI institutions. Of these, bids from seven institutions, including one credit union, had thus far been accepted by Treasury, of which two early repurchase transactions had been completed. Under the terms of the early repurchase option, proposals must be received by November 18, and accepted applicants are expected to close on the repurchase transaction within 60 days of acceptance or by the end of 2016, whichever is earlier.

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 10,600 new permanent HAMP modifications were initiated in August 2016, the majority in HAMP Tier 2. As of August 2016, there were nearly 975,000 active permanent HAMP modifications in place. In addition, Treasury officials reported that some 3,100 HAMP permanent modifications were initiated under the Streamline Modification, bringing the total to 15,000 since the initiative was introduced. Officials also reported that through July 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 also discussed program-related developments in MHA, including servicer performance and incentive payments.

Treasury officials then discussed the general status of, and funding disbursed by, HHF programs in the 19 eligible jurisdictions. Officials noted that in the month of September there were no program changes in any of the nineteen HHF-eligible jurisdictions. Since the inception of HHF, participating housing finance agencies have disbursed an estimated \$5.5 billion under the program out of a total committed amount of \$9.6 billion.

Representatives and officials then briefly discussed TARP reporting and other obligations for the Oversight Board and other TARP oversight bodies.

The meeting was adjourned at approximately 10:30 a.m. (EDT).

[signed electronically]

Mr. Gonzalez, General Counsel and
Secretary