

Department of the Treasury
Office of Financial Stability

Congressional Budget
Justification and Annual
Performance Plan and Report

FY 2022

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Section I – Budget Request

A – Mission Statement

A central part of the response to the 2008 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 of 2008 (EESA) (P.L. 110-343) within the Office of Domestic Finance at the U.S. Department of the Treasury (Treasury). TARP was created to restore the liquidity and stability of the financial system, and it is administered by the Office of Financial Stability (OFS).

Since late 2010, OFS has made significant progress in winding down TARP investment programs and in recovering OFS’s outstanding investments. OFS continues to operate a housing program under TARP to help struggling families avoid foreclosure, but in fiscal year (FY) 2016 began to wind-down the largest TARP housing program. As of November 30, 2020, OFS has recovered more than 96 percent of the \$442.7 billion in total program funds disbursed under TARP, as well as an additional \$17.6 billion from Treasury’s equity in American International Group, Inc. (AIG). When all of Treasury’s AIG investments are included, the amount recovered is greater than the funds disbursed by nearly \$0.2 billion.

1.1 - Program Account Summary

Dollars in Thousands

	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Actual	Estimated	Estimated	Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	6,671	5,000	0	(5,000)	-100.00%
Housing Account	0	0	0	0	NA
TARP Direct Program Account	0	0	0	0	NA
TARP Administrative Account	43,078	40,789	37,637	(3,152)	-7.73%
TARP Negative Downward Reestimate					
Receipt Account	(74,433)	0	0	0	NA
Total Obligations	(\$24,684)	\$45,789	\$37,637	(\$8,152)	-17.80%
Budget Authority					
Equity Program Account	6,671	5,000	0	(5,000)	NA
Housing Account	0	0	0	0	NA
TARP Direct Program Account	0	0	0	0	NA
TARP Administrative Account	51,399	40,789	37,637	(3,152)	-7.73%
TARP Negative Downward Reestimate					
Receipt Account	(74,433)	0	0	0	NA
Total Budget Authority	(\$16,363)	\$45,789	\$37,637	(\$8,152)	-17.80%
Outlays					
Equity Program Account	6,671	5,000	0	(5,000)	NA
Housing Account	669,436	643,944	426,846	(217,098)	-33.71%
TARP Direct Program Account	0	0	0	0	NA
TARP Administrative Account	43,962	43,154	37,637	(5,517)	-12.78%
TARP Negative Downward Reestimate					
Receipt Account	(74,433)	0	0	0	NA
Total Outlays	\$645,635	\$692,098	\$464,483	(\$227,615)	-32.89%
Total Full-time Equivalents (FTE)	14	11	10	(1)	-9.09%

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Actual	Estimated	Estimated	Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
TARP Direct Loans					
Obligations	73,222	0	0	0	NA
Collections	0	0	0	0	NA
Financing Authority (net)	0	0	0	0	NA
Financing Disbursements (net)	73,222	0	0	0	NA
Equity Purchases					
Obligations	1,371	4,000	0	(4,000)	NA
Collections	12,491	13,000	3,000	(10,000)	NA
Financing Authority (net)	(10,147)	(8,000)	(3,000)	5,000	NA
Financing Disbursements (net)	(11,299)	(12,000)	(3,000)	9,000	NA
Housing					
Obligations	975	1,000	0	(1,000)	NA
Collections	17	0	0	0	NA
Financing Authority (net)	0	0	0	0	NA
Financing Disbursements (net)	958	1,000	0	(1,000)	NA

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions

	Cumulative Obligated (as of 11/30/2020)	Cumulative Disbursed (as of 11/30/2020)	Cumulative Outstanding (as of 11/30/2020)	Total Cumulative Income (as of 11/30/2020)	Total Cash Back (as of 11/30/2020)	Total Estimated Life Costs (as of 11/30/2020)
Bank Support Programs	250.5	245.5	0.0	35.7	275.6	(24.3)
Credit Market Programs	19.1	19.1	0.0	4.5	23.6	(3.3)
AIG Investment Program (AIG)	67.8	67.8	0.0	1.0	55.3	15.2
Automotive Industry Financing Program	79.7	79.7	0.0	7.4	70.6	12.1
Treasury Housing Programs	32.6	30.9	0.0	0.0	0.0	32.4
Total	449.6	443.0	0.0	48.6	425.1	32.1
Additional AIG Common Shares Held by Treasury	0.0	0.0	0.0	17.6	17.6	(17.6)
Total for Programs and Shares	449.6	443.0	0.0	66.2	442.7	14.5

*If all Treasury AIG Investments are combined, we currently estimate a net gain of nearly \$2.4 billion on those shares.

B – Vision, Priorities and Context

TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. The purposes of EESA were —

- (1) to 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) to ensure that such authority and facilities were provided in a manner that would —
 - (A) protect home values, college funds, retirement accounts, and life savings;
 - (B) preserve homeownership and promote jobs and economic growth;
 - (C) maximize overall returns to the taxpayers of the United States; and
 - (D) provide 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 as of November 30, 2020, it is estimated to cost only \$32.1 billion (of which \$-0.3 billion relates to investments and \$32.4 billion relates to housing programs that do not require repayments by recipients). Lifetime costs are projected to be \$14.5 billion with the inclusion of receipts from Treasury’s sale of additional AIG common stock.

During FY 2021 and FY 2022, OFS’s priority is to continue the responsible wind-down of all TARP programs. OFS is expected to complete its wind-down in FY 2024.

OFS Administrative Expenses

The authority for OFS’s administrative funding is provided in section 118 of EESA. In FY 2021, OFS plans to obligate just over \$40 million and use 10 Full-Time Equivalent (FTE) employees. In FY 2022, OFS plans to obligate just over \$38 million and use 10 FTE employees, a reduction of over 6% and 9%, respectively, from the current FY 2021 estimates, to fund the management, maintenance and continued wind-down of the TARP housing programs and the disposition of OFS’s remaining investments.

C – Credit Reform Account Description

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 the OFS Administrative Account, the organization manages six accounts to comply with the credit reform accounting requirements: (1) the TARP Equity Purchase Program Account; (2) the TARP Equity Purchase Financing Account; (3) the TARP Housing Programs Account; (4) the TARP Housing Programs, Letter of Credit (LOC) Financing Account; (5) the TARP Program Account; and (6) the TARP Direct Loan Financing Account.

Account Descriptions

TARP Equity Purchase Program Account: 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.

TARP Equity Purchase Financing Account: The account is a non-budgetary account that records all financial transactions to and from the government resulting from equity purchases. The account 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, as a means of financing, is not included in the budget totals when calculating total government spending.

TARP Housing Programs Account: 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 (HHF) housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA) Short-Refinance Program is subject to credit reform accounting requirements, whereby its subsidy cost is calculated on a net present value basis.

TARP Housing Programs, LOC Financing Account: The TARP Housing Programs, LOC Financing Account is a non-budgetary account that records all financial transactions to and from the government resulting from OFS's FHA Short-Refinance Program. Like other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity. It is not included in the budget totals.

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

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

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

1.4 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
FY 2021 Estimate	11	\$40,751
Changes to Base:		
Maintaining Current Levels (MCLs):	-	815
Pay Annualization (1.1% average pay raise)	-	6
Pay Raise (2.7% average pay raise)	-	17
FERS Contribution Increase	-	22
Non-Pay	-	771
Subtotal Changes to Base	0	815
FY 2022 Current Services	11	\$41,566
Program Changes:		
Program Decreases	(1)	(3,929)
Housing Program Support	0	(1,000)
Maintenance and Disposition of Assets	0	(381)
OFS Salaries and Benefits	(1)	(300)
Organizational Support	0	(2,248)
Subtotal Program Changes	(1)	(\$3,929)
Total FY 2022 Estimate	10	\$37,637

D – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs).....+\$815,000 / +0 FTE

Pay Annualization (1.0%) +\$6,000 / +0 FTE

Funds are required for annualization of the January 2021 pay raise.

Pay-Raise (2.7% in 2022) +\$17,000 / +0 FTE

Funds are required for a 2.7% average pay raise in January 2022.

FERS Contribution Increase +\$22,000 / +0 FTE

Funds are required for the Federal Employee Retirement System (FERS) contribution rates effective FY 2022.

Non-Pay +\$771,000 / +0 FTE

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

Program Decreases.....-\$3,929,000 / -1 FTE

Housing Program Support -\$1,000,000 / +0 FTE

Administrative and compliance functions will continue to wind-down during FY 2021 and over time as programs close and no new assistance actions are provided and commitments are paid.

Maintenance and Disposition of Assets -\$381,000 / +0 FTE

During FY 2020, OFS will continue the disposition of its position in the remaining Capital Purchase Program (CPP) and Community Development Capital Initiative institutions (CDCI). In FY 2021, OFS expects its portfolio to be composed of a few institutions, primarily CDCI institutions.

OFS Salaries and Benefits -\$300,000 / -1 FTE

Savings resulted from natural attrition and expiration of term appointments due to the wind-down of various TARP programs.

Organizational Support -\$2,248,000/ +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, as well as the management and maintenance of TARP's housing programs.

1.5 – Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2020 Actual Obligations	FY 2021 Estimated Obligations	FY 2022 Estimated Obligations
11.1 - Full-time permanent	2,407	1,763	1,489
11.5 - Other personnel compensation	72	45	42
11.9 - Personnel Compensation (Total)	2,479	1,808	1,531
12.0 - Personnel benefits	757	407	384
Total Personnel and Compensation Benefits	\$3,236	\$2,215	\$1,915
21.0 - Travel and transportation of persons	9	5	15
23.3 - Communication, utilities, and misc charges	1	1	1
25.1 - Advisory and assistance services	4,024	3,418	2,510
25.2 - Other services from non-Federal sources (TOTAL)	30,191	29,031	27,650
25.3 - Other goods and services from Federal sources	5,616	6,070	5,536
26.0 - Supplies and materials	0	3	3
31.0 - Equipment	0	8	8
Total Non-Personnel	\$39,842	\$38,536	\$35,722
New Budgetary Resources	\$43,077	\$40,751	\$37,637
FTE	14	11	10

*Amounts include all budgetary resources.

E – Appropriations Language and Explanation of Changes

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

Section II – Annual Performance Plan and Report

A – Strategic Alignment

In accordance with the Government Performance and Results Act Modernization Act (GPRAMA) of 2010, the Department of the Treasury is currently developing the FY 2022 – 2026 Departmental Strategic Plan. The Strategic Plan is scheduled for publication in 2022. The Annual Performance Plan will be updated in the FY 2023 President’s Budget to reflect new departmental strategic goals and objectives.

Bank Support Programs

CPP: OFS created CPP, its largest program, in October 2008. OFS provided a total of \$204.9 billion in capital to 707 institutions in 48 states. During FY 2020, OFS continued to wind-down remaining CPP investments. As of November 30, 2020, CPP has generated \$226.4 billion in recoveries for taxpayers with two institutions remaining in the program, for a total of \$17 million in investments outstanding.

CDCI: OFS created CDCI on February 3, 2010, to provide investments of capital to certified Community Development Financial Institutions (CDFI) banks, thrifts, and credit unions. OFS invested \$570 million in 84 CDFIs, of which 28 institutions converted \$363 million (including warrants) from CPP to CDCI. As of November 30, 2020, CDCI has generated \$592 million in recoveries for taxpayers with two institutions remaining in the program, for a total of \$1 million in investments outstanding.

Housing Programs

OFS established several TARP housing programs, assisting millions of homeowners and introducing reforms for the mortgage servicing industry to facilitate mortgage modifications.

MHA: In 2009, OFS launched MHA to help homeowners prevent avoidable foreclosures and strengthen 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. In accordance with provisions of the Consolidated Appropriations Act, 2016 (P.L. 114-113), MHA terminated on December 31, 2016, except with respect to certain applications made before such date. MHA servicers were required to design policies and procedures to reasonably ensure that all MHA transactions were completed by December 1, 2017. As of November 30, 2020, OFS had disbursed \$21.4 billion out of a possible \$22.9 billion under MHA.

HHF: Established in 2010 to provide aid to homeowners in states hit hardest by the economic and housing market downturn. The \$7.6 billion initiative encompassed 18 states and the District of Columbia (DC). In December 2015, P.L. 114-113 granted Treasury authority to make an additional \$2.0 billion in commitments through the HHF. As of November 30, 2020, OFS had disbursed \$9.5 billion out of a possible \$9.6 billion under HHF.

FHA Short-Refinance Program: OFS continues to support the FHA Short-Refinance Program, which was intended to assist borrowers with negative equity. The program has seen limited participation. As such, OFS has incrementally reduced the LOC Facility supporting this program

from an initial \$8.0 billion to \$27 million in FY 2017, which matches OFS’s maximum liability for loans covered by the program as of December 31, 2016, when the program ended for new refinances. As of November 30, 2020, the revised lifetime cost estimate for the program was \$13 million for outstanding refinanced loans.

Other Programs

Automotive Industry Financing Program (AIFP): OFS fully wound down AIFP during FY 2015, selling its remaining stake in Ally Financial. OFS disbursed \$79.7 billion in loans and equity investments to the automotive industry through the AIFP. As of November 30, 2020, OFS had collected \$70.6 billion through sales, repayments, dividends, interest, recoveries, and other income. Recoveries from the bankruptcy liquidation of Old Chrysler and Old GM remain possible.

All other TARP programs closed prior to FY 2016, including the Targeted Investment Program, Asset Guarantee Program, Public-Private Investment Program, Term Asset-Backed Securities Loan Facility, Small Business Administration 7(a) Securities Purchase Program, and AIG Investment Program.

B – Budget and Performance by Budget Activity

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021	FY 2022
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Clean Audit Opinion on TARP Financial Statements (ensure transparency of operations to the public)	1	1	1	1	1	1	1	1
Percentage of Congressional Constituent Correspondence Responses Completed within 10 Business Days of Receipt	66.75	87.5	100	94	100	100	100	100
Percentage of FOIA Assignments On-Time or Less Than 30-Days Overdue (ensure transparency within the government)	56.56	85	85	98	100	95	95	95
Percentage of SIGTARP and GAO Oversight Recommendations Responded to On-Time (ensure transparency of operations to the public)	100	100	100	100	100	100	100	100
Percentage of Statutorily Mandated Reports Submitted On-Time (ensure transparency of operations to the public)	94.7	96.25	100	100	100	100	100	100

The authority for OFS’s administrative funding 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 and wind-down these ongoing initiatives. OFS’s senior management is responsible for performance on its operational goals.

C – Operational Goals

OFS's strategic goal is to transform government-wide financial stewardship and the request will support the underlying operational goals to help OFS achieve this strategic goal. These operational goals include:

1. Completing the wind-down of remaining TARP investment programs;
2. Continuing to help struggling homeowners avoid foreclosure;
3. Minimizing the cost of the TARP programs to the taxpayer; and
4. Operating with the highest standards of transparency, accountability, and integrity.

Completing the wind-down of remaining TARP investment programs

The first Operational Goal is to complete the wind-down of the remaining TARP investment programs, the CPP and CDCI. OFS continues to exit CPP and CDCI by either: (i) allowing banks that are able to repurchase in full in the near future to do so; or (ii) restructuring and selling OFS's investments in limited cases. OFS continues to work with CPP institutions to restructure certain investments that will allow them to exit TARP. As of November 30, 2020, OFS had \$17 million in outstanding CPP investments and \$1 million in outstanding CDCI investments.

Continuing to help struggling homeowners avoid foreclosure

OFS's second Operational Goal is to continue helping struggling homeowners avoid foreclosure. P.L. 114-113, signed into law on December 18, 2015, 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 transactions, including first and second lien permanent modifications, short sales or deeds-in-lieu of foreclosure, and unemployment forbearance plans, were required to be completed per program guidelines by December 1, 2017. Under this program, as of November 30, 2020, more than 1.7 million homeowners have secured permanent mortgage modifications. In addition, the HHF Program provides funding to 18 states and DC to assist struggling homeowners. As of November 30, 2020, HHF has disbursed approximately \$9.5 billion in total program and administrative funds, and HFAs have drawn approximately \$9.5 billion to prevent avoidable foreclosures and help stabilize neighborhoods. Based on information provided by the HFAs, 6 states are projected to be fully closed by the end of FY 2021, including having completed final compliance reviews and returning any unused funds to Treasury.

Minimizing the cost of the TARP programs to the taxpayer

The third Operational Goal of OFS is to minimize the cost of the TARP programs to the taxpayer. OFS pursues this goal 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 also takes steps to confirm that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

Operating with the highest standards of transparency, accountability, and integrity

OFS's final Operational Goal is to continue to operate with the highest standards of transparency, accountability, and integrity. OFS posts a variety of reports online that provide taxpayers with regular and comprehensive information about how TARP funds are spent, who received them and on what terms, and how much has been recovered to date. OFS also publishes the annual audited Agency Financial Report and continues to maintain productive working relationships with the three oversight bodies charged with auditing and reviewing TARP activities.

D – Evidence-Building Activity

Refer to the Executive Summary for a discussion of Treasury-wide evidence-building functions.

Section III – Additional Information

A – Summary of Capital Investments

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

A summary of capital investments, including major information technology and non-technology investments, can be accessed at: <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports>