Office of Financial Stability

FY 2016
President's Budget

February 2, 2015

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Section 1 – Purpose

1A – Mission Statement

A central part of the response to the financial crisis was the implementation of the Troubled Asset Relief Program (TARP), which was established in the fall of 2008 under the Emergency Economic Stabilization Act (EESA) within the Office of Domestic Finance at the U.S. Department of the Treasury (Treasury). With the nation in the midst of the worst financial crisis since the Great Depression, TARP was created to "restore the liquidity and stability of the financial system."

Each year, OFS reports on our Operational Goals, which were developed by management to achieve Treasury's strategic goal to promote domestic economic growth and stability while continuing reforms of the financial system. OFS has made significant progress towards winding down TARP investment programs and continues to implement our housing programs to help struggling families avoid foreclosure, primarily through mortgage modifications. As of November 30, 2014, OFS has recovered an amount equal to more than 99 percent of the $426.3 billion in total program funds disbursed under TARP, as well as an additional $17.55 billion from Treasury's equity in AIG. When all of Treasury's AIG investments are combined, the amount recovered is $14.0 billion more than the funds disbursed.

1.1 – Program Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	161	0	0	0	0.00%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	203,049	169,890	155,066	(14,824)	-8.73%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
Total Obligations	**($7,945,054)**	**($1,351,778)**	**$155,066**	**$1,506,844**	**-111.47%**
Budget Authority					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	161	0	0	0	0.00%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	218,012	184,000	155,066	(28,934)	-15.72%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Budget Authority	**($7,930,094)**	**($1,337,668)**	**$155,066**	**$1,492,734**	**-111.59%**
Outlays					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	4,299,967	4,951,591	5,138,441	186,850	3.77%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	221,077	282,000	161,000	(121,000)	-42.91%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Outlays	**($3,627,222)**	**$ 3,711,923**	**$ 5,299,441**	**$ 1,587,518**	**42.77%**

[1] The recovery of 103 percent of the original investment disbursements includes income from repayments, dividends, interest and other sources. More information is available via the Daily TARP Update on OFS's website (http://www.treasury.gov/initiatives/financial-stability/reports/Pages/default.aspx).

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	Change FY 2015 to FY 2016	% Change FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
TARP Direct Loans					
Obligations	1,994,541	288,448	0	(288,448)	-100.00%
Collections	5,367,295	39,230	0	(39,230)	-100.00%
Financing Authority (net)	(3,091,562)	(38,489)	0	38,489	-100.00%
Financing Disbursements (net)	(3,371,740)	249,218	0	(249,218)	-100.00%
Equity Purchases					
Obligations	6,505,809	1,436,490	59,324	(1,377,166)	-95.87%
Collections	12,173,477	2,058,340	157,135	(1,901,204)	-92.37%
Financing Authority (net)	(6,019,381)	(934,784)	(97,812)	836,972	-89.54%
Financing Disbursements (net)	(5,667,440)	(621,850)	(97,812)	524,038	-84.27%
Housing					
Obligations	1,902	6,154	2,107	(4,047)	-65.76%
Collections	295	35	59	24	70.60%
Financing Authority (net)	0	35	59	24	70.60%
Financing Disbursements (net)	1,607	6,154	2,107	(4,047)	-65.76%

1.3 – 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 Cash Back	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 OFS	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.*

1B – Vision, Priorities and Context

TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. At that time, the U.S. financial system faced challenges on a scale not seen since the Great Depression. By October of 2008, major financial institutions were threatened, and many of them tried to shore up their balance sheets by shedding risky assets and hoarding cash. People were rapidly losing trust and confidence in the stability of America's financial system and the capacity of the government to contain the damage. Without immediate and forceful action by the federal government, the U.S. economy faced the risk of falling into a second Great Depression.

It was out of these extraordinary circumstances in the fall of 2008 that TARP was created as a central part of a series of emergency measures by the federal government. Seven years later, it is generally agreed that as a result of the forceful and coordinated response by the federal government through TARP and many other emergency programs, we helped avert what could have been a devastating collapse of our financial system.

The purposes of EESA were to —

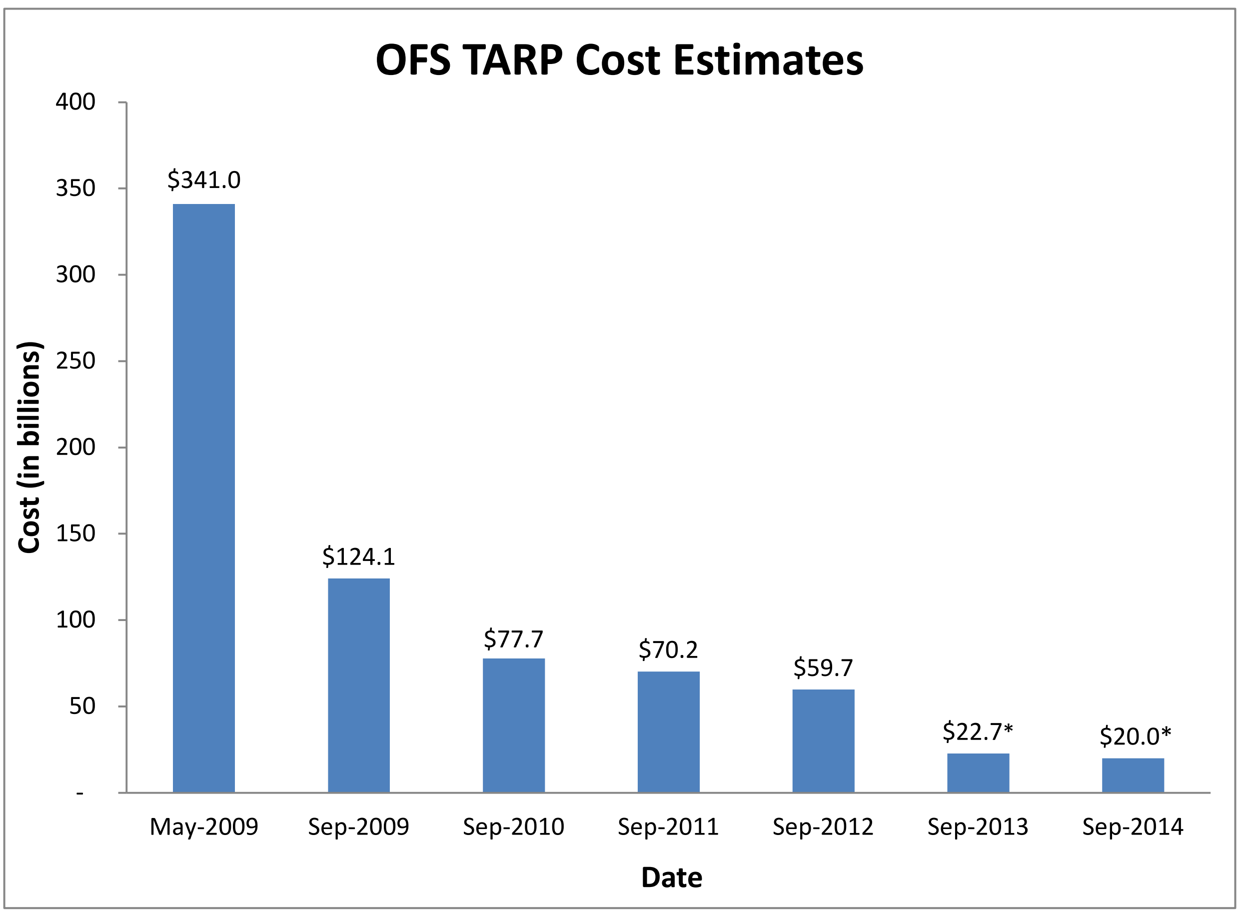
(1) immediately provide authority and facilities that the Secretary of the Treasury could use to restore liquidity and stability to the financial system of the United States; and

(2) ensure that such authority and such facilities were used in a manner that —

- (A) Protects home values, college funds, retirement accounts, and life savings;
- (B) Preserves homeownership and promotes jobs and economic growth;
- (C) Maximizes overall returns to the taxpayers of the United States; and,
- (D) Provides public accountability for the exercise of such authority.

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."

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to taxpayers of TARP investments is estimated to be significantly lower than initially expected. In FY 2009, the program was projected to cost $341 billion, but it is now estimated to cost only $37.5 billion (of which $37.4 billion relates to housing programs that do not require repayments by recipients) as of September 30, 2014. Lifetime costs are projected at $20.0 billion with the inclusion of receipts from Treasury's sale of AIG common stock.



*Includes approximately $17.55 billion in proceeds from additional Treasury AIG shares

During FY 2015 and FY 2016, OFS's priorities will be to continue winding down TARP's bank investment programs subject to market conditions and implementing TARP's housing programs to prevent avoidable foreclosures while protecting taxpayers' interests. While OFS cannot implement new TARP programs, disbursements for the housing programs will continue to occur based upon existing commitments.

OFS Administrative Expenses

The authority for OFS's administrative budget funds is provided in Section 118 of EESA. In FY 2015, OFS plans to obligate $170 million and use no more than 87 FTEs, a decrease of approximately $14 million from the FY 2015 President's Budget. The decrease in obligations is primarily due to the wind down of TARP's investment programs. In FY 2016, OFS plans to obligate $155 million and use 75 FTEs, a decrease of $15 million and 12 FTEs from the current FY 2015 estimates, to fund the management of the TARP housing programs and disposition of OFS's remaining investments. The decrease in FTEs and outside contracts reflects the continued wind down of TARP.

1C - Credit Reform and Administrative Accounts

Section 123 of EESA requires the cost of TARP programs to be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). In addition to OFS's administrative account, the organization has managed seven program accounts to comply with the credit reform accounting requirements: TARP Equity Purchase Program Account, TARP Equity Purchase Financing Account, TARP Housing Programs Account, TARP Home Affordable Modification Program Financing Account, TARP Program Account, Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account, and TARP Direct Loan Financing Account.

Account Descriptions

<u>TARP Equity Purchase Program Account</u>: The TARP Equity Purchase Program Account records the subsidy costs (cost to the government) associated with federal equity injections into qualifying financial institutions. Subsidy costs are calculated on a net present value basis.

<u>TARP Equity Purchase Financing Account (EPFA)</u>: The TARP EPFA is a non-budgetary account that records all financial transactions to and from the government resulting from equity purchases. The EPFA primarily tracks each cohort year's purchase activity (dividend payments, the exercise of warrants, Treasury borrowings, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending.

<u>TARP Housing Programs Account</u>: The TARP Housing Programs Account records the subsidy costs and cash outlays associated with Treasury's housing programs under TARP. The Making Home Affordable (MHA) and Hardest Hit Fund housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA)-Refinance Program is subject to the Federal Credit Reform Act of 1990 whereby its subsidy cost is calculated on a net present value basis.

<u>TARP Home Affordable Modification Program Financing Account</u>: The TARP Home Affordable Modification Financing Account is a non-budgetary account that records all financial transactions to and from the government resulting from OFS's FHA-Refinance Program. Like

other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

TARP Program Account: The TARP Program Account records the subsidy costs associated with direct loans obligated and guaranteed loans committed to qualifying institutions. Subsidy costs are calculated on a net present value basis.

TARP Direct Loan Financing Account (DLFA): The TARP DLFA is a non-budgetary account that records all financial transactions to and from the government resulting from direct loans. Like EPFA and GLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

Office of Financial Stability Administrative Account: This account provides for the administrative costs of OFS.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2015 Estimated	**86**	**$183,640**
Changes to Base:		
Adjustments to Estimate:	1	(13,750)
FY 2015 Revised Estimate	87	$169,890
Maintaining Current Levels (MCLs):	-	$3,157
Pay-Raise	-	$103
Pay Annualization		$35
FERS Contribution Increase		$54
Non-Pay	-	$2,965
Subtotal Changes to Base	1	(10,593)
Total FY 2016 Base	**87**	**173,047**
Program Changes:		
Program Decreases:	(12)	(17,981)
Housing Program Support	-	(11,234)
Maintenance and Disposition of Assets	-	(1,390)
OFS Salaries and Benefits	(12)	(1,582)
Organizational Support	-	(3,775)
Total FY 2016 Estimated	**75**	**155,066**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$3,157,000 / +0 FTE

Pay-Raise +$103,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$35,000 / +0 FTE

Funds are required for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$54,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$2,965,000 / +0 FTE

Funds are required for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Program Decreases .... -$17,981,000 / -12 FTE

Housing Program Support -$11,234,000 / +0 FTE

The MHA compliance and administrative functions will continue due to the extension of the program, but will decline over time as the program matures.

Maintenance and Disposition of Assets -$1,390,000 / +0 FTE
During FY 2015, OFS will continue the disposition of its position in Ally and expects to have disposed of a majority of the remaining Capital Purchase Program (CPP) banks. In FY 2016, OFS expects its portfolio to be composed of a handful of CPP banks and the Community Development Capital Initiative (CDCI) banks.

OFS Salaries and Benefits -$1,582,000 / -12 FTE
Savings resulted from natural attrition and expiration of term appointments due to the wind down of various TARP programs.

Organizational Support -$3,775,000/ +0 FTE
Administrative costs associated with managing OFS's portfolio will decline over time as TARP winds down. However, many duties and responsibilities will remain and are not directly correlated to the volume of assets held by OFS. Many of these organizational support functions will be run in-house and relate to legislative and oversight-mandated reporting functions.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	11,633	10,777	9,638
11.7 - Other Personnel Compensation	110	108	96
11.9 - Personnel Compensation (Total)	**11,743**	**10,885**	**9,734**
12.0 - Personnel benefits	2,707	2,960	2,721
Total Personnel and Compensation Benefits	**$14,450**	**$13,845**	**$12,455**
21.0 - Travel and transportation of persons	169	271	241
23.0 - Rent, Communications and Utilities	4	0	0
25.1 - Advisory and assistance services	187,855	155,276	141,923
26.0 - Supplies and materials	560	498	447
31.0 - Equipment	11	0	0
43.0 - Interest and dividends	0	0	0
Total Non-Personnel	**188,599**	**156,045**	**142,611**
Total Budgetary Resources	**$203,049**	**$169,890**	**$155,066**
Budget Activities:			
EESAP - TARP Administrative Account	203,052	169,890	155,066
Total Budgetary Resources	**$203,049**	**$169,890**	**$155,066**
FTE	**99**	**87**	**75**

Table includes direct FTEs.

2B – Appropriations Language and Explanation of Changes

OFS does not receive any discretionary appropriation authority from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

OFS has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – EESA Program Descriptions

Bank Support Programs

Capital Purchase Program (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 created the CPP in October 2008 to help ensure that the nation's banking institutions had a sufficient capital cushion against potential future losses and to support lending to creditworthy borrowers. OFS 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).

During FY 2014, OFS focused on winding down the CPP according to the exit strategy announced on May 3, 2012. That strategy includes a combination of waiting for those banks that are capable of repaying in the near future to repay at par, selling banking investments to private investors through auctions in cases where the bank is not expected to be able to repay in the near future, and, in a limited number of cases, restructuring investments. As of November 30, 2014, the CPP has generated $226.0 billion 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. The program gave OFS the necessary flexibility to provide funding to financial institutions that were critical to the functioning of the U.S. financial system to prevent a loss of confidence in these critical institutions. OFS invested $20.0 billion each in Bank of America and Citigroup under the TIP. As of December 31, 2009, the TIP was closed as part of OFS's effort to wind-down TARP. Both Citigroup and Bank of America fully redeemed the Government's TIP investments of $40.0 billion plus $3.0 billion in dividends and $1.4 billion in warrants which generated a net gain of $4.4 billion for taxpayers.

Asset Guarantee Program (AGP): Under the AGP, TARP funds were used to support two institutions – Bank of America and Citigroup. They were selected because of the large number of illiquid assets that both held at the time of the financial crisis and the severe impact that their failure would have had on the broader economy. 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 and was fully wound down in February 2013, receiving more than $4.1 billion in proceeds without disbursing any claim payments.

Community Development Capital Initiative (CDCI): OFS created the Community Development Capital Initiative (CDCI) on February 3, 2010, to help viable certified Community Development Financial Institutions (CDFIs) and the communities they serve cope with effects of the financial crisis. It was put in place to help keep day-to-day financing available to families and businesses in hard-hit communities that are underserved by traditional banks.

Under this program, CDFI banks, thrifts, and credit unions received investments in capital with an initial dividend or interest rate of two percent. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate increases to nine percent after eight years.

OFS invested a total of $570 million in 84 CDFIs, of which 28 institutions converted $363 million (including warrants) from CPP to CDCI . 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.

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), thereby allowing banks and other financial institutions to re-deploy capital and extend new credit to households and businesses.

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. Using up to $22.1 billion of TARP funds alongside equity capital raised from private investors, PPIP was designed to generate significant purchasing power and demand for troubled RMBS and CMBS. This in turn helped to increase the amount of credit available to consumers and small businesses. 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 $3.85 billion in revenue.

Term Asset-Backed Securities Loan Facility (TALF): The Term Asset-Backed Securities Loan Facility (TALF) is a joint OFS - Federal Reserve Bank of New York (FRBNY) program that was designed to restart the asset-backed securitization markets (ABS) that had ground to a virtual standstill during the early months of the financial crisis.

OFS originally committed to provide credit protection of up to $20.0 billion in subordinated loans to TALF, LLC to support up to $200 billion of lending by the FRBNY. OFS's commitment was ultimately reduced to $100 million (the amount of the original loan to fund the TALF LLC). During fiscal year 2013, OFS's original disbursed investment through the program was fully repaid with interest. 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: To help ensure that credit flowed to entrepreneurs and small business owners, OFS developed the SBA 7(a) Securities Purchase Program to purchase SBA-guaranteed securities from pool assemblers. 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.

OFS sold all its SBA 7(a) securities in the portfolio by fiscal year 2012, marking the successful wind down of the program. In total, OFS collected $376 million through sales representing cash collections of approximately $9 million more than its original investment of $367 million.

American International Group, Inc. (AIG) Investment Program: On September 15, 2008, Lehman Brothers filed for bankruptcy. This triggered the start of a run on money market funds generally. The day after that, AIG—one of the largest and most complex financial firms in the world—was on the verge of failure. Confidence was already fragile in the financial system as a whole and firms were trying to shore up their balance sheets by selling risky assets, reducing exposure to other financial institutions, and hoarding cash. When the financial crisis hit, AIG had hundreds of billions of dollars in commitments without the capital and liquid assets to back them up. Millions of people depended on AIG for their life savings and it had a huge presence in many critical financial markets. Therefore, with AIG facing potentially fatal liquidity problems and with the crisis threatening to intensify and spread more broadly throughout the economy, OFS and the Federal Reserve 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 now recovered that entire amount and an additional $22.7 billion and Treasury has fully exited its investment in AIG.

Automotive Industry Financing Program (AIFP)
The Automotive Industry Financing Program (AIFP) was launched in December 2008 to prevent the uncontrolled liquidations of General Motors (GM) and Chrysler, and as a result, the potential collapse of the U.S. auto industry. The potential for such a disruption at that time posed a significant risk to financial market stability and threatened the overall economy. It could have also had disastrous consequences for other auto manufacturers and the many suppliers and other businesses that depended on the automotive industry. This could have led to a loss of as many as one million American jobs. Recognizing that both GM and Chrysler were on the verge of collapse, the Government extended initial loans to both companies and their financing entities.

In 2009, OFS agreed to provide additional funds conditioned on each company and its stakeholders participating in a fundamental restructuring. A total of $79.7 billion was ultimately invested 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 $10.5 billion less than the total investment.

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 $11.1 billion for taxpayers through principal repayments, interest, and cancelled commitments. OFS is unlikely to fully recover the difference of $1.3 billion owed by Old Chrysler.

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 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.

<u>Making Home Affordable Program (MHA)</u>: In early 2009, OFS launched the Making Home Affordable® Program (MHA) to help struggling homeowners avoid foreclosure and stabilize the housing market. MHA is only one part of the Administration's broader efforts to strengthen the housing market. Since its inception, MHA has helped homeowners avoid foreclosure by providing a variety of solutions to modify or refinance their mortgages, get temporary forbearance if they are unemployed, or transition out of homeownership through a short sale or a deed-in-lieu of foreclosure.

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 for at least a year. Extending the program will benefit many additional families while maintaining clear standards and accountability for the mortgage industry.

In addition to HAMP, MHA includes several additional programs to help homeowners refinance or address specific types of mortgages, in conjunction with the Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA). As of November 30, 2014, OFS disbursed $9.7 billion out of a possible $29.8 billion under MHA.

<u>Housing Finance Agency (HFA) Hardest-Hit Fund:</u> 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).
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, and help for homeowners who are transitioning out of their homes and into more affordable living situations. As of November 30, 2014, OFS disbursed $4.8 billion out of a possible $7.6 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 3,000 loans refinanced to date. As such, OFS reduced the letter of credit facility from $8.1 billion to $1.0 billion in March of 2013, and, as of September 30, 2014, the revised lifetime cost estimate for the program is $29 million for outstanding refinanced loans.

3B – EESA Administration

The authority for the OFS administrative budget is provided in Section 118 of EESA. The administrative budget consists primarily of contracting and financial agent support costs associated with OFS's ongoing implementation and management of the TARP housing programs and the management and disposition of OFS's remaining investments. In addition, continuing organizational support, including information technology, facilities, legal, compliance, accounting, and human resources, will be needed to manage these ongoing OFS initiatives. The owner of OFS's performance is the Deputy Assistant Secretary for Financial Stability.

3C – Operational Goals

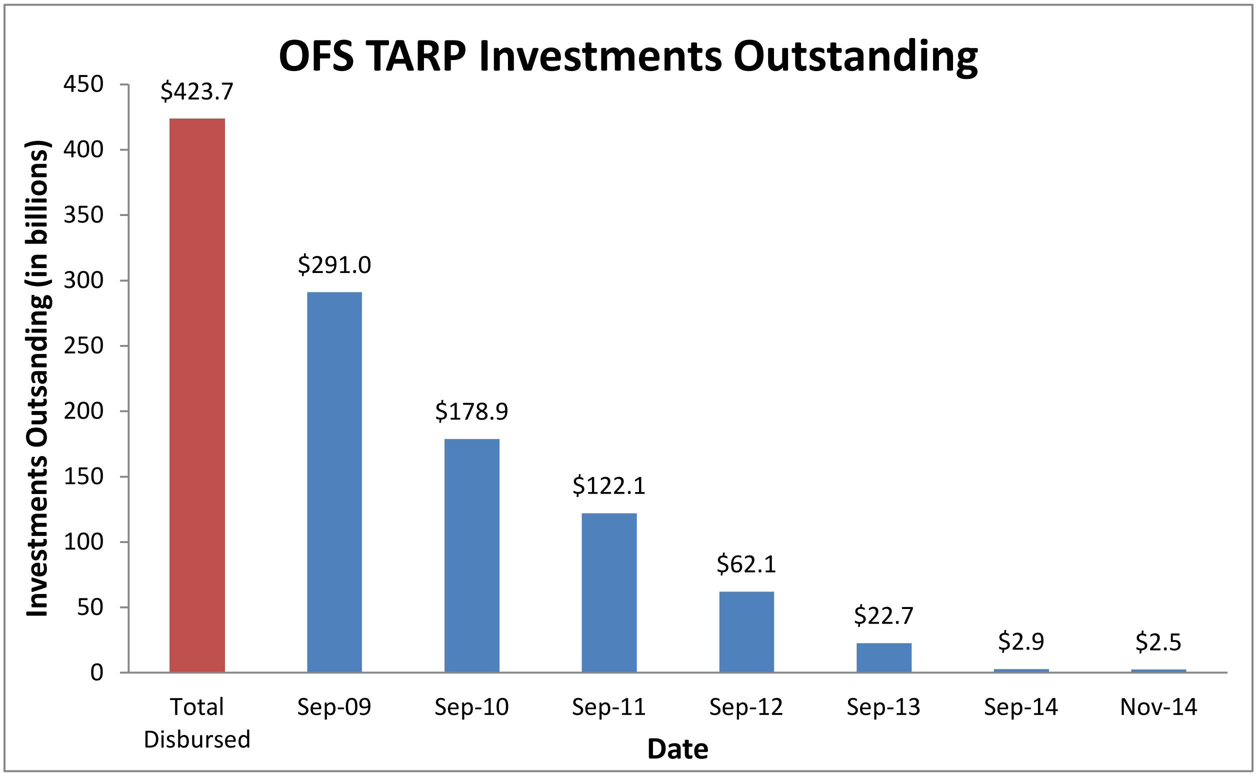
Complete the wind down of the investment programs

The first operational goal for OFS is to complete the wind down of the TARP investment programs. OFS is continuing to implement the three-pronged exit strategy for the Capital Purchase Program (CPP), which was announced in May 2012. That strategy includes a combination of waiting for those banks that are capable of repaying in the near future to repay at par, selling banking investments to private investors through auctions in cases where the bank is not expected to be able to repay in the near future, and, in a limited number of cases, restructuring investments. Both the Targeted Investment Program (TIP) and the Asset Guarantee Program (AGP) are closed and have generated positive returns for the taxpayer.

As of November 30, 2014, OFS has substantially completed the wind down of the three TARP Credit Market programs at a net gain to the taxpayer. OFS has recovered all debt and equity investments made in the Public-Private Investment Program (PPIP). OFS's loan commitments through the Term Asset-Backed Securities Loan Facility (TALF) were fully repaid or extinguished during FY 2013 with a gain of $685 million as of November 30, 2014. The Small Business Administration 7(a) Security Purchase Program (SBA 7(a)) was successfully closed during fiscal year 2012 with the processing of the fifth and final disposition of securities.

OFS has effectively wound down the Automotive Industry Financing Program (AIFP) with the sale of all GM common stock during fiscal years 2013 and 2014 and the liquidation of all Ally investments during fiscal years 2014 and 2015. OFS collected a total of $39.7 billion of the $50.2 billion disbursed to GM and $19.6 billion of the $17.2 billion disbursed to Ally.

OFS completed the recovery of all investments in the American International Group, Inc. (AIG) Investment Program in December of 2012 and sold remaining warrants in March 2013. OFS no longer holds any residual interest in AIG.



Continue helping families in need to avoid foreclosure

OFS's second operational goal is to continue helping struggling homeowners avoid foreclosure. The Making Home Affordable Program (MHA) is helping homeowners and assisting in stabilizing the housing market. On June 26, 2014, the Administration extended the application deadline for MHA programs for at least a year, to provide struggling homeowners additional time to access sustainable mortgage relief. The largest program within MHA is the Home Affordable Modification Program (HAMP). Under this program more than 1.4 million homeowners have had their mortgages modified permanently as of October 31, 2014. HAMP has also set new standards and changed practices throughout the mortgage servicing industry in fundamental ways. Together, public and private efforts have helped nearly seven million Americans get mortgage assistance to prevent avoidable foreclosures. In addition, the Hardest Hit Fund provides funding to 18 states and the District of Columbia to provide assistance to struggling homeowners through locally tailored programs. All 19 programs are fully operational and have created extensive infrastructures to operate these programs, including selecting and training networks of housing counselors to assist with applications, creating portals to aid homeowners in applying for assistance, and hiring underwriters and other staff to review and approve applications. As of September 30, 2014, seven HFAs had stopped accepting new applications for assistance in anticipation of full commitment of program funds.

Performance Metrics and Indicators[1] ***(includes GSE and non-GSE)***	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**
Reduction in median payment for homeowners in permanent modifications (assist homeowners) program-to-date.	$526	$541	$547	$540
Number of modifications entered into (assist homeowners)				
Trial	344,598	213,613	181,505	137,550
Permanent	361,076	233,622	178,039	148,070
12-month re-default rate for Permanent Modifications (90+ days delinquency rate for loans seasoned 12 months)	15.4%	14.5%	13.6%	13.5%

[1]Items in *italics* are indicators.

Minimize cost to taxpayer

The third operational goal of OFS is to minimize the cost of the TARP programs to the taxpayer. OFS manages TARP investments to minimize costs to taxpayers by carefully managing the timely exit of these investments to reduce taxpayers' exposure, returning TARP funds to reduce the federal debt, and continuing to replace government assistance with private capital in the financial system. OFS has taken a number of steps during fiscal years 2013 and 2014 to dispose of our outstanding investments in a manner that balances the need to exit these investments as quickly as practicable with maximizing returns for taxpayers. OFS also takes steps to ensure that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

Performance Metrics and Indicators[1]	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**
Number of public CPP banks that repurchased warrants from OFS during period (excludes warrants auctioned by OFS)	29	44	28	11
Proceeds from warrant repurchases as percent of aggregate CPP preferred investment amount (plus median for the selected banks)	2.4%	1.9%	3.3%	4.2%

[1]Items in *italics* are indicators.

Continue to operate with highest standards of transparency, accountability, and integrity

OFS's final goal is to continue to operate with highest standards of transparency, accountability, and integrity. OFS posts a variety of reports online that provide the taxpayer with regular and comprehensive information about how TARP funds are being spent, who has received them and on what terms, and how much has been collected to date. As part of this effort, in June 2013, we enhanced and expanded the existing TARP Tracker on our website to enable users to view the flow of funds for a specific time period or over the lifetime of a TARP program. OFS also publishes the audited annual report and continues to maintain productive working relationships with three oversight bodies charged with auditing and reviewing the TARP activities.

Performance Metrics and Indicators[1]	***FY 2012 Target***	**FY 2012 Actual**	***FY 2013 Target***	**FY 2013 Actual**	***FY 2014 Target***	**FY 2014 Actual**	***FY 2015 Target***	***FY 2016 Target***
Percentage of statutorily-mandated reports submitted on time *(ensure transparency within the government)*	***100%***	*100%*	***100%***	*100%*	***100%***	*99%*	***100%***	***100%***
Percentage of customers satisfied with FinancialStability.gov (self-selected respondents) *(ensure transparency of operations to the public)*	***67%***	*67%*	***69%***	*70%*	***70%***	*69%*	***70%***	***70%***
Timeliness of responses *(ensure transparency within the government)*								
Average days to close a FOIA case[2]	**50**	53	**35**	21	**35**	NA	**NA**	**NA**
Percentage of FOIA requests on-time or less than 30-days overdue[2]	**NA**	NA	**NA**	NA	**33%**	15%	**33%**	**33%**
Percentage of Congressional correspondence responses drafted within 10 days	**98%**	99%	**98%**	100%	**100%**	92%	**100%**	**100%**
Clean audit opinion on TARP financial statements *(ensure transparency within the government)*	**Yes**	Yes	**Yes**	Yes	**Yes**	Yes	**Yes**	**Yes**
Percentage of SIGTARP and GAO oversight recommendations responded to on time *(ensure transparency within the government)*	***100%***	100%	***100%***	*80%*	***100%***	*100%*	***100%***	***100%***

[1]Items underlined are measures. Targets are provided only for measures.
[2]The 'Average days to close a FOIA case' measure was discontinued in third quarter FY 2014 to best reflect available reporting data. OFS now reports 'Percentage of FOIA requests on-time or less than 30-days overdue'.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

OFS uses Departmental Office's (DO) system and is part of DO's capital investment strategy.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.