Congressional Oversight Panel

April 14, 2010

Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's April 2010 report, "Evaluating Progress on TARP Foreclosure Mitigation Programs."

Submitted under Section 125(b)(1) of Title 1 of the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343

The TARP as a Whole

Each month, the Panel summarizes the resources that the federal government has committed to economic stabilization. The following financial update provides: (1) an updated accounting of the TARP, including a tally of dividend income, repayments, and warrant dispositions that the program has received as of April 2, 2010; and (2) an updated accounting of the full federal resource commitment as of April 2, 2010.

1. The TARP

a. Costs: Expenditures and Commitments

Treasury has committed or is currently committed to spend $520.3 billion of TARP funds through an array of programs used to purchase preferred shares in financial institutions, provide loans to small businesses and automotive companies, and leverage Federal Reserve loans for facilities designed to restart secondary securitization markets.[305] Of this total, $229 billion is currently outstanding under the $698.7 billion limit for TARP expenditures set by EESA, leaving $408.2 billion available for fulfillment of anticipated funding levels of existing programs and for funding new programs and initiatives. The $229 billion includes purchases of preferred and common shares, warrants and/or debt obligations under the CPP, AIGIP/SSFI Program, PPIP, and AIFP; and a loan to TALF LLC, the special purpose vehicle (SPV) used to guarantee Federal Reserve TALF loans.[306] Additionally, Treasury has spent $57.8 million under the Home Affordable Modification Program, out of a projected total program level of $50 billion.

b. Income: Dividends, Interest Payments, CPP Repayments, and Warrant Sales

As of April 2, 2010, a total of 65 institutions have completely repurchased their CPP preferred shares. Of these institutions, 40 have repurchased their warrants for common shares that Treasury received in conjunction with its preferred stock investments; Treasury sold the warrants for common shares for eight other institutions at auction.[307] In March 2010, one CPP participant repurchased its warrants for $4.5 million and the warrants of five other institutions were sold at auction for $344 million in proceeds. Treasury received $5.9 billion in repayments for complete redemptions from four CPP participants during March. The largest repayment was the $3.4 billion repaid by Hartford Financial Services Group, Inc.[308] In addition, Treasury

[305] EESA, as amended by the Helping Families Save Their Homes Act of 2009, limits Treasury to $698.7 billion in purchasing authority outstanding at any one time as calculated by the sum of the purchase prices of all troubled assets held by Treasury. 12 U.S.C. § 5225 (a)-(b); Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, § 402(f) (reducing by $1.26 billion the authority for the TARP originally set under EESA at $700 billion).

[306] Treasury Transactions Report, *supra* note 102.

[307] *Id.*

[308] *Id.*

receives dividend payments on the preferred shares that it holds, usually five percent per annum for the first five years and nine percent per annum thereafter.[309] Net of these losses under the CPP, Treasury has received approximately $19.5 billion in income from warrant repurchases, dividends, interest payments, and other considerations deriving from TARP investments,[310] and another $1.2 billion in participation fees from its Guarantee Program for Money Market Funds.[311]

c. TARP Accounting

Figure 61: TARP Accounting, as of April 2, 2010 *(in billions of dollars)*[312]

TARP Initiative	Anticipated Funding	Actual Funding	Total Repayments/ Reduced Exposure	Funding Outstanding	Funding Available
Capital Purchase Program (CPP)[313]	$204.9	$204.9	$135.8	[314]$69.1	$0
Targeted Investment Program (TIP)[315]	40.0	40.0	40	0	0
AIG Investment Program	69.8	[316]49.1	0	49.1	20.7

[309] U.S. Department of the Treasury, *Factsheet on Capital Purchase Program* (Mar. 17, 2009) (online at www.financialstability.gov/roadtostability/CPPfactsheet.htm).

[310] U.S. Department of the Treasury, *Cumulative Dividends and Interest Report as of December 31, 2009* (Jan. 20, 2010) (online at www.financialstability.gov/docs/dividends-interest-reports/December%202009%20Dividends%20and%20Interest%20Report.pdf); Treasury Transactions Report, *supra* note 102.

[311] U.S. Department of the Treasury, *Treasury Announces Expiration of Guarantee Program for Money Market Funds* (Sept. 18, 2009) (online at www.treasury.gov/press/releases/tg293.htm).

[312] Treasury Transactions Report, *supra* note 102.

[313] As of December 31, 2009, the CPP was closed. U.S. Department of the Treasury, *FAQ on Capital Purchase Program Deadline* (online at www.financialstability.gov/docs/FAQ%20on%20Capital%20Purchase%20Program%20Deadline.pdf).

[314] Treasury has classified the investments it made in two institutions, CIT Group ($2.3 billion) and Pacific Coast National Bancorp ($4.1 million), as losses on the Transactions Report. Therefore, Treasury's net current CPP investment is $66.8 billion due to the $2.3 billion in losses thus far. Treasury Transactions Report, *supra* note 102.

[315] Both Bank of America and Citigroup repaid the $20 billion in assistance each institution received under the TIP on December 9 and December 23, 2009, respectively. Therefore, the Panel accounts for these funds as repaid and uncommitted. U.S. Department of the Treasury, *Treasury Receives $45 Billion in Repayments from Wells Fargo and Citigroup* (Dec. 22, 2009) (online at www.treas.gov/press/releases/20091229716198713.htm) (hereinafter "Treasury Receives $45 Billion from Wells Fargo and Citigroup").

[316] AIG has completely utilized the $40 billion made available on November 25, 2008 and drawn-down $7.54 billion of the $29.8 billion made available on April 17, 2009. This figure also reflects $1.6 billion in accumulated but unpaid dividends owed by AIG to Treasury due to the restructuring of Treasury's investment from cumulative preferred shares to non-cumulative shares. American International Group, Inc., *Form 10-K for the Fiscal Year Ending December 31, 2009* (Feb. 26, 2010) (online at www.sec.gov/Archives/edgar/data/5272/000104746910001465/a2196553z10-k.htm); Treasury Transactions Report, *supra* note 102. Information provided by Treasury staff in response to Panel request.

(AIGIP)/Systemically Significant Failing Institutions Program (SSFI)					
Automobile Industry Financing Program (AIFP)	81.3	81.3	4.19	77.1	0
Asset Guarantee Program (AGP)[317]	5.0	5.0	[318]5.0	0	0
Capital Assistance Program (CAP)[319]	-	-	-	-	-
Term Asset-Backed Securities Lending Facility (TALF)	20.0	[320]0.10	0	0.10	19.9
Public-Private Investment Partnership (PPIP)[321]	30.0	30.0	0	30.0	0
Supplier Support Program (SSP)	[322]3.5	3.5	0	3.5	0
Unlocking SBA Lending	15.0	[323]0.021	0	0.021	14.98

[317] Treasury, the Federal Reserve, and the Federal Deposit Insurance Company terminated the asset guarantee with Citigroup on December 23, 2009. The agreement was terminated with no losses to Treasury's $5 billion second-loss portion of the guarantee. Citigroup did not repay any funds directly, but instead terminated Treasury's outstanding exposure on its $5 billion second-loss position. As a result, the $5 billion is now counted as uncommitted. U.S. Department of the Treasury, *Treasury Receives $45 Billion in Repayments from Wells Fargo and Citigroup* (Dec. 23, 2009) (online at www.ustreas.gov/press/releases/20091229716198713.htm).

[318] Although this $5 billion is no longer exposed as part of the AGP and is accounted for as available, Treasury did not receive a repayment in the same sense as with other investments. Treasury did receive other income as consideration for the guarantee, which is not a repayment and is accounted for in Figure 61.

[319] On November 9, 2009, Treasury announced the closing of this program and that only one institution, GMAC, was in need of further capital from Treasury. GMAC received an additional $3.8 billion in capital through the AIFP on December 30, 2009. U.S. Department of the Treasury, *Treasury Announcement Regarding the Capital Assistance Program* (Nov. 9, 2009) (online at www.financialstability.gov/latest/tg_11092009.html); Treasury Transactions Report, *supra* note 102.

[320] Treasury has committed $20 billion in TARP funds to a loan funded through TALF LLC, a special purpose vehicle created by the Federal Reserve Bank of New York. The loan is incrementally funded and as of March 31, 2010, Treasury provided $103 million to TALF LLC. This total includes accrued payable interest. Treasury Transactions Report, *supra* note note 102; Federal Reserve Bank of New York, *Factors Affecting Reserve Balances(H.4.1)* (Apr. 1, 2010) (online at www.federalreserve.gov/releases/h41).

[321] On January 29, 2010, Treasury released its first quarterly report on the Legacy Securities Public-Private Investment Program. As of that date, the total value of assets held by the PPIP managers was $3.4 billion. Of this total, 87 percent was non-agency residential mortgage-backed securities and the remaining 13 percent was commercial mortgage-backed securities. U.S. Department of the Treasury, *Legacy Securities Public-Private Investment Program*, at 4 (Jan. 29, 2010) (online at www.financialstability.gov/docs/External%20Report%20-%2012-09%20FINAL.pdf).

[322] On July 8, 2009, Treasury lowered the total commitment amount for the program from $5 billion to $3.5 billion. This action reduced GM's portion from $3.5 billion to $2.5 billion and Chrysler's portion from $1.5 billion to $1 billion. GM Supplier Receivables LLC, the special purpose vehicle (SPV) created to administer this program for GM suppliers, has made $290 million in partial repayments and Chrysler Receivables SPV LLC, the SPV created to administer the program for Chrysler suppliers, has made $123 million in partial repayments. These were partial repayments of drawn-down funds and did not lessen Treasury's $3.5 billion in total exposure under the ASSP. Treasury Transactions Report, *supra* note 102.

Home Affordable Modification Program (HAMP)	[324]50	[325]0.06	0	0.06	49.9
Community Development Capital Initiative (CDCI)	[326]0.78	0	0	0	0.78
Total Committed	520.3	414	-	229	106.3
Total Uncommitted	178.4	-	185	-	[327]363.4
Total	**$698.7**	**$414**	**$185**	**$229**	**$469.7**

[323] On March 24, 2010, Treasury settled on the purchase of three floating rate Small Business Administration 7a securities. As of April 2, 2010 the total amount of TARP funds invested in these securities was $21.37 million. Treasury Transactions Report, *supra* note 102, at 29.

[324] On February 19, 2010, President Obama announced the Help for the Hardest-Hit Housing Markets (Hardest Hit Fund) program, his proposal to use $1.5 billion of the $50 billion in TARP funds allocated to HAMP to assist the five states with the highest home price declines stemming from the foreclosure crisis: Arizona, California, Florida, Nevada, and Michigan. The White House, *President Obama Announces Help for Hardest Hit Housing Markets* (Feb. 19, 2010) (online at www.whitehouse.gov/the-press-office/president-obama-announces-help-hardest-hit-housing-markets). On March 29, 2010, Treasury announced $600 million in funding for a second HFA Hardest Hit Fund which includes North Carolina, Ohio, Oregon Rhode Island, and South Carolina. U.S. Department of the Treasury, *Administration Announces Second Round of Assistance for Hardest-Hit Housing* Markets (Mar. 29, 2010) (online at www.financialstability.gov/latest/pr_03292010.html). Until further information on these programs is released, the Panel will continue to account for the $50 billion commitment to HAMP as intact and as the newly announced programs as subsets of the larger initiative. For further discussion of the newly announced HAMP programs, and the effect these initiatives may have on the $50 billion in committed TARP funds, please see Section D.1 of this report.

[325] In response to a Panel inquiry, Treasury disclosed that, as of February 2010, $57.8 million in funds had been disbursed under the HAMP. As of April 2, 2010, the total of all the caps set on payments to each mortgage servicer was $39.9 billion. Treasury Transactions Report, *supra* note 102, at 28.

[326] On February 3, 2010, the Administration announced an initiative under TARP to provide low-cost financing for Community Development Financial Institutions (CDFIs). Under this program, CDFIs are eligible for capital investments at a 2-percent dividend rate as compared to the 5-percent dividend rate under the CPP. In response to Panel request, Treasury stated that it projects the CDCI program to utilize $780.2 million.

[327] This figure is the sum of the uncommitted funds remaining under the $698.7 billion cap ($178.4 billion) and the repayments ($185 billion).

Figure 62: TARP Profit and Loss *(in millions of dollars)*

TARP Initiative	Dividends[328] (as of 2/28/10)	Interest[329] (as of 2/28/10)	Warrant Repurchases[330] (as of 4/2/10)	Other Proceeds (as of 2/28/10	Losses[331] (as of 4/2/10)	Total
Total	$13,236	$491	$5,609	$2,518	($2,334)	$19,520
CPP	8,820	28	4,338	–	(2,334)	10,852
TIP	3,004	-	1,256	–		4,260
AIFP	1,091	443	15	–		1,549
ASSP	N/A	14	–	–		14
AGP	321	–	0	[332]2,234		2,555
PPIP	–	6	–	[333]8		14
Bank of America Guarantee	–	–	–	[334]276		276

d. Rate of Return

As of March 26, 2010, the average internal rate of return for all financial institutions that participated in the CPP and fully repaid the U.S. government (including preferred shares,

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[328] U.S. Department of the Treasury, *Cumulative Dividends and Interest Report as of February 28, 2010* (Mar. 17, 2010) (online at www.financialstability.gov/docs/dividends-interest-reports/February%202010%20Dividends%20and%20Interest%20Report.pdf) (hereinafter "Cumulative Dividends and Interest Report").

[329] Cumulative Dividends and Interest Report, *supra* note 554.

[330] Treasury Transactions Report, *supra* note 102.

[331] Treasury classified the investments it made in two institutions, CIT Group ($2.3 billion) and Pacific Coast National Bancorp ($4.1 million), as losses on the Transactions Report. A third institution, UCBH Holdings, Inc. received $299 million in TARP funds and is currently in bankruptcy proceedings. Treasury Transactions Report, *supra* note 102.

[332] As a fee for taking a second-loss position up to $5 billion on a $301 billion pool of ring-fenced Citigroup assets as part of the AGP, Treasury received $4.03 billion in Citigroup preferred stock and warrants; Treasury exchanged these preferred stocks for trust preferred securities in June 2009. Following the early termination of the guarantee, Treasury cancelled $1.8 billion of the trust preferred securities, leaving Treasury with a $2.23 billion investment in Citigroup trust preferred securities in exchange for the guarantee. At the end of Citigroup's participation in the FDIC's TLGP, the FDIC may transfer $800 million of $3.02 billion in Citigroup Trust Preferred Securities it received in consideration for its role in the AGP to the Treasury. Treasury Transactions Report, *supra* note 102.

[333] As of February 28, 2010, Treasury has earned $8 million in membership interest distributions from the PPIP. Cumulative Dividends and Interest Report, *supra* note 554.

[334] Although Treasury, the Federal Reserve, and the FDIC negotiated with Bank of America regarding a similar guarantee, the parties never reached an agreement. In September 2009, Bank of America agreed to pay each of the prospective guarantors a fee as though the guarantee had been in place during the negotiations. This agreement resulted in payments of $276 million to Treasury, $57 million to the Federal Reserve, and $92 million to the FDIC. U.S. Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Bank of America Corporation, *Termination Agreement*, at 1-2 (Sept. 21, 2009) (online at www.financialstability.gov/docs/AGP/BofA%20-%20Termination%20Agreement%20-%20executed.pdf).

dividends, and warrants) was 10.7 percent. The internal rate of return is the annualized effective compounded return rate that can be earned on invested capital.

e. TARP Warrant Disposition

Figure 63: Warrant Repurchases for Financial Institutions who have fully Repaid CPP Funds as of March 26, 2010

Institution	Investment Date	Warrant Repurchase Date	Warrant Repurchase/ Sale Amount	Panel's Best Valuation Estimate at Repurchase Date	Price/ Est. Ratio	IRR
Old National Bancorp	12/12/2008	5/8/2009	$1,200,000	$2,150,000	0.558	9.3%
Iberiabank Corporation	12/5/2008	5/20/2009	1,200,000	2,010,000	0.597	9.4%
Firstmerit Corporation	1/9/2009	5/27/2009	5,025,000	4,260,000	1.180	20.3%
Sun Bancorp, Inc	1/9/2009	5/27/2009	2,100,000	5,580,000	0.376	15.3%
Independent Bank Corp.	1/9/2009	5/27/2009	2,200,000	3,870,000	0.568	15.6%
Alliance Financial Corporation	12/19/2008	6/17/2009	900,000	1,580,000	0.570	13.8%
First Niagara Financial Group	11/21/2008	6/24/2009	2,700,000	3,050,000	0.885	8.0%
Berkshire Hills Bancorp, Inc.	12/19/2008	6/24/2009	1,040,000	1,620,000	0.642	11.3%
Somerset Hills Bancorp	1/16/2009	6/24/2009	275,000	580,000	0.474	16.6%
SCBT Financial Corporation	1/16/2009	6/24/2009	1,400,000	2,290,000	0.611	11.7%
HF Financial Corp	11/21/2008	6/30/2009	650,000	1,240,000	0.524	10.1%
State Street	10/28/2008	7/8/2009	60,000,000	54,200,000	1.107	9.9%
U.S. Bancorp	11/14/2008	7/15/2009	139,000,000	135,100,000	1.029	8.7%
The Goldman Sachs Group, Inc.	10/28/2008	7/22/2009	1,100,000,000	1,128,400,000	0.975	22.8%
BB&T Corp.	11/14/2008	7/22/2009	67,010,402	68,200,000	0.983	8.7%
American Express Company	1/9/2009	7/29/2009	340,000,000	391,200,000	0.869	29.5%
Bank of New York Mellon Corp	10/28/2008	8/5/2009	136,000,000	155,700,000	0.873	12.3%
Morgan Stanley	10/28/2008	8/12/2009	950,000,000	1,039,800,000	0.914	20.2%
Northern Trust Corporation	11/14/2008	8/26/2009	87,000,000	89,800,000	0.969	14.5%
Old Line Bancshares Inc.	12/5/2008	9/2/2009	225,000	500,000	0.450	10.4%
Bancorp Rhode Island, Inc.	12/19/2008	9/30/2009	1,400,000	1,400,000	1.000	12.6%

Centerstate Banks of Florida Inc.	11/21/2008	10/28/2009	212,000	220,000	0.964	5.9%
Manhattan Bancorp	12/5/2008	10/14/2009	63,364	140,000	0.453	9.8%
Bank of Ozarks	12/12/2008	11/24/2009	2,650,000	3,500,000	0.757	9.0%
Capital One Financial	11/14/2008	12/3/2009	148,731,030	232,000,000	0.641	12.0%
JP Morgan Chase & Co.	10/28/2008	12/10/2009	950,318,243	1,006,587,697	0.944	10.9%
TCF Financial Corp	1/16/2009	12/16/2009	9,599,964	11,825,830	0.812	11.0%
LSB Corporation	12/12/2008	12/16/2009	560,000	535,202	1.046	9.0%
Wainwright Bank & Trust Company	12/19/2008	12/16/2009	568,700	1,071,494	0.531	7.8%
Wesbanco Bank, Inc.	12/5/2008	12/23/2009	950,000	2,387,617	0.398	6.7%
Union Bankshares Corporation	12/19/2008	12/23/2009	450,000	1,130,418	0.398	5.8%
Trustmark Corporation	11/21/2008	12/30/2009	10,000,000	11,573,699	0.864	9.4%
Flushing Financial Corporation	12/19/2008	12/30/2009	900,000	2,861,919	0.314	6.5%
OceanFirst Financial Corporation	1/16/2009	2/3/2010	430,797	279,359	1.542	6.2%
Monarch Financial Holdings, Inc.	12/19/2008	2/10/2010	260,000	623,434	0.417	6.7%
Bank of America	10/28/2008[335] 1/9/2009[336]; 1/14/2009[337]	3/3/2010	1,566,210,714	1,006,416,684	1.533	6.5%
Washington Federal Inc./ Washington Federal Savings & Loan Association	11/14/2008	3/9/2010	15,623,222	10,166,404	1.537	18.6%
Signature Bank	12/12/2008	3/10/2010	11,320,751	11,458,577	0.988	32.4%
Total			$5,618,174,187	$5,395,308,333	1.041	10.7%

[335] Investment date for Bank of America in CPP.

[336] Investment date for Merrill Lynch in CPP.

[337] Investment date for Bank of America in TIP.

Figure 64: Warrant Valuation of Remaining Stress Test Institution Warrants

	Warrant Valuation *(millions of dollars)*		
	Low Estimate	**High Estimate**	**Best Estimate**
Stress Test Financial Institutions with Warrants Outstanding:			
Wells Fargo & Company	$501.15	$2,084.43	$813.70
Citigroup, Inc.	39.44	1,049.16	271.52
The PNC Financial Services Group Inc	143.19	613.12	234.15
SunTrust Banks, Inc.	25.51	366.75	142.05
Regions Financial Corporation	19.70	233.11	102.31
Fifth Third Bancorp	122.37	385.90	179.47
Hartford Financial Services Group, Inc.	681.95	875.05	681.95
KeyCorp	23.24	166.23	80.12
All Other Banks	1,265.00	3,565.99	2,564.68
Total	**$2,821.55**	**$9,339.74**	**$5,069.95**

2. Other Financial Stability Efforts

Federal Reserve, FDIC, and Other Programs

In addition to the direct expenditures Treasury has undertaken through TARP, the federal government has engaged in a much broader program directed at stabilizing the U.S. financial system. Many of these initiatives explicitly augment funds allocated by Treasury under specific TARP initiatives, such as FDIC and Federal Reserve asset guarantees for Citigroup, or operate in tandem with Treasury programs, such as the interaction between PPIP and TALF. Other programs, like the Federal Reserve's extension of credit through its section 13(3) facilities and SPVs and the FDIC's Temporary Liquidity Guarantee Program, operate independently of TARP.

Figure 65 below reflects the changing mix of Federal Reserve investments. As the liquidity facilities established to address the crisis have been wound down, the Federal Reserve has expanded its facilities for purchasing mortgage related securities. The Federal Reserve announced that it intended to purchase $175 billion of federal agency debt securities and $1.25 trillion of agency mortgage-backed securities.[338] As of March 31, 2010, $169 billion of federal agency (government-sponsored enterprise) debt securities and $1.1 trillion of agency mortgage-backed securities were purchased. The Federal Reserve has announced that these purchases will

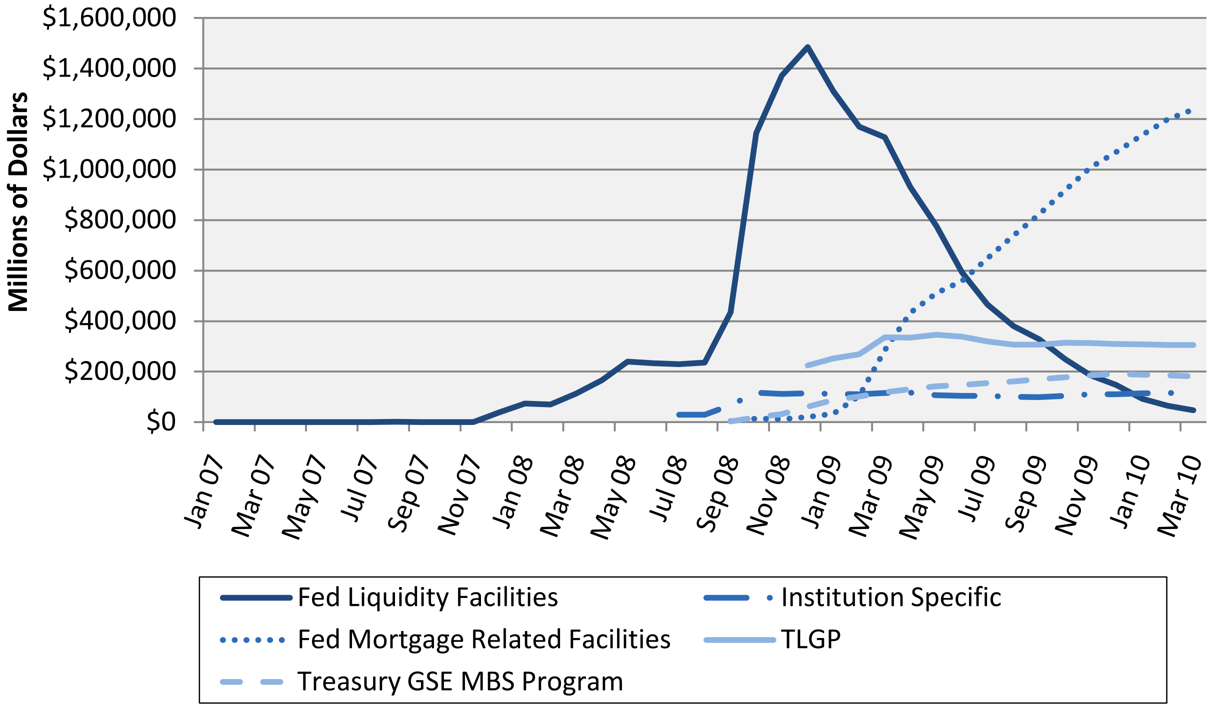
[338] Board of Governors of the Federal Reserve System, *Minutes of the Federal Open Market Committee*, at 10 (Dec. 15-16, 2009) (online at www.federalreserve.gov/newsevents/press/monetary/fomcminutes20091216.pdf) ("[T]he Federal Reserve is in the process of purchasing $1.25 trillion of agency mortgage-backed securities and about $175 billion of agency debt").

be completed by April 2010.[339] These purchases are in addition to the $181.6 billion in GSE MBS that remain outstanding as of March 2010 under the GSE Mortgage-Backed Securities Purchase Program.[340]

[339] Board of Governors of the Federal Reserve System, *FOMC Statement* (Dec. 16, 2009) (online at www.federalreserve.gov/newsevents/press/monetary/20091216a.htm) ("In order to promote a smooth transition in markets, the Committee is gradually slowing the pace of these purchases, and it anticipates that these transactions will be executed by the end of the first quarter of 2010"); Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances* (Feb. 4, 2010) (online at www.federalreserve.gov/Releases/H41/Current).

[340] U.S. Department of the Treasury, *MBS Purchase Program: Portfolio by Month* (accessed Apr. 12, 2010) (online at www.financialstability.gov/docs/Mar%202010%20Portfolio%20by%20month.pdf). Treasury received $39.1 billion in principal repayments $9.6 billion in interest payments from these securities. U.S. Department of the Treasury, *MBS Purchase Program Principal and Interest* (accessed Apr. 12, 2010) (online at www.financialstability.gov/docs/Mar%202010%20MBS%20Principal%20and%20Interest%20Monthly%20Breakout.pdf).

Figure 65: Federal Reserve and FDIC Financial Stability Efforts as of February 28, 2010[341]



3. Total Financial Stability Resources as of February 28, 2010

Beginning in its April 2009 report, the Panel broadly classified the resources that the federal government has devoted to stabilizing the economy through myriad new programs and initiatives as outlays, loans, or guarantees. Although the Panel calculates the total value of these resources at nearly $3 trillion, this would translate into the ultimate "cost" of the stabilization

[341] Federal Reserve Liquidity Facilities include: Primary credit, Secondary credit, Central Bank liquidity swaps, Primary dealer and other broker-dealer credit, Asset-backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Net portfolio holdings of Commercial Paper Funding Facility LLC, Seasonal credit, Term auction credit, Term Asset-backed Securities Loan Facility. Federal Reserve Mortgage-related Facilities include: Federal agency debt securities and mortgage-backed securities held by the Federal Reserve. Institution Specific Facilities include: Credit extended to American International Group, Inc., the preferred interests in AIA Aurora LLC and ALICO Holdings LLC, and the net portfolio holdings of Maiden Lanes I, II, and III. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (Mar. 31, 2010). For related presentations of Federal Reserve data, *see* Board of Governors of the Federal Reserve System, *Credit and Liquidity Programs and the Balance Sheet*, at 2 (Nov. 2009) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport200911.pdf). The TLGP figure reflects the monthly amount of debt outstanding under the program. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program* (Dec. 2008-Jan. 2010) (online at www.fdic.gov/regulations/resources/TLGP/reports.html). The total for the Term Asset-Backed Securities Loan Facility has been reduced by $20 billion throughout this exhibit in order to reflect Treasury's $20 billion first-loss position under the terms of this program.

effort only if: (1) assets do not appreciate; (2) no dividends are received, no warrants are exercised, and no TARP funds are repaid; (3) all loans default and are written off; and (4) all guarantees are exercised and subsequently written off.

With respect to the FDIC and Federal Reserve programs, the risk of loss varies significantly across the programs considered here, as do the mechanisms providing protection for the taxpayer against such risk. As discussed in the Panel's November report, the FDIC assesses a premium of up to 100 basis points on TLGP debt guarantees.[342] In contrast, the Federal Reserve's liquidity programs are generally available only to borrowers with good credit, and the loans are over-collateralized and with recourse to other assets of the borrower. If the assets securing a Federal Reserve loan realize a decline in value greater than the "haircut," the Federal Reserve is able to demand more collateral from the borrower. Similarly, should a borrower default on a recourse loan, the Federal Reserve can turn to the borrower's other assets to make the Federal Reserve whole. In this way, the risk to the taxpayer on recourse loans only materializes if the borrower enters bankruptcy. The only loan currently "underwater" – where the outstanding principal amount exceeds the current market value of the collateral – is the loan to Maiden Lane LLC, which was formed to purchase certain Bear Stearns assets.

[342] Congressional Oversight Panel, *Guarantees and Contingent Payments in TARP and Related Programs*, at 36 (Nov. 11, 2009) (online at cop.senate.gov/documents/cop-110609-report.pdf).

Figure 66: Federal Government Financial Stability Effort as of March 31, 2010[i]

Program *(billions of dollars)*	**Treasury (TARP)**	**Federal Reserve**	**FDIC**	**Total**
Total	**$698.7**	**$1,626.1**	**$670.4**	**$2,995.2**
Outlays[ii]	272.8	1,288.4	69.4	1,630.6
Loans	42.5	337.7	0	380.1
Guarantees[iii]	20	0	601	621
Uncommitted TARP Funds	363.4	0	0	363.4
AIG	**69.8**	**92.3**	**0**	**162.1**
Outlays	[iv]69.8	[v]25.4	0	95.2
Loans	0	[vi]66.9	0	66.9
Guarantees	0	0	0	0
Citigroup	**25**	**0**	**0**	**25**
Outlays	[vii]25	0	0	25
Loans	0	0	0	0
Guarantees	0	0	0	0
Capital Purchase Program (Other)	**50.1**	**0**	**0**	**50.1**
Outlays	[viii]50.1	0	0	50.1
Loans	0	0	0	0
Guarantees	0	0	0	0
Capital Assistance Program	**N/A**	**0**	**0**	[ix]**N/A**
TALF	**20**	**180**	**0**	**200**
Outlays	0	0	0	0
Loans	0	[xi]180	0	180
Guarantees	[x]20	0	0	20
PPIP (Loans)[xii]	**0**	**0**	**0**	**0**
Outlays	0	0	0	0
Loans	0	0	0	0
Guarantees	0	0	0	0
PPIP (Securities)	[xiii]**30**	**0**	**0**	**30**
Outlays	10	0	0	10
Loans	20	0	0	20
Guarantees	0	0	0	0
Home Affordable Modification Program	**50**	**0**	**0**	**50**
Outlays	[xiv]50	0	0	50
Loans	0	0	0	0
Guarantees	0	0	0	0
Automotive Industry Financing Program	[xv]**77.1**	**0**	**0**	**77.1**
Outlays	58.9	0	0	58.9
Loans	18.2	0	0	18.2
Guarantees	0	0	0	0
Auto Supplier Support Program	**3.5**	**0**	**0**	**3.5**
Outlays	0	0	0	0
Loans	[xvi]3.5	0	0	3.5
Guarantees	0	0	0	0

Unlocking SBA Lending	[xvii]**15**	**0**	**0**	**15**
Outlays	15	0	0	15
Loans	0	0	0	0
Guarantees	0	0	0	0
Community Development Capital Initiative	[xviii]**0.78**	**0**	**0**	**0.78**
Outlays	0	0	0	0
Loans	0.78	0	0	0.78
Guarantees	0	0	0	0
Temporary Liquidity Guarantee Program	**0**	**0**	**601**	**601**
Outlays	0	0	0	0
Loans	0	0	0	0
Guarantees	0	0	[xix]601	601
Deposit Insurance Fund	**0**	**0**	**69.4**	**69.4**
Outlays	0	0	[xx]69.4	69.4
Loans	0	0	0	0
Guarantees	0	0	0	0
Other Federal Reserve Credit Expansion	**0**	**1,353.8**	**0**	**1,353.8**
Outlays	0	[xxi]1,263	0	1,263
Loans	0	[xxii]90.8	0	90.8
Guarantees	0	0	0	0
Uncommitted TARP Funds	**363.4**	**0**	**0**	**363.4**

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[i] All data in this exhibit is as of March 31, 2010 except for information regarding the FDIC's Temporary Liquidity Guarantee Program (TLGP). This data is as of February 28, 2010.

[ii] The term "outlays" is used here to describe the use of Treasury funds under the TARP, which are broadly classifiable as purchases of debt or equity securities (e.g., debentures, preferred stock, exercised warrants, etc.). The outlays figures are based on: (1) Treasury's actual reported expenditures; and (2) Treasury's anticipated funding levels as estimated by a variety of sources, including Treasury pronouncements and GAO estimates. Anticipated funding levels are set at Treasury's discretion, have changed from initial announcements, and are subject to further change. Outlays used here represent investment and asset purchases and commitments to make investments and asset purchases and are not the same as budget outlays, which under section 123 of EESA are recorded on a "credit reform" basis.

[iii] Although many of the guarantees may never be exercised or exercised only partially, the guarantee figures included here represent the federal government's greatest possible financial exposure.

[iv] This number includes investments under the AIGIP/SSFI Program: a $40 billion investment made on November 25, 2008, and a $30 billion investment committed on April 17, 2009 (less a reduction of $165 million representing bonuses paid to AIG Financial Products employees). As of January 5, 2010, AIG had utilized $45.3 billion of the available $69.8 billion under the AIGIP/SSFI and owed $1.6 billion in unpaid dividends. This information was provided by Treasury in response to a Panel inquiry.

[v] As part of the restructuring of the U.S. government's investment in AIG announced on March 2, 2009, the amount available to AIG through the Revolving Credit Facility was reduced by $25 billion in exchange for preferred equity interests in two special purpose vehicles, AIA Aurora LLC and ALICO Holdings LLC. These SPVs were established to hold the common stock of two AIG subsidiaries: American International Assurance Company Ltd.

(AIA) and American Life Insurance Company (ALICO). As of March 31, 2010, the book value of the Federal Reserve Bank of New York's holdings in AIA Aurora LLC and ALICO Holdings LLC was $16.26 billion and $9.15 billion in preferred equity respectively. Thereby the book value of these securities is $25.416 billion, which is reflected in the corresponding table. Federal Reserve Bank of New York, *Factors Affecting Reserve Balances (H.4.1)* (Apr. 1, 2010) (online at www.federalreserve.gov/releases/h41/).

[vi] This number represents the full $35 billion that is available to AIG through its revolving credit facility with the Federal Reserve ($26.2 billion had been drawn down as of February 25, 2010) and the outstanding principal of the loans extended to the Maiden Lane II and III SPVs to buy AIG assets (as of March 31, 2010, $14.9 billion and $16.9 billion respectively). Income from the purchased assets is used to pay down the loans to the SPVs, reducing the taxpayers' exposure to losses over time. Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 17 (Oct. 2009) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport200910.pdf). On December 1, 2009, AIG entered into an agreement with FRBNY to reduce the debt AIG owes the FRBNY by $25 billion. In exchange, FRBNY received preferred equity interests in two AIG subsidiaries. This also reduced the debt ceiling on the loan facility from $60 billion to $35 billion. American International Group, *AIG Closes Two Transactions That Reduce Debt AIG Owes Federal Reserve Bank of New York by $25 billion* (Dec. 1, 2009) (online at phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MjE4ODl8Q2hpbGRJRD0tMXxUeXBlPTM=&t=1).

[vii] As of April 2, 2010, the U.S. Treasury held $25 billion of Citigroup common stock under the CPP. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf).

[viii] This figure represents the $204.9 billion Treasury disbursed under the CPP, minus the $25 billion investment in Citigroup identified above, and the $135.8 billion in repayments that are reflected as available TARP funds. This figure does not account for future repayments of CPP investments, dividend payments from CPP investments, or losses under the program. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf).

[ix] On November 9, 2009, Treasury announced the closing of the CAP and that only one institution, GMAC, was in need of further capital from Treasury. GMAC, however, received further funding through the AIFP, therefore the Panel considers CAP unused and closed. U.S. Department of the Treasury, *Treasury Announcement Regarding the Capital Assistance Program* (Nov. 9, 2009) (online at www.financialstability.gov/latest/tg_11092009.html).

[x] This figure represents a $20 billion allocation to the TALF SPV on March 3, 2009. However, as of March 31, 2010, TALF LLC had drawn only $103 million of the available $20 billion. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Mar. 31, 2010) (online at www.federalreserve.gov/Releases/H41/Current/); U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf). As of January 28, 2010, investors had requested a total of $73.3 billion in TALF loans ($13.2 billion in CMBS and $60.1 billion in non-CMBS) and $71 billion in TALF loans had been settled ($12 billion in CMBS and $59 billion in non-CMBS). Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: CMBS* (accessed Apr. 4, 2010) (online at www.newyorkfed.org/markets/CMBS_recent_operations.html); Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: non-CMBS* (accessed Apr. 4, 2010) (online at www.newyorkfed.org/markets/talf_operations.html).

[xi] This number is derived from the unofficial 1:10 ratio of the value of Treasury loan guarantees to the value of Federal Reserve loans under the TALF. U.S. Department of the Treasury, *Fact Sheet: Financial Stability Plan* (Feb. 10, 2009) (online at www.financialstability.gov/docs/fact-sheet.pdf) (describing the initial $20 billion Treasury contribution tied to $200 billion in Federal Reserve loans and announcing potential expansion to a $100 billion Treasury contribution tied to $1 trillion in Federal Reserve loans). Because Treasury is responsible for reimbursing the Federal Reserve Board for $20 billion of losses on its $200 billion in loans, the Federal Reserve Board's maximum potential exposure under the TALF is $180 billion.

[xii] It is unlikely that resources will be expended under the PPIP Legacy Loans Program in its original design as a joint Treasury-FDIC program to purchase troubled assets from solvent banks. *See also* Federal Deposit Insurance Corporation, *FDIC Statement on the Status of the Legacy Loans Program* (June 3, 2009) (online at www.fdic.gov/news/news/press/2009/pr09084.html) and Federal Deposit Insurance Corporation, *Legacy Loans Program – Test of Funding Mechanism* (July 31, 2009) (online at www.fdic.gov/news/news/press/2009/pr09131.html). The sales described in these statements do not involve any Treasury participation, and FDIC activity is accounted for here as a component of the FDIC's Deposit Insurance Fund outlays.

[xiii] As of February 25, 2010, Treasury reported commitments of $19.9 billion in loans and $9.9 billion in membership interest associated with the program. On January 4, 2010, the Treasury and one of the nine fund managers, TCW Senior Management Securities Fund, L.P., entered into a "Winding-Up and Liquidation Agreement." U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf).

[xiv] Of the $50 billion in announced TARP funding for this program, $39.9 billion has been allocated as of April 2, 2010. However, as of February 2010, only $57.8 million in non-GSE payments have been disbursed under HAMP. Disbursement information provided in response to Panel inquiry; U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf).

[xv] A substantial portion of the total $81 billion in loans extended under the AIFP have since been converted to common equity and preferred shares in restructured companies. $18.2 billion has been retained as first-lien debt (with $5.6 billion committed to GM, $12.5 billion to Chrysler). This figure ($77.1 billion) represents Treasury's current obligation under the AIFP after repayments.

[xvi] *See* U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending April 2, 2010* (Apr. 6, 2010) (online at www.financialstability.gov/docs/transaction-reports/4-6-10%20Transactions%20Report%20as%20of%204-2-10.pdf).

[xvii] U.S. Department of Treasury, *Fact Sheet: Unlocking Credit for Small Businesses* (Oct. 19, 2009) (online at www.financialstability.gov/roadtostability/unlockingCreditforSmallBusinesses.html) ("*Jumpstart Credit Markets For Small Businesses By Purchasing Up to $15 Billion in Securities").*

[xviii] This information was provided by Treasury staff in response to Panel inquiry.

[xix] This figure represents the current maximum aggregate debt guarantees that could be made under the program, which is a function of the number and size of individual financial institutions participating. $305.4 billion of debt subject to the guarantee is currently outstanding, which represents approximately 51 percent of the current cap. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program: Debt Issuance Under Guarantee Program* (Dec. 31, 2009) (online at www.fdic.gov/regulations/resources/tlgp/total_issuance12-09.html) (Feb. 28, 2010). The FDIC has collected $10.4 billion in fees and surcharges from this program since its inception in the fourth quarter of 2008. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program* (Nov. 30, 2009) (online at www.fdic.gov/regulations/resources/tlgp/total_issuance02-10.html) (updated Feb. 4, 2010).

[xx] This figure represents the FDIC's provision for losses to its deposit insurance fund attributable to bank failures in the third and fourth quarters of 2008 and the first, second and third quarters of 2009. Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Fourth Quarter 2008)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_4qtr_08/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Third Quarter 2008)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_3rdqtr_08/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (First Quarter 2009)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_1stqtr_09/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Second Quarter 2009)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_2ndqtr_09/income.html); Federal

Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Third Quarter 2009)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_3rdqtr_09/income.html). This figure includes the FDIC's estimates of its future losses under loss-sharing agreements that it has entered into with banks acquiring assets of insolvent banks during these five quarters. Under a loss-sharing agreement, as a condition of an acquiring bank's agreement to purchase the assets of an insolvent bank, the FDIC typically agrees to cover 80 percent of an acquiring bank's future losses on an initial portion of these assets and 95 percent of losses of another portion of assets. See, for example Federal Deposit Insurance Corporation, *Purchase and Assumption Agreement Among FDIC, Receiver of Guaranty Bank, Austin, Texas, FDIC and Compass Bank,* at 65-66 (Aug. 21, 2009) (online at www.fdic.gov/bank/individual/failed/guaranty-tx_p_and_a_w_addendum.pdf). In information provided to Panel staff, the FDIC disclosed that there were approximately $132 billion in assets covered under loss-sharing agreements as of December 18, 2009. Furthermore, the FDIC estimates the total cost of a payout under these agreements to be $59.3 billion. Since there is a published loss estimate for these agreements, the Panel continues to reflect them as outlays rather than as guarantees.

[xxi] Outlays are comprised of the Federal Reserve Mortgage Related Facilities and the preferred equity holdings in AIA Aurora LLC and ALICO Holdings LLC. The Federal Reserve balance sheet accounts for these facilities under Federal agency debt securities, mortgage-backed securities held by the Federal Reserve, and the preferred interests in AIA Aurora LLC and ALICO Holdings LLC. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (accessed Apr. 4, 2010). Although the Federal Reserve does not employ the outlays, loans and guarantees classification, its accounting clearly separates its mortgage-related purchasing programs from its liquidity programs. *See* Board of Governors of the Federal Reserve, *Credit and Liquidity Programs and the Balance Sheet November 2009*, at 2 (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport200911.pdf).

On September 7, 2008, the Treasury announced the GSE Mortgage-Backed Securities Purchase Program (Treasury MBS Purchase Program). The Housing and Economic Recovery Act of 2008 provided Treasury the authority to purchase Government Sponsored Enterprise (GSE) MBS. Under this program, Treasury purchased approximately $214.4 billion in GSE MBS before the program ended on December 31, 2009. As of March 2010, there was $181.6 billion still outstanding under this program. U.S. Department of the Treasury, *MBS Purchase Program: Portfolio by Month* (accessed Apr. 5, 2010) (online at www.financialstability.gov/docs/Mar%202010%20Portfolio%20by%20month.pdf). Treasury received $39.1 billion in principal repayments and $9.6 billion in interest payments from these securities. U.S. Department of the Treasury, *MBS Purchase Program Principal and Interest* (accessed Apr. 5, 2010) (online at www.financialstability.gov/docs/Mar%202010%20MBS%20Principal%20and%20Interest%20Monthly%20Breakout.pdf).

[xxii] Federal Reserve Liquidity Facilities classified in this table as loans include: Primary credit, Secondary credit, Central bank liquidity swaps, Primary dealer and other broker-dealer credit, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Net portfolio holdings of Commercial Paper Funding Facility LLC, Seasonal credit, Term auction credit, Term Asset-Backed Securities Loan Facility, and loans outstanding to Bear Stearns (Maiden Lane I LLC). Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (accessed Apr. 4, 2010); *see id.*