

Office of Financial Stability

Program Summary

Dollars in Billions

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding	Total Cumulative Income	Total Cash Back	Total Estimated Lifetime Costs (as of 11/30/15)
Bank Support Programs	250	245	1	36	275	-24
	19	19	0	5	24	-3
AIG Investment Program (AIG)	68	68	0	1	55	15 *
Automotive Industry Financing Program	80	80	0	7	71	12
Treasury Housing Programs	38	19			0	35
Total**	\$455	\$430	\$1	\$49	\$425	\$35
Additional AIG Common Shares Held by Treasury	0	0	0	18	18	-18 *
Total for Programs and Shares**	\$455	\$430	\$1	\$66	\$442	\$17

* If all Treasury AIG Investments are combined, it results in a net gain of nearly \$2.4 billion on those shares.

**Totals may not foot due to rounding.

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.”

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 to \$475 billion from an original \$700 billion.

As a result of careful stewardship of the program and improved financial conditions, the ultimate cost to the taxpayers of TARP investments has dropped from the FY 2009 estimate of \$341.0 billion to \$34.5 billion as of

November 30, 2015 (\$17.0 billion when Treasury’s additional AIG receipts are included).

In FY 2017, OFS plans to obligate \$127 million and use 64 FTEs, a decrease of more than \$20 million and 8 FTEs from the updated FY 2016 estimates, to fund the management of the TARP housing programs and the continuing disposition of OFS’s remaining investments. The decrease in FTEs and outside contracts reflects the continued wind-down of TARP.

Legislative Proposals

OFS has no legislative proposals for FY 2017.

Description of Performance

Bank Support Programs

Capital Purchase Program (CPP)

The CPP - OFS’s largest program - was launched to stabilize and build confidence in the financial system by bolstering the capital position of viable institutions. OFS ultimately provided a total of \$204.9 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, 2015, the CPP has generated \$226.6 billion, \$21.7 billion in excess of disbursements, in proceeds for taxpayers with 18 institutions remaining in the program for a total of \$263 million in investments outstanding.

Targeted Investment Program (TIP)

OFS completed the wind-down of the \$40.0 billion TIP in December 2009 and received net proceeds of \$4.4 billion in excess of disbursements. For additional information on TIP, please reference previous budget submissions.

Asset Guarantee Program (AGP)

OFS completed the wind-down of the \$5 billion AGP in February 2013, and received more than \$4.1 billion in proceeds from the AGP without disbursing any claim payments. For additional information on AGP, please reference previous budget submissions.

Community Development Capital Initiative (CDCI)

To help mitigate the adverse impact that the financial crisis had on communities underserved by traditional banks, OFS launched CDCI to provide capital to banks, thrifts, and credit unions that qualified as Community Development Financial Institutions (CDFIs) in February 2010. Under this program, CDFI banks and thrifts received investments of capital with an initial dividend or interest rate of two percent, compared to the five percent rate offered under the CPP.

OFS invested a total of \$570 million in 84 CDFIs. As of November 30, 2015, 23 institutions have fully repaid their investment, 5 institutions have partially repaid their

investment, and one has been taken into receivership, and the program has approximately \$445 million in investments outstanding.

Credit Market Programs

Public-Private Investment Program (PPIP)

On March 23, 2009, OFS launched the Legacy Securities Public-Private Investment Program (PPIP) to help restart the market for non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). The purpose of PPIP was to draw new private capital into the market for legacy RMBS and CMBS by providing financing on attractive terms as well as a matching equity investment from OFS. Treasury invested a total of \$18.6 billion in the program. All of the PPIFs have been effectively wound down and OFS has recovered all of its debt and equity investments plus an additional \$3.9 billion in revenue.

Term Asset-Backed Securities Loan Facility (TALF)

OFS completed the wind-down of TALF in February 2013 when OFS's \$100 million disbursed investment was fully repaid. OFS received net proceeds of \$685 million in excess of disbursements. For additional information on TALF, please reference previous budget submissions.

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

OFS sold all its SBA 7(a) securities in the portfolio by FY 2012, marking the successful wind-down of the \$368 million program. OFS received net proceeds of \$9 million in excess of disbursements. For additional information on SBA, please reference previous budget submissions.

American International Group, Inc. (AIG) Investment Program

The Federal Reserve, and later OFS, after EESA became law, provided assistance to AIG totaling approximately \$182 billion, which included \$70 billion from OFS and \$112 billion committed by the FRBNY. In FY 2013, OFS and the FRBNY completed the recovery of their investments in AIG. OFS and FRBNY have recovered that entire amount and an additional \$22.7 billion and Treasury fully exited its investment in AIG in FY 2013. For additional information on AIG, please reference previous budget submissions.

Automotive Industry Financing Program (AIFP)

Under AIFP, OFS invested a total of \$79.7 billion in GM, Ally Financial (Ally), and Chrysler.

OFS made loans totaling \$50.2 billion (including funds for warranty suppliers) to GM. Some of those loans were subsequently converted to common stock in GM. Through share repurchases by the company, as well as sales of shares to investors, OFS completed its disposition of GM in December 2013, with proceeds of \$10.5 billion less than invested.

OFS committed a total of \$12.4 billion to Chrysler under TARP. In July 2011, OFS fully exited its investment in Chrysler, six years ahead of schedule. Of the \$12.4 billion disbursed to Chrysler under TARP, OFS recovered more than \$11.2 billion for taxpayers through principal repayments, interest, and cancelled commitments. OFS is unlikely to fully recover the difference of \$1.2 billion owed by Old Chrysler.

OFS invested \$17.2 billion in Ally under TARP (including \$884 million invested through GM). OFS has fully liquidated its investment in Ally Financial through repurchases, private placements, an initial

public offering (IPO), and underwritten common stock sales and has realized cumulative receipts of \$19.6 billion, \$2.4 billion more than invested.

Treasury Housing Programs Under TARP

OFS established several programs under TARP to address the historic housing crisis and help struggling homeowners avoid foreclosure wherever possible. These programs have helped millions of homeowners avoid foreclosure and introduced important new reforms for the mortgage servicing industry to help make mortgage modifications become more sustainable and affordable.

Making Home Affordable Program (MHA)

In early 2009, OFS launched the Making Home Affordable[®] Program (MHA) to help struggling homeowners avoid foreclosure and stabilize the housing market. The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable levels. OFS also introduced additional programs under MHA to help homeowners who are unemployed, “underwater” on their loan (those who owe more on their home than it is currently worth), or are struggling with a second lien. It also includes options for homeowners who would like to transition to a more affordable living situation through a short sale or deed-in-lieu of foreclosure. On June 26, 2014, the Administration extended the application deadline for MHA programs to at least December 31, 2016. In addition, OFS has recently made changes to MHA programs to better assist homeowners avoid foreclosure and create a safety net for borrowers facing rate step-ups in a HAMP modification which include increasing borrower incentives, lowering interest rates, and providing payment relief on HAMP modifications. In July 2015, OFS announced a streamlined modification

process under HAMP to assist homeowners who are seriously delinquent and have not completed a HAMP application.

In addition to HAMP, MHA includes additional programs to help homeowners with specific types of mortgages, in conjunction with the Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA). As of November 30, 2015, OFS had disbursed \$12.9 billion out of a possible \$29.8 billion under MHA.

Housing Finance Agency (HFA) Hardest-Hit Fund

The Administration established the Hardest Hit Fund (HHF) in February 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn. As part of the Administration's overall strategy for restoring stability to housing markets, HHF provides funding for state Housing Finance Agencies (HFAs) to develop locally-tailored foreclosure prevention solutions in areas that have been hardest hit by home price declines and high unemployment. From its initial announcement, this program evolved from a \$1.5 billion initiative focused on HFAs in the five states with the steepest home price declines and the vast majority of underwater homeowners to a broader-based \$7.6 billion initiative encompassing 18 states and the District of Columbia (DC). In December 2015, the Consolidated Appropriations Act, 2016 (P.L. 114-113) granted Treasury authority to make an additional \$2.0 billion in commitments through the HHF.

HHF programs vary state to state, but may include such programs as mortgage payment assistance for unemployed or underemployed homeowners, principal reduction to help homeowners get into more affordable mortgages, funding to eliminate homeowners' second lien loans, help for homeowners who are transitioning out of their homes and into more affordable living situations, blight elimination in an effort to stabilize neighborhoods and prevent foreclosures, and down payment assistance to moderate-income qualified homebuyers in distressed markets. As of November 30, 2015, OFS had disbursed \$5.8 billion under the HFA Hardest-Hit Fund.

Federal Housing Administration (FHA)-Refinance Program

OFS also continues to support the Federal Housing Administration Short Refinance Program. Under this program, eligible borrowers who are current on their mortgage or complete a trial payment plan but owe more than their home is worth, can refinance into an FHA-insured loan if the lender writes off at least 10 percent of the existing loan. Utilization of the program has been limited with OFS providing coverage for only approximately 4,200 loans refinanced as of September 30, 2015. As such, OFS has reduced the letter of credit (LOC) facility supporting this program from \$8.1 billion to \$100 million. As of September 30, 2015, the revised lifetime cost estimate for the program is \$29 million for outstanding refinanced loans.