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Description of document: Federal Housing Finance Agency (FHFA) meeting minutes and agendas for the Federal Housing Finance Oversight Board (FHSOB), February-August 2017

Requested date: 10-September-2017

Release date: 30-May-2018

Posted date: 11-February-2019

Source of document: FOIA Request
Federal Housing Finance Agency
400 7th Street, SW
8th Floor
Washington, D.C. 20219
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From: Easter, Stacy <Stacy.Easter@fhfa.gov>
Cc: Easter, Stacy <Stacy.Easter@fhfa.gov>
Sent: Wed, May 30, 2018 9:36 am
Subject: FHFA FOIA No.: 2017-FOIA-082
May 30, 2018

Re: FHFA FOIA No.: 2017-FOIA-082

This letter is in response to your Freedom of Information Act (FOIA) request, dated September 10, 2017. Your request was processed in accordance with the FOIA (5 U.S.C. § 552) and FHFA's FOIA regulation (12 CFR Part 1202).

You requested the following: "a copy of the meeting minutes and agendas from the four most recent meetings of the Federal Housing Finance Oversight Board (FHSOB)."

After review of agency files and records, FHFA has located 21 pages responsive to your request. The material is being withheld in part (redacted) pursuant to exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552 (b)(4), pertaining to trade secrets and commercial or financial information obtained from a person that is privileged or confidential; exemption 5 ((5 U.S.C. §552(b)(5)), pertaining to interagency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency; exemption 6 (5 U.S.C. §552(b)(6)), as disclosure of certain information, "would constitute an unwarranted invasion of personal privacy, and exemption 8 (5 U.S.C. §552(b)(8)), pertaining to information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions. A copy of the accessible material is attached.

This is the final decision on your FOIA request. If you wish to appeal any aspect of FHFA's decision, you must forward within 90 days:

- A copy of your initial request;
- A copy of this letter; and
- A statement of the circumstances, reasons, or arguments for seeking disclosure of the affected record(s).

The appeal must be sent either electronically by 5pm to foia@fhfa.gov or by mail to the "FOIA Appeals Officer" at 400 7th Street, SW, 8th Floor, Washington, DC 20219. The subject line, or the envelope and the letter of appeal, must be clearly marked "FOIA Appeal." Please note that all mail sent to FHFA via the United States Postal Service is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly.

Your FOIA request is releasable to the public under subsequent FOIA requests. In responding to these requests, FHFA does not release personal information, such as

home or email addresses, and home or mobile telephone numbers, which are protected from disclosure under FOIA Exemption 6 (5 U.S.C. § 552(b)(6)).

Additionally, you may seek dispute resolution services from the Office of Government Information Services (OGIS) at the National Archives and Records Administration. OGIS can be reached at 8601 Adelphi Road – OGIS, College Park, Maryland 20740-6001; by [email at ogis@nara.gov](mailto:email_at_ogis@nara.gov); by telephone at 202-741-5770 or toll free at 1-877-684-6448; or by facsimile at 202-741-5769.

Please note that all mail sent to FHFA via the United States Postal Service is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly. Your FOIA request is releasable to the public under subsequent FOIA requests. In responding to these requests, FHFA does not release personal information, such as home or email addresses, and home or mobile telephone numbers, which are protected from disclosure under FOIA Exemption 6 (5 U.S.C. § 552(b)(6)).

Your FOIA request is releasable to the public under subsequent FOIA requests. In responding to these requests, FHFA does not release personal information, such as home or email addresses and home or mobile telephone numbers which are protected from disclosure under FOIA Exemption 6 (5 U.S.C. § 552(b)(6)).

There are no fees associated with processing your request. If you have any questions regarding the processing of your request, please contact me directly at stacy.easter@fhfa.gov.

Regards,

Stacy J. Easter
Freedom of Information Act/Privacy Officer
FOIA Public Liaison
Federal Housing Finance Agency
400 7th Street, SW | Washington, DC 20219
Office: 202-649-3067|Cell: 202-604-1024|Fax: 202-649-4067

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Federal Housing Finance Agency

Federal Housing Finance Oversight Board

February 27, 2017

3:00 p.m. – 4:30 p.m.

AGENDA

- | | | |
|--|------------------------|--------------|
| A. Introduction | | |
| • Approval of Minutes | Chairman Watt | |
| B. Enterprises | Nina Nichols | Slides 1-15 |
| • Financial Results | | |
| • Supervisory Issues | | |
| C. FHLBanks | Fred Graham | Slides 16-28 |
| • Financial Results | | |
| • Supervisory Issues | | |
| D. Current Issues | | |
| • Enterprise Credit Risk Transfer
Overview and Update | Sandra Thompson | Slides 29-36 |
| • Common Securitization Platform
Overview and Update | Bob Ryan | Slides 37-41 |
| E. Legal Update | Alfred Pollard | |
| F. Discussion and Closing Remarks | Chairman Watt | |



Federal Housing Finance Agency

400 7th Street, S.W., Washington, D.C. 20219
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www.fhfa.gov

Federal Housing Finance Oversight Board Minutes Meeting of February 27, 2017

A meeting of the Federal Housing Finance Oversight Board (Board) was held at Federal Housing Finance Agency (FHFA) headquarters on February 27, 2017 at 3:00 pm (EST).

I. Attendees

Board Members in Attendance

Mr. Watt, Board Chairman

Mr. Mnuchin, Secretary of the Treasury

Ms. Charles, General Deputy Assistant Secretary for FHA (for Mr. Clemmensen)

Mr. Grant, Co-Chief of Staff (for Mr. Piwowar)

Agency Staff Members in Attendance

FHFA

Mr. Graham, Deputy Director, Division of Federal Home Loan Bank Regulation

Ms. Nichols, Deputy Director, Division of Enterprise Regulation

Ms. Thompson, Deputy Director, Division of Housing Mission and Goals

Mr. Ryan, Acting Deputy Director, Division of Conservatorship

Mr. Pollard, General Counsel, Office of General Counsel

Ms. Johnson, Senior Advisor, Office of the Director (serving as Secretary)

Ms. Moore, Special Advisor, Office of the Director

Mr. Stein, Special Advisor, Office of the Director

Ms. Byrd-Chichester, Chief of Staff, Office of the Director

Treasury

Mr. Phillips, Counselor to the Secretary

Mr. Jackson, Office of Capital Markets

HUD

Mr. Petty

SEC

Ms. Hsu, Office of Structured Finance

II. Meeting

A. Call to Order/Minutes

Chairman Watt called the meeting to order at 3:05 p.m. Upon a motion from Ms. Hsu, supported by Ms. Charles, the Board approved the minutes.

Chairman Watt welcomed the Board and reviewed the Board's structure, responsibilities, and meeting schedule.

B. Enterprise Update

Ms. Nichols discussed Fannie Mae and Freddie Mac's financial condition and portfolio metrics for year-end 2016, as well as FHFA's safety and soundness supervision of the Enterprises. She discussed the Enterprises' year-end 2016 net income and comprehensive income, which had increased relative to 2015, and highlighted Freddie Mac's disclosure of having implemented hedge accounting. She discussed the Enterprises' net worth at the end of the fourth quarter of 2016, which was \$6.1 billion for Fannie Mae and \$5.1 billion for Freddie Mac. She discussed that both Enterprises recorded a benefit for credit losses in 2016, the drivers of the credit benefit for each Enterprise, and that the serious delinquency rates at both Enterprises continued to decline. Ms. Nichols discussed the Enterprises' net interest income levels, noting the continuing trend that guarantee fees continue to be an increasing portion of their net interest income. Ms. Nichols reviewed the Enterprises' dividend payment history under the Senior Preferred Stock Purchase Agreements (PSPAs). She also noted that the capital reserve amounts under the PSPAs declined to \$600 million at each Enterprise on January 1, 2017 and are scheduled to reduce to zero on January 1, 2018. She discussed that FHFA has suspended capital ratings for the Enterprises under FHFA's CAMELSO framework.

Ms. Nichols reviewed the Enterprises' mortgage and guarantee totals, the impact of derivatives on Enterprise gains and losses, weighted average credit scores of Enterprise single-family loan purchases, and the decline in both serious delinquency rates and REO properties at each Enterprise. She also discussed the Enterprises' multifamily purchase activity, including the Enterprises' multifamily portfolio balances and multifamily segment net income. Ms. Nichols discussed FHFA's ongoing supervisory work, including completion of 2016 examination activities and work to assign CAMELSO ratings and finalize reports of examination. She also discussed FHFA's work to develop 2017 risk-based examination plans for each Enterprise. She discussed supervisory work to examine Common Securitization Solutions, LLC, as well as work to examine business continuity standards and Fannie Mae's reorganization of business units.

C. Federal Home Loan Bank (FHLBank) Update

Mr. Graham discussed the structure of the FHLBank System and provided an overview of FHLBank activity, including performance for year-end 2016. He reviewed the FHLBanks'

portfolio composition, highlighted the change in assets over time, and described one-time student loan purchases at the FHLBank of Chicago as an example of non-mortgage backed securities investments. He discussed the range in size of FHLBanks across the System and discussed the role played by larger holding company members. He reviewed FHFA's advisory bulletin on core mission assets and

(b)(4);(b)(8)

(b)(4);(b)(8)

Mr. Graham discussed System net interest income and net interest spread, with the FHLBanks receiving \$111 million in private label securities litigation settlements during the fourth quarter. He discussed that the market value of equity remains above the par value of capital stock at all 11 FHLBanks, and also discussed FHLBank capital requirements and retained earnings. Mr. Graham reviewed the advance levels of the top-10 holding companies, and the group discussed the levels and pricing of advances for these institutions. Mr. Graham reviewed the FHLBanks' outstanding debt, and the group discussed the issue of a mismatch in the maturity of FHLBank debt and advances. Mr. Graham discussed FHFA's supervisory review of these issues, including consideration of possible provisions in a liquidity proposed rulemaking. Mr. Graham also discussed FHFA's membership rule and the advance levels of captive insurers.

D. Current Issues

Credit Risk Transfer Overview and Update

Ms. Thompson discussed FHFA's requirement that the Enterprises develop and implement single-family credit risk transfer programs. She discussed FHFA's expectation that the Enterprises transfer a meaningful portion of credit risk on at least 90 percent of the unpaid principal balance of newly acquired single-family mortgages in targeted loan categories. She also discussed FHFA's principles in overseeing the Enterprises' credit risk transfer programs, including reducing risk to taxpayers and being economically sensible. Ms. Thompson reviewed the Enterprises' credit risk transfer activity since their programs began in 2013, including 2016 activities. She discussed FHFA's definition of targeted loan categories, transaction structure types, FHFA's 2016 request for information about front-end transaction structures, and barriers to participation for some credit risk transfer investors.

Update on the Common Securitization Platform and Single Security

Mr. Ryan discussed FHFA's work with the Enterprises to develop a new securitization infrastructure for single-family mortgages purchased by Fannie Mae and Freddie Mac, including building a common securitization platform, developing a single security used by both Enterprises, and leveraging technology wherever possible to make the CSP adaptable for other secondary market participants in the future. He reviewed the creation of a joint venture, Common Securitization Solutions, LLC, and an industry advisory group to provide feedback on these priorities.

Mr. Ryan discussed FHFA's objectives in developing this new infrastructure, including improving the liquidity of the housing finance market. He also discussed FHFA's timeline for implementation, including the Release 1 milestone achieved in November 2016 with Freddie Mac now using the CSP for its existing single-class securities and work toward the Release 2 milestone of having both Enterprises implement the Single Security on the CSP. Mr. Ryan discussed that FHFA was evaluating the timeline for implementation of Release 2 and would make an announcement by the end of the quarter on this timeline, providing stakeholders with at least 12 months notice. He reviewed key issues that FHFA continues to work on with the Enterprises and other parties, including industry operational readiness, payment processing for commingled re-securitizations, and regulatory implications.

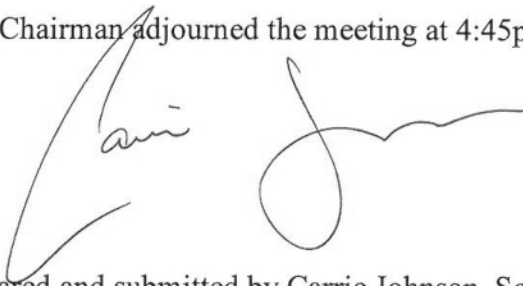
E. Legal Update

Mr. Pollard referred the Board members to the regulatory overview provided in the background materials. He reviewed the status of shareholder litigation related to the third amendment to the Senior Preferred Stock Purchase Agreements with the U.S. Department of the Treasury and private-label mortgage-backed securities litigation. He also discussed the status of legislation involving flood insurance reauthorization.

F. Discussion and Closing Remarks

Chairman Watt also referred Board members to the background information provided in the Board materials. He discussed the structure of the Agency and the work FHFA does to balance its statutory obligations to ensure the regulated entities operate in a safe and sound manner and to foster liquidity in the housing finance market. He described the model FHFA uses to oversee the unprecedented conservatorships of the Enterprises.

The Chairman adjourned the meeting at 4:45pm.

The image shows two handwritten signatures in black ink. The signature on the left is a stylized, cursive signature that appears to be 'Carrie'. The signature on the right is a more fluid, cursive signature that is less legible but appears to be a name.

Prepared and submitted by Carrie Johnson, Secretary



Federal Housing Finance Agency

Federal Housing Finance Oversight Board

November 14, 2016

3:00 p.m. – 4:30 p.m.

AGENDA

- A. Introduction**
 - Approval of Minutes

- B. Enterprises**
 - Financial Results
 - Supervisory Issues

- C. FHLBanks**
 - Financial Results
 - Supervisory Issues

- D. Current Issues**
 - FHLBank Acquired Member Assets Rulemaking
 - Common Securitization Platform Update

- E. Legal Update**

- F. Discussion and Closing Remarks**



Federal Housing Finance Agency

400 7th Street, S.W., Washington, D.C. 20219

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Federal Housing Finance Oversight Board

Minutes

Meeting of November 14, 2016

A meeting of the Federal Housing Finance Oversight Board (Board) was held at Federal Housing Finance Agency (FHFA) headquarters on November 14, 2016 at 3:00 pm (EST).

I. Attendees

Board Members in Attendance

Mr. Watt, Board Chairman

Ms. Hsu, Office of Structured Finance (for Ms. White)

Mr. Golding, Principal Deputy Assistant Secretary (for Mr. Castro)

Ms. Dynan, Assistant Secretary for Economic Policy and Chief Economist (for Mr. Lew)

Agency Staff Members in Attendance

FHFA

Mr. Graham, Deputy Director, Division of Federal Home Loan Bank Regulation

Ms. Nichols, Deputy Director, Division of Enterprise Regulation

Ms. Thompson, Deputy Director, Division of Housing Mission and Goals

Mr. Pollard, General Counsel, Office of General Counsel

Ms. Johnson, Senior Advisor, Office of the Director (serving as Secretary)

Ms. Moore, Special Advisor, Office of the Director

Ms. Byrd-Chichester, Chief of Staff, Office of the Director

Mr. Fishman, Senior Associate Director, Division of Conservatorship

Department of Housing and Urban Development

Ms. Perry, Senior Advisor

Department of the Treasury

Ms. Rollins, Deputy Assistant Secretary

A. Call to Order/Minutes

Chairman Watt called the meeting to order at 3:05pm. The Board approved the minutes.

B. Enterprise Update

Ms. Nichols discussed Fannie Mae and Freddie Mac's financial condition and portfolio metrics for the third quarter of 2016, as well as FHFA's safety and soundness supervision of the Enterprises. In the third quarter, she discussed that both Enterprises had posted increased net

income and comprehensive income relative to the prior quarter. She noted that Freddie Mac recorded a provision for credit losses in the third quarter while Fannie Mae recorded a benefit for credit losses, and she also discussed the drivers for each Enterprise. She also discussed that Freddie Mac's management qualitatively increased the modeled estimate of incurred losses for mortgage loans during the third quarter. She discussed that an increasing portion of the Enterprises net interest income is derived from guarantee fees with a declining portion from their respective retained portfolios. She reviewed the Enterprises' dividend payment history under the Senior Preferred Stock Purchase Agreements noting that the capital reserve amount as defined by the PSPA will decline in 2017. Ms. Nichols discussed total guarantee volumes and the impact of derivative gains or losses in recent quarters. She reviewed the distribution of Enterprise loan purchases by credit score, noting that the weighted average was about 750 for both Enterprises in the third quarter. The group discussed access to credit trends and efforts to serve the broad range of creditworthy borrowers, including efforts to engage in research supporting pilots and initiatives. Ms. Nichols noted the continued decline in serious delinquency rates and REO properties at each Enterprise. She also discussed multifamily purchase activity, including the Enterprises' multifamily portfolio balances and multifamily segment net income. Ms. Nichols also discussed FHFA supervision activities, including recent advisory bulletins on data management and internal audit governance. She discussed supervisory work to conclude the Enterprises' 2016 examinations, with a report of examinations for each Enterprise forthcoming in the first quarter of 2017. She noted ongoing work to conduct initial examination activity at Common Securitization Solutions, LLC.

C. Federal Home Loan Bank (FHLBank) Update

Mr. Graham provided an overview of FHLBank activity, including performance in the third quarter of 2016. He discussed that the FHLBanks have returned to pre-crisis asset levels and noted that advance quality had improved since that time. He reviewed FHLBank total assets noting that the FHLBank of Des Moines had the largest level of total assets with the FHLBank of Topeka having the lowest level. He noted that the core mission ratio for nine FHLBanks remained at the preferred level with two FHLBanks remaining at the evolving level. He reviewed net interest income and net interest spread across the FHLBank System, and he noted that the market value of equity remains above the par value of capital stock at all 11 FHLBanks. Mr. Graham highlighted that the FHLBanks continue to build retained earnings. He reviewed advance levels of the top 10 holding companies and (b)(4);(b)(8)

(b)(4);(b)(8)

Mr.

Graham discussed FHLBank debt outstanding, including the level of discount notes, floaters, and other bonds. He also discussed the level of advances of captive insurers following FHFA's membership rule.

D. Current Issues

FHLBank Acquired Member Asset Rulemaking

Mr. Graham next discussed FHFA's work around an acquired member asset (AMA) rulemaking. He discussed the two AMA programs available to the FHLBanks – Mortgage Purchase Program (MPP) and Mortgage Partnership Finance (MPF). He next discussed key changes in FHFA's proposed rule on AMA standards, including removing references to nationally recognized statistical rating organization ratings, allowing flexibility for models used to estimate credit enhancement requirements, authorizing mortgage servicing transfers to nonmembers, and eliminating the use of private supplemental mortgage insurance in the credit enhancement structure. Mr. Graham discussed the broad themes in comments received on the proposed rule and that the Agency was working to develop a final rule.

Update on the Common Securitization Platform and Single Security

Mr. Fishman provided an overview of key objectives in working with the Enterprises to develop a Common Securitization Platform and Single Security. He discussed FHFA's scorecard language setting two release dates – Release 1 to implement the CSP for Freddie Mac's existing single-class securities and Release 2 to implement the Single Security on the CSP for both Fannie Mae and Freddie Mac. He reviewed that the go-live date for Release 1 is scheduled for November 21, 2016 and that FHFA, the Enterprises, and CSS are working toward implementation of Release 2 in 2018. Mr. Fishman also discussed key issues involved in successfully implementing Release 2, including industry operational readiness, payment processing for commingled re-securitizations, and regulatory implications.

E. Legal Update

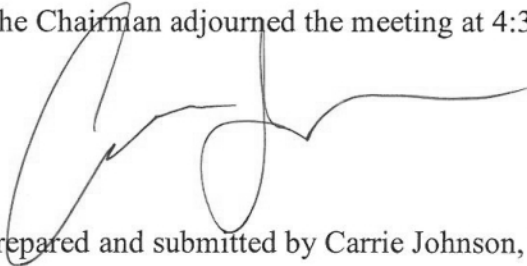
Mr. Pollard discussed state level legislation involving vacant and abandoned properties. He also described the procedural status of shareholder litigation related to the third amendment to the Senior Preferred Stock Purchase Agreement with the U.S. Department of the Treasury, private-label mortgage-backed securities litigation, and homeowner association-related litigation.

F. Discussion and Closing Remarks

Chairman Watt discussed several areas of work at FHFA. He discussed that the Agency is working toward publishing a Duty to Serve final rule in December, and that FHFA has a proposed rule related to the Office of Minority and Women Inclusion open for comment. He noted a post-HARP streamlined refinance announcement earlier this year. He also discussed that FHFA would be publishing its performance and accountability report, including a discussion of the performance measures included in the meeting materials. Chairman Watt discussed FHFA's work to develop the 2017 Scorecard for Fannie Mae and Freddie Mac and that FHFA expects to publish this in December consistent with last year's scorecard schedule. He highlighted that the upcoming scorecard would include an emphasis on research, pilots, and other initiatives around access to credit and affordable rental housing. He also noted that FHFA would work with the Enterprises to make responsible progress around language access issues. Chairman Watt

discussed ongoing efforts to improve the Enterprises' credit risk transfer programs, including ongoing work to assess and explore additional front-end credit risk transfer structures. He also discussed FHFA's work with the Enterprises to develop a conservatorship capital framework to evaluate Enterprise business decisions while they are in conservatorship. He emphasized the ongoing work within FHFA to further collaboration between employees and divisions, which he noted is an ongoing priority.

The Chairman adjourned the meeting at 4:35pm

A handwritten signature in black ink, appearing to be 'C. Johnson', written over the text 'Prepared and submitted by Carrie Johnson, Secretary'.

Prepared and submitted by Carrie Johnson, Secretary



Federal Housing Finance Agency

Federal Housing Finance Oversight Board

May 22, 2017

3:00 p.m. – 4:30 p.m.

AGENDA

- | | | |
|--|------------------------|--------------|
| A. Introduction | | |
| • Approval of Minutes | Chairman Watt | |
| B. Enterprises | Nina Nichols | Slides 2-13 |
| • Financial Results | | |
| • Supervisory Issues | | |
| C. FHLBanks | Fred Graham | Slides 14-24 |
| • Financial Results | | |
| • Supervisory Issues | | |
| D. Current Issues | Sandra Thompson | Slides 25-35 |
| • Enterprise Duty to Serve Update | | |
| • Enterprise Housing Goals Update | | |
| E. Legal Update | Alfred Pollard | |
| F. Discussion and Closing Remarks | Chairman Watt | |



Federal Housing Finance Agency

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www.fhfa.gov

Federal Housing Finance Oversight Board Minutes Meeting of May 22, 2017

A meeting of the Federal Housing Finance Oversight Board (Board) was held at Federal Housing Finance Agency (FHFA) headquarters on May 22, 2017 at 3:00 pm (EST).

I. Attendees

Board Members in Attendance

Mr. Watt, Board Chairman
Mr. Phillips, Counselor to the Secretary (for Mr. Mnuchin)
Dr. Carson
Mr. Clayton

Agency Staff Members in Attendance

FHFA

Mr. Graham, Deputy Director, Division of Federal Home Loan Bank Regulation
Mr. Creel, Examiner-in-Charge, Division of Enterprise Regulation
Ms. Thompson, Deputy Director, Division of Housing Mission and Goals
Mr. Fishman, Senior Associate Director, Division of Conservatorship
Mr. Pollard, General Counsel, Office of General Counsel
Ms. Johnson, Senior Advisor, Office of the Director (serving as Secretary)
Ms. Moore, Special Advisor, Office of the Director
Mr. Stein, Special Advisor, Office of the Director
Ms. Byrd-Chichester, Chief of Staff, Office of the Director

Treasury

Ms. Rollins, Office of Capital Markets

HUD

Sheila Greenwood, Chief of Staff

SEC

Lucas Moskowitz, Chief of Staff

II. Meeting

A. Call to Order/Minutes

Chairman Watt called the meeting to order at 3:05 p.m. Upon a motion from Mr. Phillips, the Board approved the minutes.

B. Enterprise Update

Mr. Creel discussed Fannie Mae and Freddie Mac's financial condition and portfolio metrics for year-end 2016, as well as FHFA's safety and soundness supervision of the Enterprises. He reviewed the financial condition of the Enterprises, including their net worth at the end of the first quarter. He discussed changes in fair value gains and losses in the first quarter compared to the fourth quarter of 2016.

Secretary Carson asked about the impact of derivatives on the Enterprises' financial performance, and Chairman Watt discussed derivative volatility and the Enterprises' declining capital buffers under the terms of the Senior Preferred Stock Purchase Agreements. Mr. Creel discussed differences in Fannie Mae and Freddie Mac's total assets, including Freddie Mac's larger investments in securities. He discussed the mortgage guarantee volume, net income, net interest income, and yield at each Enterprise. He also discussed the ongoing reduction in the size of the Enterprises' retained portfolios. Mr. Creel discussed FHFA's supervision of the Enterprises and described the structure of the Division of Enterprise Regulation. He discussed management initiatives at the Enterprises, and he reviewed FHFA's 2017 examination work for the Enterprises.

Following a question from Chairman Clayton about derivatives, the group further discussed the impact of derivatives on the Enterprises, including Freddie Mac's implementation of hedge accounting. Mr. Phillips asked about the role of the Enterprises' retained portfolios, and Chairman Watt discussed the role the retained portfolios serve in facilitating the Enterprises' core operations of aggregating loans and engaging in loss mitigation activities while also working to appropriately manage the risks of the retained portfolios.

C. Federal Home Loan Bank (FHLBank) Update

Mr. Graham provided an overview of FHLBank activity, including performance for the first quarter of 2017. He discussed the FHLBanks' portfolio composition, total assets of the 11 FHLBanks, the range in size of FHLBanks across the System, and the role played by larger holding company members. He reviewed that [REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(8);(b)(4) Mr.

Graham discussed System net interest income and net interest spread and the fact that the FHLBanks received \$139 million in private-label securities litigation settlements during the first quarter. He discussed that the market value of equity remains above the par value of capital stock at all 11 FHLBanks and that the FHLBanks have increased their retained earnings.

Mr. Graham reviewed the advance levels to the top-10 holding companies, advance trends for larger members in recent years, and FHFA's examination approach in this area. The group discussed the role of the FHLBank System in providing advances for larger holding company members. Mr. Graham reviewed FHLBank debt outstanding and the targets set by the System to limit maturity mismatches. He discussed that FHFA continues to assess potential regulatory standards in this area. He discussed that all captive insurers required to leave the System in 2017 had done so and that the remaining captive insurer members had less than four years to leave the System under FHFA's regulation.

D. Current Issues

Enterprise Duty to Serve and Housing Goals Update

Ms. Thompson provided an overview of the Enterprises' duty to serve obligations and discussed the timeline for implementing FHFA's final rule, including the development of three-year Underserved Markets Plans. She provided highlights from the Enterprises' draft Plans in each of the three markets: manufactured housing, affordable housing preservation, and rural housing.

Ms. Thompson also provided an overview of Fannie Mae and Freddie Mac's housing goal requirements and FHFA's process for evaluating housing goal performance. She reviewed FHFA's determination that neither Enterprise met the low-income or the very low-income purchase goals in 2015. She also reviewed the Enterprises' 2016 housing goals performance and that FHFA would complete its analysis once 2016 Home Mortgage Disclosure Act data are available. Secretary Carson asked why the Enterprises had not met their housing goal requirements, and the group discussed the challenges the Enterprises face in purchasing loans affordable to low-income and very low-income households.

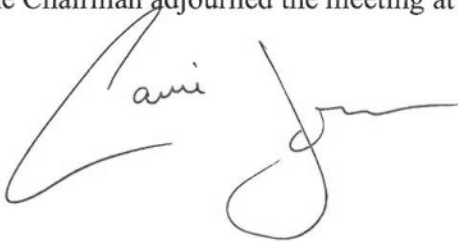
E. Legal Update

Mr. Pollard reviewed the status of shareholder litigation related to the third amendment of the Senior Preferred Stock Purchase Agreements with the U.S. Department of the Treasury and private-label mortgage-backed securities litigation. He also discussed the status of litigation related to homeowners associations and legislation involving Property Assessed Clean Energy (PACE) loans and flood insurance.

F. Discussion and Closing Remarks

Chairman Watt thanked the members for their attendance and participation and noted the schedule for remaining meetings in 2017. He discussed the Oversight Board’s responsibility to complete an assessment of the regulated entities and the process to develop an assessment letter that must be included in FHFA’s annual Report to Congress. Chairman Watt also discussed his recent testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

The Chairman adjourned the meeting at 4:40pm.

The image shows two handwritten signatures in black ink. The signature on the left is a stylized, cursive signature that appears to be 'Carrie Johnson'. The signature on the right is a more fluid, cursive signature that is less legible but appears to be another name.

Prepared and submitted by Carrie Johnson, Secretary



Federal Housing Finance Agency

Federal Housing Finance Oversight Board

August 14, 2017

3:00 p.m. – 4:30 p.m.

AGENDA

- | | | |
|---|-----------------------|--------------|
| A. Introduction | | |
| • Approval of Minutes | Chairman Watt | |
| B. Enterprises | Nick Satriano | Slides 2-12 |
| • Financial Results | | |
| • Supervisory Issues | | |
| C. FHLBanks | Fred Graham | Slides 13-24 |
| • Financial Results | | |
| • Supervisory Issues | | |
| D. Current Issues | Naa Awaa Tagoe | Slides 25-40 |
| • Dodd-Frank Act Stress Test Results for Fannie Mae and Freddie Mac | | |
| • Potential Enhancements to STACR/CAS Transactions | | |
| E. Legal Update | Alfred Pollard | |
| F. Discussion and Closing Remarks | Chairman Watt | |



Federal Housing Finance Agency

400 7th Street, S.W., Washington, D.C. 20219
Telephone: (202) 649-3801
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Federal Housing Finance Oversight Board Minutes Meeting of August 14, 2017

A meeting of the Federal Housing Finance Oversight Board (Board) was held at Federal Housing Finance Agency (FHFA) headquarters on August 14, 2017 at 3:00 pm (EST).

I. Attendees

Board Members in Attendance

Mr. Watt, Board Chairman

Mr. Clayton

Mr. Phillips, Counselor to the Secretary (for Mr. Mnuchin)

Mr. Bright, Executive Vice President and Chief Operations Officer, Ginnie Mae (for Dr. Carson)

Agency Staff Members in Attendance

FHFA

Mr. Graham, Deputy Director, Division of Federal Home Loan Bank Regulation

Mr. Satriano, Senior Associate Director, Division of Enterprise Regulation

Ms. Tagoe, Senior Associate Director, Division of Housing Mission and Goals

Mr. Ryan, Acting Deputy Director, Division of Conservatorship

Mr. Pollard, General Counsel, Office of General Counsel

Ms. Johnson, Senior Advisor, Office of the Director (serving as Secretary)

Ms. Moore, Special Advisor, Office of the Director

Ms. Byrd-Chichester, Chief of Staff, Office of the Director

Mr. Galeano, Associate Director, Division of Federal Home Loan Bank Regulation

Treasury

Mr. Moolji, Senior Advisor, Office of Domestic Finance

SEC

Mr. Wood, Director, Office of Legislative and Intergovernmental Affairs

II. Meeting

A. Call to Order/Minutes

Chairman Watt called the meeting to order at 3:03 p.m. Upon a motion from Mr. Clayton, the Board approved the minutes.

B. Enterprise Update

Mr. Satriano discussed Fannie Mae and Freddie Mac's financial condition and portfolio metrics through the second quarter of 2017, as well as FHFA's safety and soundness supervision of the Enterprises. He reviewed the net income, comprehensive income, and net interest income at both Enterprises. He reviewed the financial condition of the Enterprises, including their net worth at the end of the second quarter. He discussed the deferred tax assets of each Enterprise and reviewed the declining capital buffers under the terms of the Senior Preferred Stock Purchase Agreements. Following a question from Mr. Bright about the impact of Financial Accounting Standards Board (FASB) changes to hedge accounting standards, Mr. Satriano discussed Freddie Mac's use of hedge accounting and Chairman Watt discussed FHFA's review process in this area.

Mr. Satriano discussed the total assets of each Enterprise and noted Freddie Mac's relatively larger amount of investment securities. Following a question from Mr. Bright, the group discussed the impact of the Uniform Mortgage-Backed Security on Freddie Mac's level of securities investments. Mr. Satriano reviewed the net income and mortgage guarantee balance at each Enterprise since 2008, noting the impact from the release of the deferred tax asset valuation allowance in 2013. He reviewed the change in the Enterprises' earnings composition over time, with a greater amount of revenue coming from guarantee fees and a lower amount from their retained portfolios. He noted Freddie Mac's relatively smaller market share and larger retained portfolio compared to Fannie Mae.

Mr. Satriano discussed FHFA's supervision of the Enterprises, including work on updating or developing advisory bulletins on a number of topics. He also reviewed FHFA's work to complete its mid-year examination plan updates for the Enterprises.

Mr. Moolji asked about the Enterprises' loan loss reserves, and Mr. Satriano discussed the future impact when implementation of the current expected credit loss (CECL) standard takes place.

C. Federal Home Loan Bank (FHLBank) Update

Chairman Watt announced to the Board that [REDACTED] (b)(6) and that his last day would be August 18. Chairman Watt thanked [REDACTED] (b)(6) for his service and leadership in supervising the Federal Home Loan Banks. He also introduced Mr. Galeano as the incoming Deputy Director of the Division of Federal Home Loan Bank Regulation.

Mr. Graham provided an overview of FHLBank activity, including performance in the second quarter of 2017. He discussed the FHLBanks' portfolio size and composition and historical advance levels. He discussed the total assets of the individual FHLBanks, the range in size of FHLBanks across the System, and the role played by larger holding company members. He reviewed the core mission ratio categories developed by FHFA for the FHLBanks and reported that [REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(4);(b)(8) Mr. Graham discussed System net income and the effect of declining private label securities settlements on net income. He discussed that the market value of equity remains above the par value of capital stock at all 11 FHLBanks and that the FHLBanks have increased their retained earnings.

Mr. Graham reviewed the advance levels of the top-10 holding companies, advance trends for larger members in recent years, and FHFA's examination approach in this area. Following a question from Mr. Bright, Mr. Graham discussed the number of captive insurers who remained as FHLBank members and the timeline under FHFA's regulation for these captive insurers to leave the System.

Mr. Graham discussed the composition of FHLBank debt outstanding and noted that the FHLBanks have reduced their level of discount notes and replaced that debt with floating rate bonds. He discussed the extent of maturity mismatch between FHLBank debt and advances and FHFA's supervisory conversations with the FHLBanks about this, noting the importance of the FHLBanks retaining their ability to issue longer-term debt.

Mr. Graham also discussed FHFA's recent notice of proposed rulemaking on risk-based capital for the FHLBanks that implements changes under the Dodd-Frank Act to remove provisions requiring the use of credit ratings issued by any Nationally Recognized Statistical Rating Organization (NRSRO).

D. Current Issues

Dodd-Frank Stress Test Results for Fannie Mae and Freddie Mac

Ms. Tagoe reviewed the Dodd-Frank Act stress test requirements for Fannie Mae and Freddie Mac and the stress test scenarios used in the 2017 reporting cycle. She reviewed the stress test results for each scenario, as well as the projected draws of funds from the Treasury Department under the Senior Preferred Stock Purchase Agreements that would be necessary in the severely adverse scenario. She discussed the lower levels of seriously delinquent loans and REO properties at each Enterprise and the reduced size of the Enterprises' retained portfolios. Ms. Tagoe compared Fannie Mae and Freddie Mac's results under the severely adverse scenario. Mr. Moolji asked about the Enterprises' use of regional house price paths in conducting the stress test, and Ms. Tagoe explained how this resulted in a weighted average house price reduction of 25 percent under the severely adverse scenario.

Potential Enhancements to STACR/CAS Transactions

Ms. Tagoe reviewed potential enhancements to the STACR/CAS credit risk transfer transactions used by Fannie Mae and Freddie Mac. She reviewed FHFA's strategic objective for the Enterprises to engage in credit risk transfer transactions and the level and types of transactions used as part of these programs. Ms. Tagoe reviewed the impact of the potential enhancements being considered by the Enterprises, which would allow the STACR/CAS transactions to be issued as notes that qualify as Real Estate Mortgage Investment Conduits (REMICs). She indicated that such a change would address timing mismatches between the recognition of credit expenses and CRT benefits, would insulate investors from Enterprise counterparty risk by using notes issued by a special purpose vehicle rather than debt issued by the Enterprises, and would allow greater participation by Real Estate Investment Trusts (REITs) and non-U.S. investors.

Ms. Tagoe discussed the next steps for the Enterprises and FHFA in assessing these potential enhancements, including outreach to SIFMA. Following a question by Mr. Bright about the impact of credit risk transfer transactions in the nine-quarter Dodd-Frank Act stress tests, the group further discussed the current timing mismatch and the improvement that would come from the STACR/CAS changes discussed.

E. Legal Update

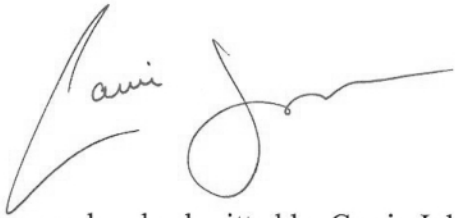
Mr. Pollard reported on FHFA's proposed rule on the Enterprises' housing goals with a comment period that ends on September 5, 2017. He also discussed the status of litigation involving FHFA, including litigation related to homeowners associations in Nevada and the recent settlement with the Royal Bank of Scotland Group. He discussed the status of legislation involving flood insurance reauthorization and ongoing monitoring of state legislation that could

(b)(5)

F. Discussion and Closing Remarks

Chairman Watt thanked the members for their attendance and highlighted the background materials provided to the Oversight Board in advance of each meeting. He discussed recent remarks at the National Association of Real Estate Brokers convention that addressed FHFA's analysis of alternative credit score models. He discussed the announcement that FHFA would issue a request for input on competition in the credit score model market and the operational impact of making a change to the credit score model required by the Enterprises. He also discussed FHFA's ongoing work to review language access issues involving Fannie Mae and Freddie Mac, including whether to add a preferred language question on the uniform residential loan application. Chairman Watt also discussed the ongoing concern, which he discussed in Senate testimony earlier in the year, about the Enterprises' declining capital buffers.

The Chairman adjourned the meeting at 4:40pm.

A handwritten signature in black ink. The first part of the signature is a large, sweeping stroke that curves upwards and to the left, with the word "Carrie" written in a cursive script within the curve. The second part of the signature is a large, circular loop followed by a horizontal line extending to the right.

Prepared and submitted by Carrie Johnson, Secretary