Emergency Economic Stabilization Act Programs

Program Summary

Dollars in Billions

As of November 30, 2011	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding *(Includes Realized Losses)*	Total Cumulative Income	Total Cumulative Repayments	Total Estimated Lifetime Costs As of 11/30/11	
Bank Support Programs	$250	$245	$18	$33	$225	($21)	
Credit Market Programs	$27	$18	$17	$1	$2	($3)	
AIG Investment Program (AIG)	$68	$68	$50	$0	$16	$22	*
Automotive Industry Financing Program	$80	$80	$37	$5	$35	$24	
Treasury Housing Programs	$46	$3	N/A	N/A	N/A	$46	
Total for TARP Programs	**$470**	**$414**	**$121**	**$40**	**$278**	**$68**	
Additional AIG Common Shares Held by Treasury	N/A	N/A	N/A	N/A	N/A	($14)	*
Total for TARP Programs and Additional AIG Shares	**$470**	**$414**	**$121**	**$40**	**$278**	**$54**	

** If all Treasury AIG Investments are combined, we currently estimate a net loss of $8.8 billion on those shares.*

Summary and Explanation of Programs

The Emergency Economic Stabilization Act (EESA) was enacted in October 2008 in response to one of the worst financial crises in United States history. To address the crisis, EESA established the Office of Financial Stability (OFS) within the Treasury Department to implement the Troubled Asset Relief Program (TARP). EESA vested authority in the Secretary of the Treasury to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary." OFS supports Treasury's strategic goal to repair and reform the financial system and support recovery in the housing market.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted on July 21, 2010, reduced the TARP authority to purchase troubled assets from $700 billion to $475 billion; required that repayments of amounts invested under TARP cannot be used to increase the purchase authority and are dedicated to reducing the federal debt; and prohibited new obligations for any program or initiative that was not already initiated prior to June 25, 2010.

Over the past three years, emergency actions taken through TARP and other financial stability initiatives have helped stabilize the financial sector; unfreeze the markets for credit and capital; and bring down the cost of borrowing. These actions have helped restore confidence in the financial system and restart economic growth. The conditions of most security markets and large financial institutions have improved substantially since 2008. Borrowing costs for large banks, nonfinancial businesses, and state and local governments have returned to near normal levels. Frozen securities markets have reopened. Prices for legacy securities have improved. Large banks are better capitalized than before the crisis, and restructuring in the financial industry is well underway.

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to the taxpayer of TARP investments has dropped from the FY 2009 estimate of $341 billion to $67.8 billion as of November 30, 2011.

In FY 2013, OFS plans to obligate $283 million for administrative expenses and use 165 FTE, a decrease of $43 million and 42 FTE from the FY 2012 estimates.

Legislative Proposals

The OFS programs have no legislative proposals for FY 2013.

Description of Performance

Bank Support Programs

Capital Purchase Program (CPP)

The CPP was launched to stabilize the financial system and build confidence in the financial system by bolstering the capital position of viable financial institutions. With the additional capital, CPP participants were better equipped to undertake new lending (or reduce lending by less than otherwise would have occurred) and absorb write downs and charge-offs on loans that were not performing. OFS ultimately provided a total of $205 billion in capital to 707 institutions in 48 states, including more than 450 small and community banks and 22 Community Development Financial Institutions (CDFIs). As of November 30, 2011, there are 379 institutions remaining in the program for a total of $17.06 billion in capital outstanding.

Targeted Investment Program (TIP)

OFS established the TIP under the TARP in December 2008. Through TIP, OFS sought to prevent a loss of confidence in critical financial institutions, which could result in significant financial market disruptions, threaten the financial strength of similarly situated financial institutions, impair broader financial markets, and undermine the overall economy. OFS invested $20 billion each in Bank of America and Citigroup under the TIP. As of December 31, 2009, the TIP was closed as part of Treasury's effort to wind down TARP. Both Citigroup and Bank of America fully redeemed the Government's TIP investments of $40 billion plus $3 billion in dividends and $1.43 billion in warrants during 2010, which generated $4.43 billion in profits for taxpayers.

Asset Guarantee Program (AGP)

Pursuant to section 102 of EESA, OFS established the AGP with the objective of preserving financial market stability. The AGP provided protection against the risk of significant losses in pools of assets held by Citigroup and Bank of America. The AGP helped these institutions maintain the confidence of their depositors and other funding sources while continuing to meet the credit needs of households and businesses. The AGP closed in December 2009 without paying any claims and generated $3.04 billion in revenue for taxpayers.

Community Development Capital Initiative (CDCI)

In February 2010, OFS announced the CDCI to lower the cost of capital in CDFIs that lend to small businesses in the country's hardest-hit communities. CDFI banks and thrifts, which target more than 60 percent of their small business lending and other economic development activities to underserved communities, are eligible to receive investments of capital with an initial dividend rate of 2 percent. CDFIs participated in CPP and were in good standing were eligible to exchange those investments into this program. As of November 30, 2011, OFS has invested $570 million in 84 CDFIs.

Credit Market Programs

Public-Private Investment Program (PPIP)

OFS, the Federal Reserve, and the Federal Deposit Insurance Corporation announced the PPIP on March 23, 2009. OFS made equity and debt investments in newly-formed investment vehicles, Public Private Investment Funds (PPIF), established by private investment managers for the purpose of purchasing legacy securities. These investments ensure that credit is available to households and businesses and help restart credit markets. As of November 30, 2011, OFS has disbursed $17.66 billion out of $21.86 billion allocated to the PIPP.

Term Asset-Backed Securities Loan Facility (TALF)

The TALF was created by the Federal Reserve Board (FRB) to restart the asset-backed securitization market by providing low cost funding to investors in certain classes of Asset Backed Securities (ABS). The TALF's objective was to stimulate investor demand for certain types of eligible ABS, specifically those backed by loans to consumers and small businesses, and ultimately to bring down the cost and increase the availability of new credit to consumers and businesses. OFS originally provided up to $20 billion of TARP funds in liquidity and credit protection to the FRB for first-losses arising under TALF loans. On July 20, 2010, OFS' commitment was reduced to $4.3 billion. As of November 30, 2011, OFS has experienced no losses under the program.

Small Business Administration (SBA) 7(a) Security Purchase Program

In March 2010, Treasury announced the SBA 7(a) Securities Purchase Program to encourage financial institutions to increase small business lending and to ensure that credit flows to entrepreneurs and small business owners. OFS purchased $368.1 million of guaranteed securities backed by SBA 7(a) loans (7(a) Securities). As of November 30, 2011, OFS continues to hold 8 SBA 7(a) securities with a current face value of approximately $59.1 million and sold 23 SBA 7(a) securities through three Bids Wanted in Competition for $271.7 million, which represents total gains and income to OFS of $7.5 million.

American International Group, Inc. (AIG) Investment Program

In September 2008, AIG - the largest provider of conventional insurance in the world, the largest issuer of commercial paper, and the second largest holder of U.S. municipal bonds - was on the brink of failure. To avoid a negative impact on global financial and insurance markets, the government provided financial assistance to AIG, initially in the form of loans by the Federal Reserve Bank of New York (FRB-NY) and later under TARP. At its peak, the government committed approximately $180 billion to AIG, with $70 billion committed by OFS. The government has recovered a majority of the funds and is working to recover the remaining assistance.

OFS purchased $40 billion in cumulative preferred stock from AIG under the TARP, the proceeds were used to repay a Federal Reserve loan in part. In April 2009, OFS exchanged the $40 billion in cumulative preferred stock for $41.6 billion in non-cumulative preferred stock. OFS also created an additional equity capital facility, under which AIG could draw up to $29.8 billion as needed in exchange for issuing additional preferred stock to OFS.

On September 30, 2010, the Treasury, FRBNY, and AIG announced plans for a restructuring of the federal government's investments in AIG. The components of the capital restructuring plan closed in January 2011 with OFS receiving 1.092 billion AIG common shares and AIG drawing an additional $20.3 billion from OFS. Under the re-structuring, Treasury received an additional allotment of AIG common stock from the trust created by the FRBNY that is outside of the TARP AIG investments. In February 2011, AIG sold two subsidiaries and repaid $2.1 billion, which reduced OFS' preferred equity interest in the AIG owned Special Purpose Vehicles (SPV) from $20.3 billion to $18.2 billion. In March 2011, AIG repaid OFS an additional $6.9 billion. In May 2011, Treasury completed the sale of 200 million shares of AIG common stock at $29.00 per share for $5.8 billion, with $3.8 billion in proceeds to Treasury. In August 2011, AIG repaid OFS $2.2 billion, including $0.2 billion in preferred interest returns recognized as dividends, which further reduced OFS' preferred equity interest in the SPVs from $11.3 billion to $9.3 billion.

As of November 30, 2011, OFS' remaining gross outstanding TARP AIG related investments amounted to $49.95 billion, which consists of 960 million shares of AIG common stock, and approximately $8.15 billion of preferred equity interests. Treasury holds an additional 495 million AIG common shares.

Automotive Industry Financing Program (AIFP)

OFS established the AIFP on December 19, 2008, to help prevent a significant disruption to the American automotive industry, which would have negatively impacted financial market stability and the economy. Under the AIFP, OFS allocated $82 billion, of which almost $80 billion was disbursed and $2 billion was cancelled, in emergency loans and other investments to General Motors Corporation (GM), Chrysler LLC (Chrysler), and their financing affiliates to assist these companies through orderly restructurings and achieve viability.

In November and December 2010, OFS received $13.5 billion for the sale of over 400 million GM shares, reducing OFS's ownership percentage of GM common stock from 60.8 percent to 32 percent. OFS also accepted an offer from GM to repurchase $2.1 billion of preferred stock, a deal which was closed in December 2010. As of September 30, 2011, OFS held 500 million shares of common stock in General Motors Company (New GM). Chrysler has repaid all outstanding debt, and OFS has canceled the remaining $2.1 billion undisbursed obligation. Fiat paid $560 million to OFS for its remaining stake in Chrysler and rights under an agreement with the United Auto Workers retirement trust pertaining to the trust's shares in Chrysler. OFS is unlikely to recover the outstanding $1.3 billion lent to "old" Chrysler which is in bankruptcy liquidation.

Treasury Housing Programs Under TARP

The Treasury Housing Programs under TARP assist homeowners who are experiencing financial hardships to remain in their homes until their financial position improves or they relocate to a more sustainable living situation.

Making Home Affordable Program (MHA)

MHA includes sub programs that assist borrowers in refinancing first and second mortgages, including benefits for unemployed homeowners, as well as modification alternatives. In FY 2010, additional programs were introduced under MHA: options for Federal Housing Administration guaranteed loans and expanded second lien benefits. Funds are paid out over the length of the modifications, and as of November 30, 2011, OFS disbursed $2.1 billion out of a possible $29.9 billion of incentive fees under MHA.

Housing Finance Agency (HFA) Hardest-Hit Fund

The HFA Hardest-Hit Fund was implemented in FY 2010 and provides aid to families in the states hit hardest by the housing market downturn and unemployment. Eighteen states and the District of Columbia have developed custom programs targeted to address the specific needs and economic conditions of their state. As of November 30 2011, OFS disbursed $672 million out of a possible $7.6 billion under the HFA Hardest-Hit Fund.

Federal Housing Administration (FHA)-Refinance Program

The FHA-Refinance Program is a joint initiative with the Department of Housing and Urban Development which is intended to encourage refinancing of existing underwater mortgage loans not currently insured by FHA into FHA-insured mortgages. As of November 30, 2011, 491 loans had been refinanced and no claim payments have been made under this program.