Congressional Oversight Panel

October 14, 2010

# Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's October 2010 report, "Examining Treasury's Use of Financial Crisis Contracting Authority."

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

## TARP Accounting

Each month, the Panel summarizes the resources that the federal government has committed to the rescue and recovery of the financial system. 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 August 31, 2010; and (2) an updated accounting of the full federal resource commitment as of September 29, 2010.

### 1. The TARP

#### a. Program Updates[438]

Treasury's spending authority under the TARP officially expired on October 3, 2010. Though it can no longer make new funding commitments, Treasury can continue to provide funding for programs with which it has existing contracts and previous commitments. As of September 30, 2010, $396.5 billion had been spent under the TARP's $475 billion ceiling.[439] Of the amount outstanding, $209.4 billion has been repaid, while Treasury has incurred $6.1 billion in losses associated with its CPP and AIFP investments. There are currently $181 billion in funds outstanding.

*CPP Repayments*

As of September 30, 2010, 110 banks have fully redeemed their CPP preferred shares either through capital repayment or exchanges for investments under the CDCI. These institutions have repaid a total of $152.8 billion of the $204.9 billion committed to CPP. The amount of funds currently outstanding in the program is $49.6 billion.

During the month of September, Treasury's CPP investment amount was reduced by $5.3 billion. A significant portion of this amount ($4.9 billion) came from proceeds earned from the third round of sales of Citigroup common stock. As of September 30, 2010, Treasury still holds 3.6 billion shares of Citigroup common equity with a face value of $11.7 billion. In addition, Treasury received $220 million in repayments for its preferred and subordinated debt

---

[438] U.S. Department of the Treasury, *Cumulative Dividends, Interest and Distributions Report as of August 31, 2010* (Sept. 10, 2010) (online at financialstability.gov/docs/dividends-interest-reports/August%202010%20Dividends%20and%20Interest%20Report.pdf) (hereinafter "Cumulative Dividends, Interest and Distributions Report as of August 31, 2010"); Treasury Transactions Report, *supra* note128.

[439] The original $700 billion TARP ceiling was reduced by $1.26 billion as part of the Helping Families Save Their Homes Act of 2009. 12 U.S.C. § 5225(a)-(b); *Helping Families Save Their Homes Act of 2009*, Pub. L. No. 111-22 § 40. On June 30, 2010, the House-Senate Conference Committee agreed to reduce the amount authorized under the TARP from $700 billion to $475 billion as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law on July 21, 2010. *See Dodd-Frank Wall Street Reform and Consumer Protection Act*, Pub. L. No. 111-203 (2010); The White House, *Remarks by the President at Signing of Dodd-Frank Wall Street Reform and Consumer Protection Act* (July 21, 2010) (online at www.whitehouse.gov/the-press-office/remarks-president-signing-dodd-frank-wall-street-reform-and-consumer-protection-act).

investments in 12 participating institutions. Another 17 institutions also exchanged $253 million of CPP funds for an equivalent investment under the CDCI.

The reduction in outstanding CPP funds also includes a net loss from Treasury's investments in South Financial Group, Inc. and TIB Financial Corp. These two institutions received a total of $384 million through CPP. On September 30, 2010, Treasury sold the preferred stock and warrants issued by South Financial to Toronto-Dominion Bank (TD Bank) for $130.6 million as part of the company's acquisition of South Financial.[440] Treasury also sold the preferred shares and warrants it received from TIB Financial for $12.2 million to North American Financial Holdings, Inc.[441] As a result of these sales, Treasury incurred a loss of $241.7 million, bringing total losses on CPP investments to $2.6 billion.

### b. Income: Dividends, Interest, and Warrant Sales

As of September 30, 2010, 45 institutions have repurchased their warrants for common shares that Treasury received in conjunction with its preferred stock investments. Treasury received $19.7 million from six banks that agreed to repurchase their warrants in September. Treasury has also sold the warrants for common shares for 15 other institutions at auction. On September 16, 2010, Treasury held an auction for 13 million warrants to purchase common shares of Lincoln National Corporation. The offering yielded $213.7 million in net proceeds to Treasury. On September 21, 2010, Treasury also auctioned off 52 million warrants issued by the Hartford Financial Services Group, Inc. for $706.3 million in proceeds.

In addition to warrant disposition proceeds, Treasury also receives dividend payments on the preferred shares that it holds, usually 5 percent per annum for the first five years and 9 percent per annum thereafter.[442] In total, Treasury has received approximately $25.3 billion in net income from warrant repurchases, dividends, interest payments, and other proceeds deriving from TARP investments (after deducting losses).[443] For further information on TARP profit and loss, see Figure 29.

---

[440] Treasury Transactions Report, *supra* note128; TD Bank Financial Group, *TD Bank Marks Another Important Milestone in Expansion of U.S. Footprint* (Oct. 1, 2010) (online at td.mediaroom.com/index.php?s=43&item=1045).

[441] As part of its $175 billion investment in TIB Financial Corp., North American Financial Holdings, Inc. also agreed to purchase 37,000 shares of CPP preferred stock, along with related warrants, from Treasury. TIB Financial Corp., *TIB Financial Corp. Announces Closing of $175 Million Investment From North American Financial Holdings, Inc.* (Sept. 30, 2010) (online at www.tibfinancialcorp.com/file.aspx?IID=108287&FID=10162725).

[442] U.S. Department of the Treasury, *Securities Purchase Agreement for Public Institutions* (online at www.financialstability.gov/docs/CPP/spa.pdf) (accessed Oct. 12, 2010).

[443] Cumulative Dividends, Interest and Distributions Report as of August 31, 2010, *supra* note 438; Treasury Transactions Report, *supra* note 128. Treasury also received an additional $1.2 billion in participation fees from its Guarantee Program for Money Market Funds. U.S. Department of the Treasury, *Treasury Announces Expiration of Guarantee Program for Money Market Funds* (Sept. 18, 2009) (online at www.ustreas.gov/press/releases/tg293.htm).

## c. TARP Accounting

**Figure 28: TARP Accounting (as of September 30, 2010)** *(billions of dollars)*[i]

| Program | Maximum Amount Allotted | Actual Funding | Total Repayments/ Reduced Exposure | Total Losses | Funding Currently Outstanding | Funding Available |
|---|---|---|---|---|---|---|
| Capital Purchase Program (CPP) | $204.9 | $204.9 | [ii]($152.8) | [iii]($2.6) | $49.6 | $0 |
| Targeted Investment Program (TIP) | 40.0 | 40.0 | (40.0) | 0 | 0 | 0 |
| Asset Guarantee Program (AGP) | 5.0 | [iv]5.0 | [v](5.0) | 0 | 0 | 0 |
| AIG Investment Program (AIGIP) | 69.8 | [vi]49.1 | 0 | 0 | 49.1 | 20.7 |
| Auto Industry Financing Program (AIFP) | 81.3 | 81.3 | (10.8) | [vii](3.5) | [viii]67.1 | 0 |
| Auto Supplier Support Program (ASSP)[ix] | 0.4 | 0.4 | (0.4) | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | [x]4.3 | [xi]0.1 | 0 | 0 | 0.1 | 4.2 |
| Public-Private Investment Program (PPIP)[xii] | 22.4 | [xiii]14.2 | [xiv](0.4) | 0 | 13.8 | 8.2 |
| SBA 7(a) Securities Purchase | 0.4 | [xv]0.36 | 0 | 0 | 0.36 | 0 |
| Home Affordable Modification Program (HAMP) | 29.9 | 0.5 | 0 | 0 | 0.5 | 29.4 |
| Hardest Hit Fund (HHF) | [xvi]7.6 | [xvii]0.06 | 0 | 0 | 0.06 | 7.5 |
| FHA Refinance Program | 8.1 | 0 | 0 | 0 | 0 | 8.1 |
| Community Development Capital Initiative (CDCI) | 0.8 | [xviii]0.57 | 0 | 0 | 0.57 | 0 |
| **Total** | **$475** | **396.48** | **(209.4)** | **(6.1)** | **181.07** | **78.2** |

[i] Figures affected by rounding. Unless otherwise noted, data in this table are from the following source: U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010* (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[ii] Total amount repaid under CPP includes $13.4 billion Treasury received as part of its sales of Citigroup common stock. As of September 30, 2010, Treasury had sold 4.1 billion Citigroup common shares for $16.4 billion in gross proceeds. Treasury has received $3 billion in net profit from the sale of Citigroup common stock. In June 2009, Treasury exchanged $25 billion in Citigroup preferred stock for 7.7 billion shares of the company's common stock at $3.25 per share. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 13, 14 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf); U.S. Department of the Treasury, *Troubled Asset Relief Program: Two-Year Retrospective*, at 25 (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf).

Total CPP repayments also include amounts repaid by institutions that exchanged their CPP investments for investments under the CDCI, as well as proceeds earned from the sale of preferred stock and warrants issued by South Financial Group, Inc. and TIB Financial Corp.

[iii] On the TARP Transactions Report, 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. In addition, Treasury sold its preferred ownership interests, along with warrants, in South Financial Group, Inc. and TIB Financial Corp. to non-TARP participating institutions. These shares were sold at prices below the value of the original CPP investment. Therefore, Treasury's net current CPP investment is $49.6 billion due to the $2.6 billion in losses thus far. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 13, 14 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[iv] The $5 billion AGP guarantee for Citigroup was unused since Treasury was not required to make any guarantee payments during the life of the program. U.S. Department of the Treasury, *Troubled Asset Relief Program: Two-Year Retrospective*, at 31 (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf).

[v] Although this $5 billion is no longer exposed as part of the AGP, 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 29.

[vi] AIG has completely utilized the $40 billion that was made available on November 25, 2008 in exchange for the company's preferred stock. It has also drawn down $7.5 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. AIG expects to draw down up to $22.3 billion in outstanding funds from the TARP as part of its plan to repay the revolving credit facility provided by the Federal Reserve Bank of New York. American International Group, Inc., *Form 10-K for the Fiscal Year Ended December 31, 2009*, at 45 (Feb. 26, 2010) (online at www.sec.gov/Archives/edgar/data/5272/000104746910001465/a2196553z10-k.htm); American International Group, Inc., *AIG Announces Plan to Repay U.S. Government* (Sept. 30, 2010) (online at www.aigcorporate.com/newsroom/2010_September/AIGAnnouncesPlantoRepay30Sept2010.pdf); U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 21 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[vii] On May 14, 2010, Treasury accepted a $1.9 billion settlement payment for its $3.5 billion loan to Chrysler Holding. The payment represented a $1.6 billion loss from the termination of the debt obligation. U.S. Department of the Treasury, *Chrysler Financial Parent Company Repays $1.9 Billion in Settlement of Original Chrysler Loan* (May 17, 2010) (online at www.financialstability.gov/latest/pr_05172010c.html). Also, following the bankruptcy proceedings for Old Chrysler, which extinguished the $1.9 billion debtor-in-possession (DIP) loan

provided to Old Chrysler, Treasury retained the right to recover the proceeds from the liquidation of specified collateral. To date, Treasury has collected $40.2 million in proceeds from the sale of collateral, and it does not expect a significant recovery from the liquidation proceeds. Treasury includes these proceeds as part of the $10.8 billion repaid under the AIFP. U.S. Department of the Treasury, *Troubled Assets Relief Program Monthly 105(a) Report – August 2010* (Sept. 10, 2010) (online at financialstability.gov/docs/105CongressionalReports/August%202010%20105(a)%20Report_final_9%2010%2010.pdf); Treasury conversations with Panel staff (Aug. 19, 2010); U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 18 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[viii] On the TARP Transactions Report, the $1.9 billion Chrysler debtor-in-possession loan, which was extinguished April 30, 2010, was deducted from Treasury's AIFP investment amount. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 18 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf). See note vii, *supra*, for details on losses from Treasury's investment in Chrysler.

[ix] On April 5, 2010, Treasury terminated its commitment to lend to the GM SPV under the ASSP. On April 7, 2010, it terminated its commitment to lend to the Chrysler SPV. In total, Treasury received $413 million in repayments from loans provided by this program ($290 million from the GM SPV and $123 million from the Chrysler SPV). Further, Treasury received $101 million in proceeds from additional notes associated with this program. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 19 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[x] For the TALF program, one dollar of TARP funds was committed for every $10 of funds obligated by the Federal Reserve. The program was intended to be a $200 billion initiative, and the TARP was responsible for the first $20 billion in loan-losses, if any were incurred. The loan is incrementally funded. When the program closed in June 2010, a total of $43 billion in loans was outstanding under the TALF program, and the TARP's commitments constituted $4.3 billion. The Federal Reserve Board of Governors agreed that it was appropriate for Treasury to reduce TALF credit protection from TARP to $4.3 billion. Board of Governors of the Federal Reserve System, *Federal Reserve Announces Agreement with the Treasury Department Regarding a Reduction of Credit Protection Provided for the Term Asset-Backed Securities Loan Facility (TALF)* (July 20, 2010) (online at www.federalreserve.gov/newsevents/press/monetary/20100720a.htm).

[xi] As of September 30, 2010, Treasury had provided $105 million to TALF LLC. This total includes accrued payable interest. Federal Reserve Bank of New York, *Factors Affecting Reserve Balances (H.4.1)*, at 5 (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/h41.pdf).

[xii] On July 19, 2010, Treasury released its third quarterly report on the Legacy Securities Public-Private Investment Partnership (PPIP). As of June 30, 2010, the total value of assets held by the PPIP managers was $16 billion. Non-agency Residential Mortgage-Backed Securities represented 85 percent of the total; CMBS represented the balance. U.S. Department of the Treasury, *Legacy Securities Public-Private Investment Program, Program Update – Quarter Ended June 30, 2010*, at 3, 4 (July 19, 2010) (online at www.financialstability.gov/docs/111.pdf).

[xiii] U.S. Department of the Treasury, *Troubled Asset Relief Program: Two-Year Retrospective*, at i (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf).

[xiv] As of September 30, 2010, Treasury has received $428 million in capital repayments from two PPIP fund managers. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 23 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xv] Treasury made $64 million in purchases under the SBA 7(a) Securities Purchase Program in September. As of September 30, 2010, Treasury's purchases totaled $322.9 million. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 22 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

Treasury will not make additional purchases pursuant to the expiration of its purchasing authority under EESA. U.S. Department of the Treasury, *Troubled Asset Relief Program: Two-Year Retrospective*, at 43 (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf).

[xvi] As part of its revisions to TARP allocations upon enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Treasury allocated an additional $2 billion in TARP funds to mortgage assistance for unemployed borrowers through the Hardest Hit Fund (HHF). U.S. Department of the Treasury, *Obama Administration Announces Additional Support for Targeted Foreclosure-Prevention Programs to Help Homeowners Struggling with Unemployment* (Aug. 11, 2010) (online at www.ustreas.gov/press/releases/tg823.htm). Another $3.5 billion was allocated among the 18 states and the District of Columbia currently participating in HHF. The amount each state received during this round of funding is proportional to its population. U.S. Department of the Treasury, *Troubled Asset Relief Program: Two Year Retrospective*, at 72 (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf). Additional information provided by Treasury staff (Sept. 28, 2010).

[xvii] This figure represents the total amount paid to date to state Housing Finance Agencies (HFAs). As of October 12, 2010, six state HFAs have drawn down funds from their total investment amount. Data provided by Treasury (Oct. 12, 2010).

[xviii] Seventy-three Community Development Financial Institutions (CDFIs) entered the CDCI in September. Among these institutions, 17 banks exchanged their CPP investments for an equivalent investment amount under the CDCI. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 1-13, 16-17 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf). Treasury closed the program on September 30, 2010, after investing $570 million in 84 CDFIs. U.S. Department of the Treasury, *Treasury Announces Special Financial Stabilization Initiative Investments of $570 Million in 84 Community Development Financial Institutions in Underserved* Areas (Sept. 30, 2010) (online at financialstability.gov/latest/pr_09302010b.html).

**Figure 29: TARP Profit and Loss** *(millions of dollars)*

| TARP Initiative[xix] | Dividends[xx] (as of 8/31/2010) | Interest[xxi] (as of 8/31/2010) | Warrant Disposition Proceeds[xxii] (as of 9/30/2010) | Other Proceeds (as of 8/31/2010) | Losses[xxiii] (as of 9/30/2010) | Total |
|---|---|---|---|---|---|---|
| **Total** | **$16,540** | **$912** | **$8,160** | **$5,768** | **($6,034)** | **$25,346** |
| CPP | 9,754 | 49 | 6,904 | [xxiv]3,015 | (2,576) | 17,194 |
| TIP | 3,004 | – | 1,256 | – | – | 4,260 |
| AIFP | [xxv]3,371 | 802 | – | [xxvi]15 | (3,458) | 730 |
| ASSP | – | 15 | – | [xxvii]101 | – | 116 |
| AGP | 411 | – | 0 | [xxviii]2,246 | – | 2,657 |
| PPIP | – | 46 | – | [xxix]115 | – | 161 |
| SBA 7(a) | – | 1 | – | – | – | 1 |
| Bank of America Guarantee | – | – | – | [xxx]276 | – | 276 |

[xix] AIG is not listed on this table because no profit or loss has been recorded to date for AIG. Its missed dividends were capitalized as part of the issuance of Series E preferred shares and are not considered to be outstanding. Treasury currently holds non-cumulative preferred shares, meaning AIG is not penalized for non-payment. Therefore, no profit or loss has been realized on Treasury's AIG investment to date.

[xx] U.S. Department of the Treasury, *Cumulative Dividends, Interest and Distributions Report as of August 31, 2010* (Sept. 10, 2010) (online at financialstability.gov/docs/dividends-interest-reports/August%202010%20Dividends%20and%20Interest%20Report.pdf).

[xxi] U.S. Department of the Treasury, *Cumulative Dividends, Interest and Distributions Report as of August 31, 2010* (Sept. 10, 2010) (online at financialstability.gov/docs/dividends-interest-reports/August%202010%20Dividends%20and%20Interest%20Report.pdf).

[xxii] U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 13, 20 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxiii] In the TARP Transactions Report, Treasury classified the investments it made in two institutions, CIT Group ($2.3 billion) and Pacific Coast National Bancorp ($4.1 million), as losses. Treasury has also sold its preferred ownership interests and warrants from South Financial Group, Inc. and TIB Financial Corp. This represents a $241.7 million loss on its CPP investments in these two banks. Two TARP recipients, UCBH Holdings, Inc. ($298.7 million) and a banking subsidiary of Midwest Banc Holdings, Inc. ($89.4 million), are currently in bankruptcy proceedings. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010* (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf). Finally, Sonoma Valley Bancorp, which received $8.7 million in CPP funding, was placed into receivership on August 20, 2010. Federal Deposit Insurance Corporation, *Westamerica Bank, San Rafael, California, Assumes All of the Deposits of Sonoma Valley Bank, Sonoma, California* (Aug. 20, 2010) (online at www.fdic.gov/news/news/press/2010/pr10196.html).

[xxiv] This figure represents net proceeds to Treasury from the sale of Citigroup common stock to date. For details on Treasury's sales of Citigroup common stock, *see* Section Two and note ii, *supra*. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010* (Oct. 4,

2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxv] This figure includes $815 million in dividends from GMAC preferred stock, trust preferred securities, and mandatory convertible preferred shares. The dividend total also includes a $748.6 million senior unsecured note from Treasury's investment in General Motors. Data provided by Treasury.

[xxvi] Treasury received proceeds from an additional note connected with the loan made to Chrysler Financial on January 16, 2009. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 18 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxvii] This represents the total proceeds from additional notes connected with Treasury's investments in GM Supplier Receivables LLC and Chrysler Receivables SPV LLC. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 19 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxviii] As a fee for taking a second-loss position of 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 in December 2009, Treasury cancelled $1.8 billion of the trust preferred securities, leaving Treasury with a premium of $2.23 billion in Citigroup trust preferred securities. On September 30, 2010, Treasury sold these securities for $2.25 billion in total proceeds. 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 Treasury. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 20 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf); U.S. Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Citigroup Inc., *Termination Agreement*, at 1 (Dec. 23, 2009) (online at www.financialstability.gov/docs/Citi%20AGP%20Termination%20Agreement%20-%20Fully%20Executed%20Version.pdf); U.S. Department of the Treasury, *Treasury Announces Further Sales of Citigroup Securities and Cumulative Return to Taxpayers of $41.6 Billion* (Sept. 30, 2010) (online at financialstability.gov/latest/pr_09302010c.html); Federal Deposit Insurance Corporation, *2009 Annual Report*, at 87 (June 30, 2010) (online at www.fdic.gov/about/strategic/report/2009annualreport/AR09final.pdf).

[xxix] As of August 31, 2010, Treasury has earned $93.9 million in membership interest distributions from the PPIP. Additionally, Treasury has earned $20.6 million in total proceeds following the termination of the TCW fund. *See* U.S. Department of the Treasury, *Cumulative Dividends, Interest and Distributions Report as of August 31, 2010*, at 12-13 (Sept. 10, 2010) (online at financialstability.gov/docs/dividends-interest-reports/August%202010%20Dividends%20and%20Interest%20Report.pdf); *see* U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 23 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxx] 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 period. 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).

### d. CPP Unpaid Dividend and Interest Payments[444]

As of August 31, 2010, 123 institutions have at least one outstanding dividend payment on preferred stock issued under CPP.[445] Among these institutions, 98 are not current on cumulative dividends, which amount to $129.8 million in missed payments, while another 25 banks have not paid $8 million in non-cumulative dividends. Of the $49.6 billion currently outstanding in CPP funding, Treasury's investments in banks with non-current dividend payments total $3.6 billion. A majority of the banks that remain delinquent on dividend payments have under $1 billion in total assets on their balance sheets. Also, there are 16 institutions that previously deferred dividend payments, but have since repaid all accrued and unpaid dividends.[446]

There are six banks that have failed to make six dividend payments, while one bank has missed all seven quarterly payments. These institutions have received a total of $207.1 million in CPP funding. Under the terms of the CPP, after a bank fails to pay dividends for six periods, Treasury has the right to elect two individuals to the company's board of directors.[447] Figure 30 below provides further details on the distribution and the number of institutions that have missed dividend payments.

In addition, eight CPP participants have missed at least one interest payment, totaling $3.6 million in non-current interest payments. Treasury's total investments in these non-public institutions represent less than $1 billion in CPP funding.

---

[444] Cumulative Dividends, Interest and Distributions Report as of August 31, 2010, *supra* note 438.

[445] Does not include banks with missed dividend payments that have either repaid all delinquent dividends, exited TARP, gone into receivership, or filed for bankruptcy.

[446] Among the institutions with no outstanding dividend payments is Sterling Financial Corporation (WA). On April 29, 2010, Sterling Financial exchanged its original $303 million preferred equity investment for an equivalent amount in mandatory convertible preferred stock. This investment was subsequently converted to 379 million shares of common stock. Following the exchange, no dividend payments remained outstanding with respect to the preferred investment. Treasury Transactions Report, *supra* note 128; Cumulative Dividends, Interest and Distributions Report as of August 31, 2010, *supra* note 438, at 18.

[447] U.S. Department of the Treasury, *Frequently Asked Questions Capital Purchase Program (CPP): Related to Missed Dividend (or Interest) Payments and Director Nomination* (online at www.financialstability.gov/docs/CPP/CPP%20Directors%20FAQs.pdf) (accessed Oct. 12, 2010).

**Figure 30: CPP Missed Dividend Payments (as of August 31, 2010)**[448]

| Number of Missed Payments | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Total |
|---|---|---|---|---|---|---|---|---|
| **Cumulative Dividends** | | | | | | | | |
| Number of Banks, by asset size | 30 | 19 | 18 | 18 | 10 | 3 | 0 | 98 |
| Under $1B | 21 | 15 | 12 | 11 | 5 | 1 | 0 | 65 |
| $1B-$10B | 8 | 4 | 4 | 7 | 5 | 2 | 0 | 30 |
| Over $10B | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 3 |
| **Non-Cumulative Dividends** | | | | | | | | |
| Number of Banks, by asset size | 2 | 5 | 6 | 3 | 5 | 3 | 1 | 25 |
| Under $1B | 1 | 5 | 5 | 3 | 5 | 3 | 1 | 23 |
| $1B-$10B | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 2 |
| Over $10B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Missed Payments** | | | | | | | | 123 |

### e. Rate of Return

As of September 2, 2010, the average internal rate of return for all public financial institutions that participated in the CPP and fully repaid the U.S. government (including preferred shares, dividends, and warrants) was 10.3 percent. The internal rate of return is the annualized effective compounded return rate that can be earned on invested capital.

Treasury received $713.7 million and $216.6 million from auctions for Hartford Financial Services Group, Inc. and Lincoln National Corporation warrants, respectively. These proceeds represent 151 and 119 percent of the Panel's best valuation estimate at the disposition date. As of September 30, 2010, Treasury has received $8.1 billion in total proceeds from warrant repurchases and auctions.

The Panel's estimates on individual rates of return also indicate negative values for the two CPP investments that were sold in September. The internal rates of return for South Financial Group and TIB Financial Corp. were –34.2 percent and –38 percent as Treasury sold its CPP preferred equity in these two companies for an aggregate loss of $241.7 million.

[448] Cumulative Dividends, Interest and Distributions Report as of August 31, 2010, *supra* note 438. Data on total bank assets compiled using SNL Financial data service (accessed Oct. 5, 2010).

### f. Warrant Disposition

**Figure 31: Warrant Repurchases/Auctions for Financial Institutions who have fully Repaid CPP Funds (as of October 5, 2010)**

| Institution | Investment Date | Warrant Repurchase Date | Warrant Repurchase/ Sale Amount | Panel's Best Valuation Estimate at Disposition Date | Price/ Estimate 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% |
| CVB Financial Corp | 12/5/2008 | 10/28/2009 | 1,307,000 | 3,522,198 | 0.371 | 6.4% |
| Bank of the 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% |
| JPMorgan 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 First Market Bankshares Corporation (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[449] 1/9/2009[450] 1/14/2009[451] | 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% |
| Texas Capital Bancshares, Inc. | 1/16/2009 | 3/11/2010 | 6,709,061 | 8,316,604 | 0.807 | 30.1% |
| Umpqua Holdings Corp. | 11/14/2008 | 3/31/2010 | 4,500,000 | 5,162,400 | 0.872 | 6.6% |

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

[450] Investment date for Merrill Lynch in CPP.

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

| | | | | | | |
|---|---|---|---|---|---|---|
| City National Corporation | 11/21/2008 | 4/7/2010 | 18,500,000 | 24,376,448 | 0.759 | 8.5% |
| First Litchfield Financial Corporation | 12/12/2008 | 4/7/2010 | 1,488,046 | 1,863,158 | 0.799 | 15.9% |
| PNC Financial Services Group Inc. | 12/31/2008 | 4/29/2010 | 324,195,686 | 346,800,388 | 0.935 | 8.7% |
| Comerica Inc. | 11/14/2008 | 5/4/2010 | 183,673,472 | 276,426,071 | 0.664 | 10.8% |
| Valley National Bancorp | 11/14/2008 | 5/18/2010 | 5,571,592 | 5,955,884 | 0.935 | 8.3% |
| Wells Fargo Bank | 10/28/2008 | 5/20/2010 | 849,014,998 | 1,064,247,725 | 0.798 | 7.8% |
| First Financial Bancorp | 12/23/2008 | 6/2/2010 | 3,116,284 | 3,051,431 | 1.021 | 8.2% |
| Sterling Bancshares, Inc./ Sterling Bank | 12/12/2008 | 6/9/2010 | 3,007,891 | 5,287,665 | 0.569 | 10.8% |
| SVB Financial Group | 12/12/2008 | 6/16/2010 | 6,820,000 | 7,884,633 | 0.865 | 7.7% |
| Discover Financial Services | 3/13/2009 | 7/7/2010 | 172,000,000 | 166,182,652 | 1.035 | 17.1% |
| Bar Harbor Bancshares | 1/16/2009 | 7/28/2010 | 250,000 | 518,511 | 0.482 | 6.2% |
| Citizens & Northern Corporation | 1/16/2009 | 8/4/2010 | 400,000 | 468,164 | 0.854 | 5.9% |
| Columbia Banking System, Inc. | 11/21/2008 | 8/11/2010 | 3,301,647 | 3,291,329 | 1.003 | 7.3% |
| Hartford Financial Services Group, Inc. | 6/26/2009 | 9/21/2010 | 713,687,430 | 472,221,996 | 1.511 | 30.3% |
| Lincoln National Corporation | 7/10/2009 | 9/16/2010 | 216,620,887 | 181,431,182 | 1.194 | 27.1% |
| Fulton Financial Corporation | 12/23/2008 | 9/8/2010 | 10,800,000 | 15,616,013 | 0.692 | 6.7% |
| The Bancorp, Inc./The Bancorp Bank | 12/12/2008 | 9/8/2010 | 4,753,985 | 9,947,683 | 0.478 | 12.8% |
| South Financial Group, Inc./ Carolina First Bank | 12/5/2008 | 9/30/2010 | 400,000 | 1,164,486 | 0.343 | (34.2)% |
| TIB Financial Corp./TIB Bank | 12/5/2008 | 9/30/2010 | 40,000 | 235,757 | 0.170 | (38.0)% |
| **Total**[452] | | | **$8,148,332,166** | **$7,999,280,713** | **1.019** | **10.3%** |

[452] Total warrant repurchase/sale amount does not include $11.5 million in proceeds from private institutions whose warrants for preferred stock were immediately exercised.

**Figure 32: Valuation of Current Holdings of Warrants (as of October 5, 2010)**

| Financial Institutions with Warrants Outstanding | Warrant Valuation *(millions of dollars)* | | |
|---|---|---|---|
| | **Low Estimate** | **High Estimate** | **Best Estimate** |
| Citigroup, Inc.[453] | $15.90 | $1,134.42 | $84.61 |
| SunTrust Banks, Inc. | 18.90 | 375.09 | 141.10 |
| Regions Financial Corporation | 11.62 | 213.46 | 99.85 |
| Fifth Third Bancorp | 83.86 | 377.93 | 170.00 |
| KeyCorp | 21.91 | 176.85 | 81.47 |
| AIG | 282.18 | 1,824.23 | 783.69 |
| All Other Banks | 845.40 | 3,832.34 | 1,794.84 |
| **Total** | **$1,279.77** | **$7,934.32** | **$3,155.56** |

## 2. Federal Financial Stability Efforts

### a. Federal Reserve and FDIC Programs

In addition to the direct expenditures Treasury has undertaken through the 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 the TARP.

### b. Total Financial Stability Resources

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. With the reductions in funding for certain TARP programs, the Panel calculates the total value of these resources to be over $2.5 trillion. However, this would translate into the ultimate "cost" of the stabilization 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

[453] Includes warrants issued under CPP, AGP, and TIP.

the taxpayer against such risk. As discussed in the Panel's November 2009 report, the FDIC assesses a premium of up to 100 basis points on TLGP debt guarantees.[454] 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.

### c. Credit Union Assistance

Apart from the assistance credit unions have recently received through the CDCI, the National Credit Union Administration (NCUA), the federal agency charged with regulating federal credit unions (FCUs), has also made efforts to stabilize the corporate credit union (CCU) system. Corporate credit unions provide correspondent services, as well as liquidity and investment services to retail (or consumer) credit unions.[455] Since March 2009, the NCUA has placed five CCUs into conservatorship due to their exposure to underperforming private-label mortgage-backed securities. The NCUA estimates that these five institutions, which have $72 billion in assets and provide services for 4,600 retail credit unions, hold more than 90 percent of the MBS in the corporate credit union system.[456]

To assist in the NCUA's stabilization efforts, the Temporary Corporate Credit Union Stabilization Fund ("Stabilization Fund") was created to help cover costs associated with CCU conservatorships and liquidations. The Stabilization Fund was established on May 20, 2009, as part of the Helping Families Save Their Homes Act of 2009, and allows the NCUA to borrow up to $6 billion from the Treasury on a revolving basis.[457] As of August 2010, the NCUA had drawn $1.5 billion from the Stabilization Fund, and had planned to repay this balance by the end of September.[458]

---

[454] Congressional Oversight Panel, *November Oversight Report: Guarantees and Contingent Payments in TARP and Related Programs*, at 36 (Nov. 6, 2009) (online at cop.senate.gov/documents/cop-110609-report.pdf).

[455] National Credit Union Administration, *Corporate System Resolution: Corporate Credit Unions Frequently Asked Questions (FAQs)*, at 1 (online at www.ncua.gov/Resources/CorporateCU/CSR/CSR-6.pdf).

[456] National Credit Union Administration, *Corporate System Resolution: National Credit Union Administration Virtual Town Hall*, at 14 (Sept. 27, 2010) (online at www.ncua.gov/Resources/CorporateCU/CSR/10-0927WebinarSlides.pdf); National Credit Union Administration, *Fact Sheet: Corporate Credit Union Conservatorships* (Sept. 14, 2010) (online at www.ncua.gov/Resources/CorporateCU/CSR/CSR-14.pdf).

[457] National Credit Union Administration, *Board Action Memorandum* (June 15, 2010) (online at www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/2010/Jun/Item6aBAMSFAssessmentJune2010(1%20billion)FINAL.pdf).

[458] *Id*.

### d. Mortgage Purchase Programs

On September 7, 2008, Treasury announced the GSE Mortgage Backed Securities Purchase Program. The Housing and Economic Recovery Act of 2008 provided Treasury with the authority to purchase MBS guaranteed by government-sponsored enterprises (GSEs) through December 31, 2009. Treasury purchased approximately $225 billion in GSE MBS by the time its authority expired.[459] As of September 2010, there was approximately $159.6 billion in MBS still outstanding under this program.[460]

In March 2009, the Federal Reserve authorized purchases of $1.25 MBS guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae, and $200 billion of agency debt securities from Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.[461] The intended purchase amount for agency debt securities was subsequently decreased to $175 billion.[462] All purchasing activity was completed on March 31, 2010. As of September 29, 2010, the Federal Reserve holds $1.08 trillion of agency MBS and $154 billion of agency debt.[463]

---

[459] U.S. Department of the Treasury, *FY2011 Budget in Brief*, at 138 (Feb. 2010) (online at www.treas.gov/offices/management/budget/budgetinbrief/fy2011/FY%202011%20BIB%20(2).pdf).

[460] U.S. Department of the Treasury, *MBS Purchase Program: Portfolio by Month* (online at www.financialstability.gov/docs/September%202010%20Portfolio%20by%20month.pdf) (accessed Oct. 12, 2010).

[461] Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 5 (Sept. 2010) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201009.pdf).

[462] *Id*. at 5.

[463] Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/) (accessed Oct. 12, 2010).

**Figure 33: Federal Government Financial Stability Effort (as of September 29, 2010)**[xxxi]

| **Program** *(billions of dollars)* | **Treasury (TARP)** | **Federal Reserve** | **FDIC** | **Total** |
|---|---|---|---|---|
| **Total** | **$475** | **$1,414.6** | **$694.9** | **$2,584.5** |
| *Outlays*[xxxii] | 234.9 | 1,258.3 | 188.9 | 1,682.1 |
| *Loans* | 23.4 | 156.3 | 0 | 179.7 |
| *Guarantees*[xxxiii] | 4.3 | 0 | 506 | 510.3 |
| *Repaid and Unavailable TARP Funds* | 212.4 | 0 | 0 | 212.4 |
| **AIG**[xxxiv] | **69.8** | **84.7** | **0** | **154.5** |
| *Outlays* | [xxxv]69.8 | [xxxvi]25.7 | 0 | 95.5 |
| *Loans* | 0 | [xxxvii]59 | 0 | 59 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Citigroup** | **11.6** | **0** | **0** | **11.6** |
| *Outlays* | [xxxviii]11.6 | 0 | 0 | 11.6 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Capital Purchase Program (Other)** | **40.5** | **0** | **0** | **40.5** |
| *Outlays* | [xxxix]40.5 | 0 | 0 | 40.5 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Capital Assistance Program** | **N/A** | **0** | **0** | [xl]**N/A** |
| **TALF** | **4.3** | **38.7** | **0** | **43** |
| *Outlays* | 0 | 0 | 0 | 0 |
| *Loans* | 0 | [xlii]38.7 | 0 | 38.7 |
| *Guarantees* | [xli]4.3 | 0 | 0 | 4.3 |
| **PPIP (Loans)**[xliii] | **0** | **0** | **0** | **0** |
| *Outlays* | 0 | 0 | 0 | 0 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **PPIP (Securities)** | [xliv]**22.4** | **0** | **0** | **22.4** |
| *Outlays* | 7.5 | 0 | 0 | 7.5 |
| *Loans* | 14.9 | 0 | 0 | 14.9 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Making Home Affordable Program/ Foreclosure Mitigation** | **45.6** | **0** | **0** | **45.6** |
| *Outlays* | [xlv]45.6 | 0 | 0 | 45.6 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Automotive Industry Financing Program** | [xlvi]**67.1** | **0** | **0** | **67.1** |
| *Outlays* | 59.0 | 0 | 0 | 59.0 |
| *Loans* | 8.1 | 0 | 0 | 8.1 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Automotive Supplier Support Program** | **0.4** | **0** | **0** | **0.4** |
| *Outlays* | 0 | 0 | 0 | 0 |
| *Loans* | [xlvii]0.4 | 0 | 0 | 0.4 |
| *Guarantees* | 0 | 0 | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| **SBA 7(a) Securities Purchase** | [xlviii]**0.36** | **0** | **0** | **0.36** |
| *Outlays* | 0.36 | 0 | 0 | 0.36 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Community Development Capital Initiative** | [xlix]**0.57** | **0** | **0** | **0.57** |
| *Outlays* | 0 | 0 | 0 | 0 |
| *Loans* | 0.57 | 0 | 0 | 0.57 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Temporary Liquidity Guarantee Program** | **0** | **0** | **506** | **506** |
| *Outlays* | 0 | 0 | 0 | 0 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | [l]506 | 506 |
| **Deposit Insurance Fund** | **0** | **0** | **188.9** | **188.9** |
| *Outlays* | 0 | 0 | [li]188.9 | 188.9 |
| *Loans* | 0 | 0 | 0 | 0 |
| *Guarantees* | 0 | 0 | 0 | 0 |
| **Other Federal Reserve Credit Expansion** | **0** | **1,291.2** | **0** | **1,291.2** |
| *Outlays* | 0 | [lii]1,232.6 | 0 | 1,232.6 |
| *Loans* | 0 | [liii]58.6 | 0 | 58.6 |
| *Guarantees* | 0 | 0 | 0 | 0 |

[xxxi] All data in this figure is as of July 28, 2010, except for information regarding the FDIC's Temporary Liquidity Guarantee Program (TLGP). That data is as of June 30, 2010.

[xxxii] 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.). These values were calculated using (1) Treasury's actual reported expenditures, and (2) Treasury's anticipated funding levels as estimated by a variety of sources, including Treasury statements 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 – as well as 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.

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

[xxxiv] AIG received an $85 billion credit facility from the Federal Reserve Bank of New York (FRBNY) (reduced to $60 billion in November 2008, to $35 billion in December 2009, and then to $30 billion in September 2010). A Treasury trust received Series C preferred convertible stock in exchange for the facility and $0.5 million. The Series C shares amount to 79.9 percent ownership of common stock, minus the percentage of common shares acquired through warrants. U.S. Government Accountability Office, *Troubled Asset Relief Program: Status of Government Assistance Provided to AIG* (Sept. 2009) (GAO-09-975) (online at www.gao.gov/new.items/d09975.pdf). On September 30, 2010, AIG announced its plans to repay its outstanding obligations to Treasury, FRBNY, and the trust. For details on AIG's repayment plans, *see* Section Two. *See also* American International Group, *AIG Announces Plan to Repay U.S. Government* (Sept. 30, 2010) (online at www.aigcorporate.com/newsroom/2010_September/AIGAnnouncesPlantoRepay30Sept2010.pdf). For information regarding Treasury's TARP investments in AIG, *see* note vi, *supra*. U.S. Government Accountability Office, *Troubled Asset Relief Program: Status of Government Assistance Provided to AIG* (Sept. 2009) (GAO-09-975) (online at www.gao.gov/new.items/d09975.pdf). Additional information was also provided by Treasury in response to a Panel inquiry.

[xxxv] This number includes investments under the AIGIP/SSFI Program: a $40 billion investment made on November 25, 2008, and a $30 billion investment made on April 17, 2009 (less a reduction of $165 million

representing bonuses paid to AIG Financial Products employees). As of August 31, 2010, AIG had utilized $47.5 billion of the available $69.8 billion under the AIGIP/SSFI. U.S. Department of the Treasury, *Troubled Assets Relief Program Monthly 105(a) Report – August 2010*, at 5, 24 (Sept. 10, 2010) (online at www.financialstability.gov/docs/105CongressionalReports/August%202010%20105(a)%20Report_final_9%2010%2010.pdf).

[xxxvi] 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 September 29, 2010, the book value of the Federal Reserve Bank of New York's holdings in AIA Aurora LLC and ALICO Holdings LLC is $25.7 billion in preferred equity ($16.5 billion in AIA and $9.3 billion in ALICO). Federal Reserve Bank of New York, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/).

[xxxvii] This number represents the full $30 billion that is available to AIG through its Revolving Credit Facility (RCF) with FRBNY ($18.9 billion had been drawn down as of September 29, 2010) and the outstanding principal of the loans extended to the Maiden Lane II and III SPVs to buy AIG assets (as of September 29, 2010, $13.7 billion and $14.6 billion, respectively). The maximum amount available through the RCF decreased from $34 billion over the past two months, as a result of the sale of two AIG subsidiaries, as well as the company's sale of CME Group, Inc. common stock. The reduced ceiling also reflects a $3.95 billion repayment to the RCF from proceeds earned from a debt offering by the International Lease Finance Corporation (ILFC), an AIG subsidiary.

The amounts outstanding under the Maiden Lane II and III facilities do not reflect the accrued interest payable to FRBNY. Income from the purchased assets is used to pay down the loans to the SPVs, reducing the taxpayers' exposure to losses over time. Federal Reserve Bank of New York, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 15 (July 2010) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201007.pdf); Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 16 (Aug. 2010) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201008.pdf); Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 15 (Sept. 2010) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201009.pdf).

[xxxviii] This figure represents Treasury's $25 billion investment in Citigroup, minus $13.4 billion applied as a repayment for CPP funding. The amount repaid comes from the $16.4 billion in gross proceeds Treasury received from the sale of 4.1 billion Citigroup common shares. *See* note ii, *supra* (discussing the details of the sales of Citigroup common stock to date). U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 13 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xxxix] This figure represents the $204.9 billion Treasury disbursed under the CPP, minus the $25 billion investment in Citigroup identified above, $139.4 billion in repayments (excluding the amount repaid for the Citigroup investment) that are in "repaid and unavailable" TARP funds, and losses under the program. This figure does not account for future repayments of CPP investments and dividend payments from CPP investments. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 13 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xl] 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).

[xli] This figure represents the $4.3 billion adjusted allocation to the TALF SPV. However, as of September 29, 2010, TALF LLC had drawn only $105 million of the available $4.3 billion. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/); U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010* (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf). On June 30, 2010, the Federal Reserve ceased issuing loans collateralized by newly issued CMBS. As of this date, 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). Earlier, it ended its issues of loans collateralized by other TALF-eligible newly issued and legacy ABS (non-CMBS) on March 31, 2010. Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: Terms and Conditions* (online at www.newyorkfed.org/markets/talf_terms.html) (accessed Oct. 12, 2010); Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: CMBS* (online at www.newyorkfed.org/markets/cmbs_operations.html) (accessed Oct. 12, 2010); *see* Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: CMBS* (online at www.newyorkfed.org/markets/CMBS_recent_operations.html) (accessed Oct. 12, 2010); Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: non-CMBS* (online at www.newyorkfed.org/markets/talf_operations.html) (accessed Oct. 12, 2010); *see* Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: non-CMBS* (online at www.newyorkfed.org/markets/TALF_recent_operations.html) (accessed Oct. 12, 2010).

[xlii] 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*, at 4 (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). Since only $43 billion in TALF loans remained outstanding when the program closed, Treasury is currently responsible for reimbursing the Federal Reserve Board only up to $4.3 billion in losses from these loans. Thus, the Federal Reserve's maximum potential exposure under the TALF is $38.7 billion. *See* Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/).

[xliii] 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. In several sales described in FDIC press releases, it appears that there is no Treasury participation, and FDIC activity is accounted for here as a component of the FDIC's Deposit Insurance Fund outlays. *See, e.g.*, 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).

[xliv] This figure represents Treasury's final adjusted investment amount in PPIP. As of September 30, 2010, Treasury reported commitments of $14.9 billion in loans and $7.5 billion in membership interest associated with PPIP. On January 4, 2010, Treasury and one of the nine fund managers, TCW Senior Management Securities Fund, L.P. (TCW), entered into a "Winding-Up and Liquidation Agreement." Treasury's final investment amount in TCW totaled $356 million. Following the liquidation of the fund, Treasury's initial $3.3 billion obligation to TCW was reallocated among the eight remaining funds on March 22, 2010. *See* U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 23 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xlv] Of the $29.9 billion in TARP funding for HAMP, $28.8 billion has been allocated as of September 30, 2010. However, as of September 30, 2010, only $484.9 million in non-GSE payments has been disbursed under HAMP. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010* (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf). Data provided to Panel staff by Treasury staff (Oct. 13, 2010).

[xlvi] A substantial portion of the total $81.3 billion in loans extended under the AIFP has since been converted to common equity and preferred shares in restructured companies. $8.1 billion has been retained as first lien debt (with $1 billion committed to old GM and $7.1 billion to Chrysler). This figure ($67.1 billion) represents

Treasury's current obligation under the AIFP after repayments and losses. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 18 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xlvii] This figure represents Treasury's total adjusted investment amount in the ASSP. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 19 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[xlviii] U.S. Department of the Treasury, *Troubled Asset Relief Program: Two Year Retrospective*, at 43 (Oct. 2010) (online at www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf).

[xlix] U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for the Period Ending September 30, 2010*, at 17 (Oct. 4, 2010) (online at financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf).

[l] 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. $292.6 billion of debt subject to the guarantee is currently outstanding, which represents approximately 57.8 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* (Aug. 31, 2010) (online at www.fdic.gov/regulations/resources/TLGP/total_issuance08-10.html). 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 Related to the Temporary Liquidity Guarantee Program: Fees Under Temporary Liquidity Guarantee Debt Program* (Aug. 31, 2010) (online at www.fdic.gov/regulations/resources/tlgp/fees.html).

[li] 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, the first, second, third, and fourth quarters of 2009, and the first quarter of 2010. Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement – Second Quarter 2010* (online at www.fdic.gov/about/strategic/corporate/cfo_report_2ndqtr_10/income.html). For earlier reports, *see* Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board* (online at www.fdic.gov/about/strategic/corporate/index.html) (accessed Oct. 12, 2010). 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 eight 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 on another portion of assets. *See, e.g.*, Federal Deposit Insurance Corporation, *Purchase and Assumption Agreement – Whole Bank, All Deposits – Among FDIC, Receiver of Guaranty Bank, Austin, Texas, Federal Deposit Insurance Corporation 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).

[lii] Outlays are comprised of the Federal Reserve Mortgage Related Facilities. The Federal Reserve balance sheet accounts for these facilities under Federal agency debt securities and mortgage-backed securities held by the Federal Reserve. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/). 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, e.g.*, 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).

As of September 2010, there was $159.6 billion still outstanding under Treasury's GSE Mortgage Backed Securities Purchase Program. *See* U.S. Department of the Treasury, *MBS Purchase Program: Portfolio by Month* (online at www.financialstability.gov/docs/September%202010%20Portfolio%20by%20month.pdf) (accessed Oct. 5, 2010). Treasury has received $61.1 billion in principal repayments and $13.9 billion in interest payments from these securities. U.S. Department of the Treasury, *MBS Purchase Program Principal and Interest Received* (online at www.financialstability.gov/docs/September%202010%20MBS%20Principal%20and%20Interest%20Monthly%20Breakout.pdf) (accessed Oct. 5, 2010).

[liii] Federal Reserve Liquidity Facilities classified in this table as loans include primary credit, secondary credit, central bank liquidity swaps, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, loans outstanding to Commercial Paper Funding Facility LLC, seasonal credit, term auction credit, the Term Asset-Backed Securities Loan Facility, and loans outstanding to Bear Stearns (Maiden Lane LLC). Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Sept. 30, 2010) (online at www.federalreserve.gov/releases/h41/20100930/).