Office of Financial Stability

Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions (As of 11/30/14)

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding (Includes Realized Losses)	Total Cumulative Income	Total Cumulative Repayments	Total Estimated Lifetime Costs (as of 9/30/14)	
Bank Support Programs	250	245	1	36	275	-24	
Credit Market Programs	19	19	0	5	24	-3	
AIG Investment Program (AIG)	68	68	0	1	55	15	*
Automotive Industry Financing Program	80	80	1	7	69	12	
Treasury Housing Programs Under TARP	38	15				37	
Total**	**$456**	**$426**	**$2**	**$48**	**$423**	**$37**	
Additional AIG Common Shares Held by Treasury	0	0	0	18	18	-18	*
Total for Programs and Shares**	**$456**	**$426**	**$2**	**$66**	**$440**	**$20**	

**If all Treasury AIG Investments are combined, we currently estimate a net gain of $2.3 billion on those shares.*

***Totals may not foot due to rounding.*

Summary and Explanation of Programs

The Emergency Economic Stabilization Act (ESSA) 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 and, the ultimate cost to the taxpayers of TARP investments has dropped from the FY 2009 estimate of $341.0 billion to $37.5 billion as of September 30, 2014 ($20.0 billion when Treasury's additional AIG receipts are included).

In FY 2016, OFS plans to obligate $155 million and use 75 FTEs, a decrease of $15 million and 12 FTEs from the updated FY 2015 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 2016.

Description of Performance

<u>Bank Support Programs</u>

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, 2014, the CPP has generated $226.0 billion, $21.1 billion in excess of disbursements, in proceeds for taxpayers with 35 institutions remaining in the program for a total of $558 million in investments outstanding.

Targeted Investment Program (TIP)

OFS established the TIP in December 2008 to prevent a loss of confidence in critical financial institutions, which could 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. Both Citigroup and Bank of America fully redeemed the Government's TIP investments of $40 billion plus $3.0 billion in dividends and $1.4 billion in warrants during 2010, which generated $4.4 billion in net proceeds for taxpayers.

Asset Guarantee Program (AGP)

OFS established the AGP which was used in conjunction with the TIP to support the value of certain assets held by Bank of America and Citigroup by agreeing to absorb a portion of the losses on those assets. The AGP closed in December 2009 without paying any claims and has generated $4.1 billion in net proceeds for taxpayers.

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, 2014, 16 institutions have fully repaid their investment, 3 institutions have partially repaid their investment, and one has been taken into receivership, and the program has approximately $462 million in investments outstanding.

<u>Credit Market Programs</u>

Public-Private Investment Program (PPIP)

OFS launched PPIP to support credit market functioning and facilitate price discovery in the markets for commercial and residential mortgage financing. Using TARP funds alongside equity capital raised from private investors, PPIP was designed to generate a significant purchasing power and demand for RMBS and CMBS. OFS originally committed approximately $22.1 billion of equity and loans to the nine Public-Private Investment Funds (PPIFs). As of November 30, 2014, 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.

Term Asset-Backed Securities Loan Facility (TALF)

The TALF was a joint Federal Reserve-Treasury program that was designed to restart the asset-backed securities (ABS) markets that provide credit to consumers and small businesses, which had ground to a virtual standstill during the early months of the financial crisis.

OFS originally committed to provide $20.0 billion in the form of subordinated debt to TALF, LLC to support a $200.0 billion loan portfolio. On January 15, 2013, the commitment was eliminated. As of November 30, 2014, accumulated income earned from investments in the TALF, LLC totaled $685 million.

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

In March 2010, OFS 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 invested in a total of 31 SBA 7(a) securities with a value of approximately $367 million (excluding purchased accrued interest) between March and September 2010. In January 2012, OFS concluded winding down the program in total, collecting $376 million through sales, principal payments, interest payments over the life of the program, representing cash collections of approximately $9 million more than its original investment of $367 million.

American International Group, Inc. (AIG) Investment Program

During the financial crisis, the federal government provided assistance to prevent the collapse of AIG. This assistance came from the Federal Reserve Bank of New York (FRBNY) and Treasury. The consequences of AIG failing at that time and in those circumstances would have been catastrophic to American families, businesses, and the larger economy. Therefore, the government took action to protect the U.S. financial system.

The government's overall support for AIG peaked at approximately $182 billion. That amount included $70 billion that Treasury committed through TARP, and $112 billion committed by the FRBNY. As of December 31, 2012, the $182 billion committed to stabilize the company had been fully recovered plus an additional positive return of $22.7 billion.

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 caused a substantial disruption to financial markets and had a negative effect on the economy. Under the AIFP, OFS invested a total of $79.8 billion in General Motors (GM), Chrysler, and their financing affiliates.

OFS provided GM and related suppliers $50.2 billion in loans which were repaid or converted to common stock. OFS has recovered a total of $39.7 billion through repayments, dividends, interest, and asset sales related to its investment in GM. OFS fully exited its GM investment in December 2013.

OFS committed a total of $12.4 billion to Chrysler and Chrysler Financial 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 $11.1 billion for taxpayers through principal repayments, interest, and cancelled commitments.

OFS invested $17.2 billion in Ally under TARP (including $884 million invested through GM). Between November 2013 and December 2014, OFS collected approximately $12.8 billion on its investment in Ally through repurchases, private placements, an initial public offering, and underwritten common stock sales. OFS has fully liquidated its investment in Ally Financial as of December 24, 2014 and has realized cumulative receipts of $19.6 billion, $2.4 billion more than invested.

Treasury Housing Programs Under TARP

OFS established two central programs under TARP – the Making Home Affordable (MHA) program and the Housing Finance Agency Innovation Fund for the Hardest Hit Housing

Markets (HHF) – to help prevent avoidable foreclosures and preserve homeownership. OFS has also provided support for the Federal Housing Administration's Short Refinance Program to assist borrowers who are current on their mortgage but owe more than their home is worth, in refinancing into an FHA-insured loan.

Making Home Affordable Program (MHA)

MHA includes sub programs that assist borrowers in modifying first and second mortgages, including benefits for unemployed homeowners, as well as modification alternatives. Through November 30, 2014, there were nearly 2.2 million homeowner assistance actions granted through MHA. Funds are paid out over the length of the modifications, and as of November 30, 2014, OFS disbursed $9.7 billion out of a possible $29.8 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 targeted aid to homeowners 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 area. As of November 30, 2014, OFS disbursed $4.8 billion out of a possible $7.6 billion under the HFA Hardest-Hit Fund.