FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
March 31, 2022

Submitted pursuant to section 104(g) of the
Emergency Economic Stabilization Act of 2008

<u>Statutory Members</u>

Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System

Janet Yellen
Secretary
Department of the Treasury

Gary Gensler
Chairman
Securities and Exchange Commission

Marcia Fudge
Secretary
Department of Housing and
Urban Development

Sandra Thompson
Director
Federal Housing Finance Agency

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I. INTRODUCTION

This quarterly report of the Financial Stability Oversight Board ("Oversight Board"), issued pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"), covers the period from January 1 to March 31, 2022 (the "quarterly period").

The Oversight Board was established by section 104 of the EESA to help oversee the Troubled Asset Relief Program ("TARP") and other emergency authorities and facilities granted to the Secretary of the Treasury ("Secretary") under the EESA. The Oversight Board is composed of the Secretary, the Chairman of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Director of the Federal Housing Finance Agency ("FHFA"), the Chairman of the Securities and Exchange Commission ("SEC"), and the Secretary of the Department of Housing and Urban Development ("HUD"). In accordance with the bylaws of the Oversight Board, each Member has designated an official of the same agency to serve as that Member's Representative on the Oversight Board ("Representative").[1]

Through Oversight Board meetings and other activities, the Oversight Board reviews and monitors the development, implementation, and effect of the policies and programs established under TARP to restore liquidity and stability to the U.S. financial system.

The Oversight Board met three times during the quarterly period, specifically on January 20, February 17, and March 17, 2022. As reflected in the minutes of the Oversight Board's meetings,[2] the Oversight Board regularly receives presentations and briefings from Treasury officials during these meetings to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

[1] The respective Members named the following Representatives: Mr. Andreas Lehnert, Division Director, Federal Reserve Board; Mr. Joshua Frost, Assistant Secretary for Financial Markets, Department of the Treasury; Mr. Kurt Usowski, Deputy Assistant Secretary, Office of Economic Affairs, Department of Housing and Urban Development; Ms. Amanda Fischer, Senior Counselor, Securities and Exchange Commission; and Mr. Daniel Coates, Deputy Director, Federal Housing Finance Agency.

[2] Approved minutes of the Oversight Board's meetings are available at: https://home.treasury.gov/data/troubled-assets-relief-program/about-tarp/minutes-reports.

II. THE EFFECTS AND COSTS OF EESA PROGRAMS

Housing Programs

As discussed further below, TARP housing-sector programs through the Hardest Hit Fund (“HHF”) will continue to provide assistance to mortgage borrowers. On December 30, 2016, in accordance with the Consolidated Appropriations Act, 2016 (“the Act”), the Making Home Affordable (“MHA”) Program closed to new applications. MHA servicers were required to evaluate applications submitted before the deadline and offer Home Affordable Modification Program (“HAMP”) trial modifications to eligible applicants in accordance with program guidelines. All MHA transactions were required to be completed by December 1, 2017.

The Act also amended EESA as it relates to the HHF. The Act gave the Secretary until December 31, 2017 to commit up to $2 billion in additional TARP funds to current HHF program participants. On February 19, 2016, Treasury announced that it would exercise its authority to obligate up to $2 billion in additional TARP funds to the HHF, as authorized by the Act. Treasury allocated the funds among participating housing finance agencies (HFAs) in two phases of $1 billion each and extended the date by which states would be required to finalize any decisions with respect to underwriting homeowner assistance or blight elimination projects to December 31, 2020. On April 24, 2020, Treasury further extended the date to June 30, 2021.

With the passage of time and maturation of TARP housing-sector programs, and years of successful performance by households under their respective housing assistance actions, the focus of Oversight Board analysis of housing-sector program effects naturally must evolve. Because MHA has closed to new applications, the volume of new MHA borrower assistance actions no longer serves as a useful indicator for its assessment of program effects. Similarly, as the bulk of HAMP modifications has already seasoned beyond four years—an important benchmark in performance analysis of mortgage lending—the Oversight Board believes that further analysis of incremental HAMP interest rate resets and re-default rates at this juncture will yield relatively little additional information on the sustainability of HAMP modifications. Instead, Oversight Board evaluation of the effects of these housing-sector programs will focus on disbursement rates of TARP resources and on homeowner completion of modifications or other respective assistance actions under TARP, for example, as those actions reach the end of their subsidy or TARP program period.

Investment Programs

Repayments and recoupments of financial sector investments have brought the remaining outstanding balances of TARP investment programs to only a small fraction of their peak levels. The Capital Purchase Program (“CPP”) and the Community Development Capital Initiative (“CDCI”) remain the only TARP financial-sector programs that still have outstanding balances. Accordingly, the Oversight Board evaluation of the effects of TARP financial-sector programs focuses on Treasury’s administration of the financial-sector assets Treasury still owns, emphasizing the management of these assets toward exit strategies that protect taxpayers rather than the connection of these assets to overall conditions in financial markets. Evaluations of such efforts are integrated with broader discussion of investment program developments in section III.

As the participation in these programs winds down more than a decade later, it is important to highlight that in past quarterly reports, the Oversight Board indicated that financial-market shocks from the crisis were lessened by Treasury's actions under EESA, and that TARP and other government programs contributed to preventing the adverse effects of the crisis from becoming significantly more severe. The accumulated effects of Treasury's actions under TARP contributed significantly and positively to conditions in many financial markets and increased credit supply to businesses and households during subsequent quarters.

Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs two times per year and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The most recent lifetime cost estimates of TARP that were available during the reporting period were as of September 30, 2021 (figure 1). The TARP programs fall into two categories: Housing Programs and Investment Programs.

According to these estimates, the expected cost for the housing programs is $32.43 billion.

The expected cost for the investment programs is -$0.34 billion, broken down as follows:

- Bank Support Programs – expected *return* of $24.24 billion
- Capital Market Programs – expected *return* of $3.34 billion
- Other Programs – expected *cost* of 27.25 billion

The overall estimated cost of TARP will be approximately $32.09 billion. Using the same assumptions, Treasury also estimated that the combined overall cost of TARP and other Treasury interests in AIG will be approximately $14.53 billion.

The ultimate cost of TARP remains uncertain and will depend on how financial markets and the economy perform in the future. The individual TARP program lifetime costs are also as of September 30, 2021 (figure 1).

Figure 1

Programs as of March 31, 2022 (dollar amounts in billions)

	Obligation/ Commitment	Disbursed as of March 31	Outstanding Investment Balance as of March 31	Estimated Lifetime Cost as of September 30[2]
Part 1. Housing Programs				
Making Home Affordable	$ 22.91	$ 21.98	n/a	$ 22.91
Hardest Hit Fund[3]	$ 9.60	$ 9.50	n/a	$ 9.50
FHA-Refinance[4]	$ 0.05	$ 0.02	n/a	$ 0.01
Sub-total for Housing Programs	**$ 32.56**	**$ 31.50**	**n/a**	**$ 32.43**
Part 2. Investment Programs				
Bank Support Programs:				
Capital Purchase Program (CPP)[5]	$ 204.89	$ 204.89	$ 0.01	$ (16.32)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ -	$ (4.00)
Asset Guarantee Program (AGP)[6]	$ 5.00	$ -	$ -	$ (4.00)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.00	$ 0.07
Sub-total Bank Support Programs	**$ 250.46**	**$ 245.46**	**$ 0.01**	**$ (24.25)**
Credit Market Programs:				
Public-Private Investment Program (PPIP)	$ 18.63	$ 18.63	$ -	$ (2.73)
Term Asset Backed Securities Lending Facility (TALF)	$ 0.10	$ 0.10	$ -	$ (0.61)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.37	$ -	$ (0.00)
Sub-total Credit Market Programs	**$ 19.09**	**$ 19.09**	**$ -**	**$ (3.34)**
Other Programs:				
American International Group (AIG)	$ 67.84	$ 67.84	$ -	$ 15.18
Automotive Industry Financing Program (AIFP)	$ 79.69	$ 79.69	$ -	$ 12.07
Sub-total Other Programs	**$ 147.53**	**$ 147.53**	**$ -**	**$ 27.25**
Sub-total for Investment Programs[7]	**$ 417.09**	**$ 411.72**	**$ 0.01**	**$ (0.34)**
Part 3. Total for TARP Programs				
Sub-total for Housing Programs	**$ 32.56**	**$ 31.50**	**n/a**	**$ 32.43**
Sub-total for Investment Programs[8]	**$ 417.09**	**$ 411.72**	**$ 0.01**	**$ (0.34)**
Total for TARP Programs	**$ 449.64**	**$ 443.22**	**$ 0.01**	**$ 32.09**
Additional AIG Common Shares Held by Treasury[10]	n/a	n/a	n/a	$ (17.55)
Total for TARP Programs and Additional AIG Shares	**$ 449.64**	**$ 443.22**	**$ 0.01**	**$ 14.54**

Notes:

[1] For more information, see note 10 to the Monthly TARP Update: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/daily-tarp-reports.aspx

[2] Treasury is continuing to disburse funds related to its housing programs, and continuing to recoup its outstanding investments.

[3] Updates regarding oversight of TARP programs can be found at https://www.treasury.gov/initiatives/financial-stability/about-tarp/Pages/Oversight-and-Accountability.aspx

[4] Estimated lifetime cost figures for investment programs and FHA-Refinance are as of September 30, 2021. Figures include interest on reestimates. Lifetime cost information for Making Home Affordable and Hardest Hit Fund reflect cost estimates based on actual and projected volume as of September 30, 2021.

[5] The law creating the Small Business Lending Fund (SBLF) provided that banks could refinance securities issued under the CPP and CDCI programs with securities issued under the SBLF. A total of 137 CPP banks refinanced under the SBLF resulting in repayments of $2.21 billion in CPP investments.

[6] Estimated lifetime cost for AGP includes $276 million for the termination fee Bank of America paid Treasury-OFS for the value received from the announcement of the negotiations on the guarantee and share losses on a pool of assets.

[7] $411.72 is the actual amount disbursed under the various TARP investment programs as opposed to obligations totaling $412.08. This is because 28 CPP banks converted from the CPP program to the CDCI program and those conversions, totaling $363.3 million, are not reflected as new disbursements.

[8] In December, 2015, Congress passed the Consolidated Appropriations Act, 2016, which gave the Secretary of the Treasury the authority to commit up to $2 billion in additional TARP funds to current HHF program participants. The additional $2 billion was obligated by Treasury as of June 2016 and is included in the total amount obligated for HHF.

[9] In September 2017 the letter of credit was reduced from $100 million to $27 million. The figures in this line also include $18 million obligated for administrative expenses associated with the letter of credit.

[10] As discussed in note 10 to the Monthly TARP Update, Treasury's investment in AIG common shares consisted of shares acquired in exchange for preferred stock purchased with TARP funds (TARP shares) and shares received from the trust created by the FRBNY for the benefit of Treasury as a result of its loan to AIG (non-TARP shares). Treasury managed the TARP shares and non-TARP shares together, and disposed of them pro-rata in proportion to its holdings. Only the TARP shares are included under "Other Programs—AIG" and the lifetime cost estimate shows a loss based on Treasury's cost basis in the TARP shares alone. However, a gain is shown for the non-TARP shares on the line entitled "Additional AIG Common Shares Held by Treasury" because Treasury's cost basis in such shares was deemed to be zero. When the TARP shares and non-TARP shares are considered together, Treasury's cost on a cash basis was $28.73 per share. TARP estimates include financing costs (borrowing) from the time of initial investment through the close of the program.

III. DISCUSSION OF THE ACTIONS TAKEN BY TREASURY UNDER THE EESA DURING THE QUARTERLY PERIOD

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under EESA during the quarterly period, from January 1 to March 31, 2022, subject to review and oversight of the Oversight Board.

a. Housing Stabilization and Foreclosure Mitigation

During the quarterly period, a quarterly HAMP Performance Summary was released covering program activity during the period October 2021 through December 2021.[6] A Performance Summary for HHF will also be released covering the first quarter of 2022.[7] In addition, housing market indicator reports on the health of the nation's housing market produced by HUD were released for each month of the quarter.[8]

i. MHA

MHA programs provide assistance actions through first and second lien permanent modifications under HAMP, Treasury FHA HAMP, RD-HAMP (administered by the Rural Development Division of the Department of Agriculture), Second Lien Modification Program ("2MP"), and other assistance provided through Home Affordable Foreclosure Alternatives ("HAFA") transactions and Home Affordable Unemployment Program ("UP") forbearance plans. For some programs, assistance includes that provided by the Government Sponsored Enterprises ("GSEs").

The Act provided that the MHA Program would terminate on December 31, 2016, except with respect to certain loan modification applications made before such date. As set forth in program guidelines, MHA servicers were required to evaluate applications submitted before the deadline and offer trial modifications to eligible applicants. All MHA trial modification transactions were required to be completed by December 1, 2017.

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[6] The HAMP Performance Summary Report tracks the total number of HAMP permanent modifications ever begun, and their performance by type, with the delinquency percentages of modifications by year.

[7] HHF Performance Summaries are available at: https://home.treasury.gov/data/troubled-assets-relief-program/reports/hhf

[8] The National Housing Market Indicator Report incorporates key housing market statistics from government and private sector sources and is available at: https://www.huduser.gov/portal/ushmc/hmi-update.html.

As of March 31, 2022, Treasury had disbursed $21.98 billion in incentive payments for MHA, $0.09 billion of which was disbursed during the first quarter of 2022.[9] Treasury estimated that $22.43 billion in incentive payments would ultimately be disbursed in association with all MHA assistance actions, based on actual and projected volume as of December 31, 2021.

a. HAMP

Through December 2017, more than 1.7 million HAMP permanent modifications had been completed since the start of the program. As of December 31, 2017, homeowners that received HAMP permanent modifications saved approximately $466 per month (median savings), representing a reduction of more than one third from their before-modification mortgage payment. Since HAMP began, homeowners who received permanent modifications had saved an estimated $55 billion in monthly mortgage payments.[10]

ii. HHF

As of March 31, 2022, 18 states and the District of Columbia had operated HHF programs throughout their respective jurisdictions, and collectively have drawn approximately $9.50 billion (approximately 99.0 percent) of the $9.60 billion allocated under the program (figure 2). Sixteen states and the District of Columbia (Alabama, Arizona, California, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, and South Carolina) have closed and completed their final repayments to Treasury. Each of these eligible jurisdictions draws down funds as they are needed. The jurisdictions had until June 30, 2021, to approve assistance actions and must have no more than five percent of their allocation on hand before they can draw down additional funds.

As of March 31, 2022, HHF has disbursed funds on behalf of 91 programs. Treasury has and will continue its efforts to identify best practices, share lessons learned among programs, and provide robust oversight of HFAs as the program winds down.

[9] Treasury's Transactions Reports (Housing), available at: re https://home.treasury.gov/data/troubled-assets-relief-program/reports/tarp-housing-transaction-ports, show the adjusted cap amounts for each servicer, and the total disbursements to each servicer with respect to non-GSE loans. Incentive payments for GSE loans are borne by the GSEs and not Treasury.

[10] Treasury's Quarterly Making Home Affordable Program Performance Reports are available at: https://home.treasury.gov/data/troubled-assets-relief-program/reports/making-home-affordable-program-performance-report

Figure 2

Hardest Hit Fund as of March 31 2022

Hardest Hit Fund (HHF)

Program Updates in March

1 On March 1, 2022, Rhode Island completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

2 On March 31, 2022, Alabama completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

3 On March 31, 2022, Arizona completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

4 On March 31, 2022, Indiana completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

5 On March 31, 2022, Mississippi completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

6 On March 31, 2022, Oregon completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

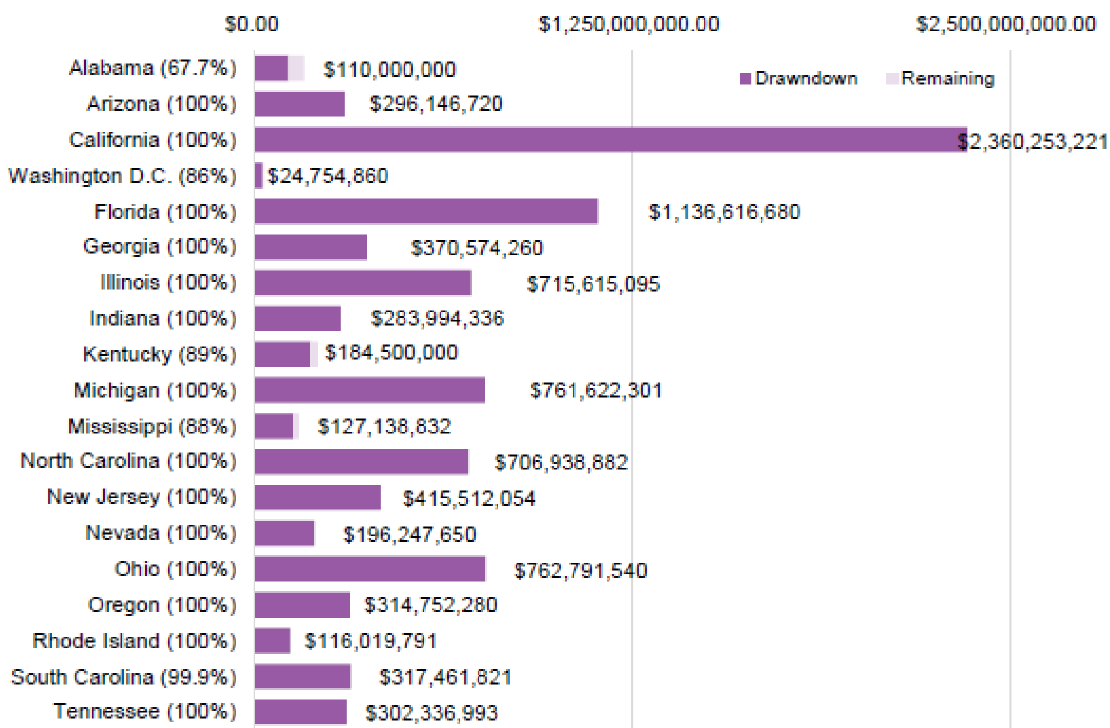
7 On March 31, 2022, Washington DC completed its final repayment to Treasury in accordance with the terms and conditions of the HFA Participation Agreement.

Funds Drawn Down in March

State		*Amount (millions)*
None		
Total Drawn to Date[1]	$	9,503

Funds Drawn as of March 31, 2022

State (% Cap Disbursed)



b. Capital and Guarantee Programs for Financial Institutions

i. Update on the Capital Purchase Program ("CPP")

As of March 31, 2022, one institution remained in the CPP program with total outstanding CPP obligations of $12.1 million. As of that date, Treasury had received approximately $207.73 billion in gross proceeds from repayments and auction sales under the CPP, exceeding the $204.89 billion in total funds initially disbursed.[11]

These repayments and auction sales, along with dividends, interest, and fee income from participating bank organizations brought the total cash received from the CPP to $226.8 billion.

No additional CPP institutions filed for bankruptcy or entered receivership during the quarterly period. A total of 34 CPP recipients have been placed in receivership, bankruptcy, or have been written-off since the inception of the program (figure 3), of which 14 have exited the respective process.

[11] This amount received includes all proceeds received as of March 31, 2022 from CPP participants, including sales of common and preferred shares; institutions that refinanced to the Small Business Lending Fund ("SBLF"); and exchanges out of the CPP into the CDCI.

Figure 3

CPP Investments in Bankruptcy or with Banking Subsidiary in Receivership (cumulative since 2008)

CPP Institutions Entered into Bankruptcy/Receivership - Realized Loss/Write-Off		
Institution Name	**Bankruptcy/ Receivership Date**	**Realized Loss/ Write-Off Amount**
CIT Group Inc.*	11/1/2009	$ 2,330,000,000.00
UCBH Holdings, Inc.	11/6/2009	$ 298,737,000.00
Pacific Coast National Bancorp*	11/13/2009	$ 4,120,000.00
Midw est Banc Holdings, Inc.*	5/14/2010	$ 84,784,000.00
Sonoma Valley Bancorp	8/20/2010	$ 8,653,000.00
Pierce County Bancorp	11/5/2010	$ 6,800,000.00
Tifton Banking Company*	11/12/2010	$ 3,800,000.00
Legacy Bancorp, Inc.	3/11/2011	$ 5,498,000.00
Superior Bancorp Inc.	4/15/2011	$ 69,000,000.00
FPB Bancorp Inc.	7/15/2011	$ 5,800,000.00
One Georgia Bank*	7/15/2011	$ 5,500,000.00
Integra Bank Corporation	7/29/2011	$ 83,586,000.00
Citizens Bancorp	9/23/2011	$ 10,400,000.00
CB Holding Corp.	10/14/2011	$ 4,114,000.00
Tennessee Commerce Bancorp, Inc.	1/27/2012	$ 30,000,000.00
Blue River Bancshares, Inc.	2/10/2012	$ 5,000,000.00
Fort Lee Federal Savings Bank*	4/20/2012	$ 1,300,000.00
Gregg Bancshares, Inc.	7/13/2012	$ 825,000.00
GulfSouth Private Bank*	10/19/2012	$ 7,500,000.00
Investors Financial Corporation of Pettis County, Inc.	10/19/2012	$ 4,000,000.00
First Place Financial Corporation*	10/29/2012	$ 72,927,000.00
Princeton National Bancorp	11/2/2012	$ 25,083,000.00
Premier Bank Holding Company*	8/14/2012	$ 9,500,000.00
Gold Canyon Bank*	4/5/2013	$ 1,607,000.00
Indiana Bank Corp.*	4/9/2013	$ 1,312,000.00
Rogers Bancshares, Inc.	7/5/2013	$ 25,000,000.00
Anchor Bancorp Wisconsin, Inc.*	8/12/2013	$ 104,000,000.00
TCB Holding Company	12/13/2013	$ 11,730,000.00
Syringa Bancorp	1/31/2014	$ 8,000,000.00
Idaho Bancorp*	4/24/2014	$ 6,900,000.00
Rising Sun Bancorp	10/17/2014	$ 5,983,000.00
Western Community Bancshares, Inc.	11/7/2014	$ 7,290,000.00
Cecil Bancorp, Inc.*	6/30/2017	$ 11,560,000.00
OneFinancial Corporation (One Bank & Trust, N.A.)**	8/15/2018	$ 17,300,000.00
	Total	**$ 3,277,609,000.00**
*Institution has exited the bankruptcy/receivership process		
**Institution has not entered bankruptcy/receivership but is not collectible		

ii. Update on the Community Development Capital Initiative ("CDCI")

As of March 31, 2022, two CDCI institutions remained in the program for a total outstanding investment of $1.1 million.

APPENDIX A

Minutes of the Financial Stability Oversight Board Meetings
During the Quarterly Period