



Congressional Oversight Panel

November 6,
2009

Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight
Panel's November 2009 report, "Guarantees and
Contingent Payments in TARP and Related
Programs."

TARP Accounting

Each month since its April oversight report, the Panel has summarized 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 and repayments that the program has received as of September 30, 2009; and (2) an update of the full federal resource commitment as of October 28, 2009.

1. TARP

a. Costs: Expenditures and Commitments⁴³¹

Treasury is currently committed to spend \$531.3 billion of TARP funds through an array of programs used to purchase preferred shares in financial institutions, offer loans to small businesses and automotive companies, and leverage Federal Reserve loans for facilities designed to restart secondary securitization markets.⁴³² Of this total, \$ 391.6 billion is currently outstanding under the \$698.7 billion limit for TARP expenditures set by EESA, leaving \$307.1 billion available for fulfillment of anticipated funding levels of existing programs and for funding new programs and initiatives. The \$391.6 billion includes purchases of preferred and common shares, warrants and/or debt obligations under the CPP, TIP, SSFI Program, and AIFP; a \$20 billion loan to TALF LLC, the special purpose vehicle (SPV) used to guarantee Federal Reserve TALF loans; and the \$5 billion Citigroup asset guarantee, which was exchanged for a guarantee fee composed of additional preferred shares and warrants and has subsequently been exchanged for Trust Preferred shares.⁴³³ Additionally, Treasury has allocated \$27.3 billion to the Home Affordable Modification Program, out of a projected total program level of \$50 billion.

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

A total of 42 institutions have completely repaid their CPP preferred shares, 27 of which have also repurchased warrants for common shares that Treasury received in conjunction with its preferred stock investments. Treasury received \$88.4 million in repayments from three CPP participants during October.⁴³⁴ There were over \$68 billion in repayments made by 12 banks in June the total repayments since then have been approximately \$680.8 million. In addition,

⁴³¹ Treasury will release its next tranche report when transactions under the TARP reach \$500 billion.

⁴³² 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 purchases prices of all troubled assets held by Treasury. Pub. L. No. 110-343, § 115(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).

⁴³³ October 30 TARP Transactions Report, *supra* note 27.

⁴³⁴ October 30 TARP Transactions Report, *supra* note 27.

Treasury is entitled to dividend payments on preferred shares that it has purchased, usually five percent per annum for the first five years and nine percent per annum thereafter.⁴³⁵ In total, Treasury has received approximately \$86 billion in income from repayments, warrant repurchases, dividends, and interest payments deriving from TARP investments⁴³⁶ and another \$1.2 billion in participation fees from its Guarantee Program for Money Market Funds.⁴³⁷

⁴³⁵ See, e.g., U.S. Department of the Treasury, *Securities Purchase Agreement: Standard Terms* (online at www.financialstability.gov/docs/PPP/spa.pdf) (accessed Nov. 4, 2009).

⁴³⁶ U.S. Department of the Treasury, *Cumulative Dividends Report as of August 31, 2009* (Oct. 1, 2009) (online at www.financialstability.gov/docs/dividends-interest-reports/August2009_DividendsInterestReport.pdf); October 30 TARP Transactions Report, *supra* note 27.

⁴³⁷ Money Market Expiration Release, *supra* note 313.

d. TARP Accounting

Figure 24: TARP Accounting (as of October 28, 2009)

TARP Initiative	Anticipated Funding <i>(billions of dollars)</i>	Purchase Price <i>(billions of dollars)</i>	Repayments <i>(billions of dollars)</i>	Net Current Investments <i>(billions of dollars)</i>	Net Available <i>(billions of dollars)</i>
Total	\$531.3	\$467	\$72.9	\$391.6	⁴³⁸ \$307.1
CPP	218	204.7	70.8	133.9	⁴³⁹ 13.3
TIP	40	40	0	40	0
SSFI program	69.8	69.8	0	69.8	0
AIFP	80	80	2.1	⁴⁴⁰ 75.4	⁴⁴¹ 0
AGP	5	5	0	5	0
CAP	TBD	0	N/A	0	N/A
TALF	20	20	0	20	0
PPIP	30	16.7	N/A	\$16.7	13.3
Supplier support program	⁴⁴² 3.5	3.5	0	3.5	0
Unlocking SBA lending	15	0	N/A	0	15
HAMP	50	⁴⁴³ 27.3	0	27.3	22.7
(Uncommitted)	167.4	N/A	N/A	N/A	⁴⁴⁴ 242.6

⁴³⁸ This figure is the sum of the uncommitted funds remaining under the \$698.7 billion cap (\$167.4 billion) and the difference between the total anticipated funding and the net current investment (\$139.7 billion).

⁴³⁹ This figure excludes the repayment of \$70.7 billion in CPP funds. Secretary Geithner has suggested that funds from CPP repurchases will be treated as uncommitted funds of the TARP upon return to the Treasury.

⁴⁴⁰ This number consists of the original assistance amount of \$80 billion less de-obligations (\$2.4 billion) and repayments (\$2.14 billion); \$2.4 billion in apportioned funding has been de-obligated by Treasury (\$1.91 billion of the available \$3.8 billion of DIP financing to Chrysler and a \$500 million loan facility dedicated to Chrysler that was unused). October 30 TARP Transactions Report, *supra* note 27.

⁴⁴¹ Treasury has indicated that it will not provide additional assistance to GM and Chrysler through the AIFP. Government Accountability Office, *Auto Industry: Continued Stewardship Needed as Treasury Develops Strategies for Monitoring and Divesting Financial Interests in Chrysler and GM*, at 28 (Nov. 2009) (GAO-10-151) (online at www.gao.gov/new.items/d10151.pdf) (hereinafter "GAO Auto Report"). The Panel therefore considers the repaid and de-obligated AIFP funds to be uncommitted TARP funds.

⁴⁴² On July 8, 2009, Treasury lowered the total commitment amount for the program from \$5 billion to \$3.5 billion, this reduced GM's portion from \$3.5 billion to \$2.5 billion and Chrysler's portion from \$1.5 billion to \$1 billion. October 30 Transactions Report, *supra* note 28.

⁴⁴³ This figure reflects the total of all the caps set on payments to each mortgage servicer. October 30 Transactions Report, *supra* note 27.

⁴⁴⁴ This figure is the sum of the uncommitted funds remaining under the \$698.7 billion cap (\$167.4 billion), the repayments (\$72.8 billion), and the de-obligated portion of the AIFP (\$2.4 billion). Treasury provided de-obligation information on August 18, 2009, in response to specific inquiries relating to the Panel's oversight of the AIFP. Specifically, this information denoted allocated funds that had since been de-obligated.

Figure 25: TARP Repayments and Income

TARP Initiative	Repayments (as of 10/28/09) (billions of dollars)	Dividends⁴⁴⁵ (as of 9/30/09) (billions of dollars)	Interest⁴⁴⁶ (as of 9/30/09) (billions of dollars)	Warrant Repurchases⁴⁴⁷ (as of 10/28/09) (billions of dollars)	Total (billions of dollars)
Total	\$72.9	\$9.3	\$0.22	\$2.9	\$85.6
CPP	70.8	6.8	0.01	2.9	80.5
TIP	0	1.9	N/A	0	1.9
AIFP	2.1	0.5	0.2	N/A	2.82
ASSP	N/A	N/A	0.01	N/A	0.01
AGP ⁴⁴⁸	0	0.2	N/A	0	0.2
Bank of America Guarantee	–	–	–	–	.28

Rate of Return

As of October 30, 2009, 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, dividends, and warrants) is 17.2 percent. The internal rate of return is the annualized effective compounded return rate that can be earned on invested capital.

⁴⁴⁵ U.S. Department of the Treasury, *Cumulative Dividends Report as of September 30, 2009* (Oct. 30, 2009) (online at www.financialstability.gov/docs/dividends-interest-reports/September%202009_Dividends%20and%20Interest%20Report.pdf).

⁴⁴⁶ U.S. Department of the Treasury, *Cumulative Dividends Report as of September 30, 2009* (Oct. 30, 2009) (online at www.financialstability.gov/docs/dividends-interest-reports/September%202009_Dividends%20and%20Interest%20Report.pdf).

⁴⁴⁷ This number includes \$1.6 million in proceeds from the repurchase of preferred shares by privately-held financial institutions. For privately-held financial institutions that elect to participate in the CPP, Treasury receives and immediately exercises warrants to purchase additional shares of preferred stock. October 30 Transactions Report, *supra* note 28.

⁴⁴⁸ Citigroup is the lone participant in the AGP.