

## Office of Financial Stability

### Program Summary

Dollars in Billions

	Cumulative Obligated (as of 11/30/2017)	Cumulative Disbursed (as of 11/30/2017)	Cumulative Outstanding (as of 11/30/2017)	Total Cumulative Income (as of 11/30/2017)	Total Cash Back (as of 11/30/2017)	Total Estimated Life Costs (as of 11/30/2017)
Bank Support Programs	250.5	245.1	0.1	35.7	275.5	(24.3)
Credit Market Programs	19.1	19.1	0.0	4.6	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	70.5	12.2
Treasury Housing Programs	37.4	26.8	NA	NA	0.0	32.5
<b>Total</b>	<b>\$454.5</b>	<b>\$438.5</b>	<b>\$0.1</b>	<b>\$48.6</b>	<b>\$425.0</b>	<b>\$32.3</b>
Additional AIG Common Shares Held by Treasury	0	0	0	17.6	17.6	(17.6) *
<b>Total for Programs and Shares</b>	<b>\$454.5</b>	<b>\$438.5</b>	<b>\$0.1</b>	<b>\$66.2</b>	<b>\$442.5</b>	<b>\$14.7</b>

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

### Administrative Account Summary

Dollars in Thousands

	FY 2017		FY 2018		FY 2019	FY 2018 to FY 2019
	Actual	Estimated	Estimated	Change	% Change	
Tarp Administrative Account	103,578	78,608	63,065	(15,543)	-19.77%	
<b>Total Obligations</b>	<b>\$103,578</b>	<b>\$78,608</b>	<b>\$63,065</b>	<b>(15,543)</b>	<b>-19.77%</b>	
<b>Total FTE</b>	<b>52</b>	<b>34</b>	<b>24</b>	<b>-10</b>	<b>-29.41%</b>	

### Summary and Explanation of Programs

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's continued wind-down efforts align with Treasury's Strategic Goal of financial stewardship, specifically objective 4.1 (financial data access and use), by winding

down sun-setting programs responsibly while maximizing the financial benefit to taxpayers.

OFS continues to operate a housing program to help homeowners prevent avoidable foreclosures, but in 2016 began the wind-down of the largest TARP housing program, the Marking Home Affordable Program, pursuant to the Consolidated Appropriations Act, 2016. As of November 30, 2017, OFS has recovered 97 percent of the \$438.5 billion in total program funds disbursed under TARP, as well as an additional \$17.6 billion from Treasury's equity in AIG. When all of Treasury's AIG investments are included, the amount recovered is greater than the funds disbursed by more than \$4.0 billion.

In FY 2019, OFS plans to obligate \$63 million and use no more than 24 Full-Time Equivalent

(FTE) employees, a decrease of approximately \$16 million and 10 FTE employees from the current FY 2018 estimates, to fund the

### **Legislative Proposals**

Treasury seeks certain legislative changes related to OFS and TARP to reduce the frequency and necessity of several statutory reporting requirements that were established when TARP was created. Although these reporting requirements corresponded to the level of risk associated with a start-up entity in 2009, risk has dramatically decreased as programs have closed. OFS estimates that enacting the following legislative proposals would result in more than \$2 million in annual savings in contracting cost and Government Accountability Office (GAO) reimbursements and would reduce OFS's workload by 4 FTE employees per year. The remaining statutory requirements will continue to provide sufficient transparency during the wind-down of TARP.

**Replace OFS's stand-alone financial audit performed by GAO:** Since inception, OFS has been required to undertake a stand-alone financial audit requiring significant resources. As the majority of programs have closed, the need for a stand-alone audit has diminished. As such, Treasury's Office of the Inspector General could audit OFS's financial operations under the Treasury-wide audit, similar to most other Treasury programs.

**Sunset the Financial Stability Oversight Board (FinSOB):** This interagency group meets monthly and reports quarterly. The group has reviewed OFS's program formulation and monitored program performance since the 2008 financial crisis. Because no new OFS programs can be implemented, all major investments have been disposed, and the housing programs are in wind-down, the need for the board's oversight and reporting has diminished.

management of the TARP housing programs and the continuing disposition of OFS's remaining investments.

**Change frequency of the Section 105(a) report ("Congressional Monthly"):** This performance report remains generally static from month-to-month. With most programs having closed, less frequent (quarterly) reporting is warranted.

**Eliminate the Administrative Activity Report ("Obligation Report"):** This quarterly report provides data on administrative obligations by OFS office and is required under the annual Treasury appropriations bill. OFS has been prudent in the use of administrative funds and has been reducing obligations by approximately 20 percent per year over the last 5 years.

### **Description of Performance**

#### ***Bank Support Programs***

##### ***Capital Purchase Program (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 2017, OFS continued to wind down remaining CPP investments through repayments by those institutions that were able to do so and restructuring investments in limited cases. As of November 30, 2017, CPP has generated \$226.8 billion in recoveries for taxpayers with six institutions remaining in the program, for a total of \$48 million in investments outstanding.

##### ***Community Development Capital Initiative (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. The initial dividend or interest rate was two percent. To encourage repayment, the

dividend rate increases to nine percent after eight years. On August 1, 2016, Treasury – as part of its ongoing effort to wind down TARP – offered participating CDCI institutions an opportunity to repurchase their outstanding securities owned by Treasury at fair value ahead of the dividend rate step-ups set to take place in 2018. By the end of January 2017, OFS completed 27 full and partial repurchases at fair value under the early repurchase option, for a total of \$268 million in repayments. As of November 30, 2017, CDCI has generated \$540 million in recoveries for taxpayers with 21 institutions remaining in the program, for a total of \$68 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.

#### ***Making Home Affordable Program (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 (the Act) (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, 2017, OFS had disbursed \$18.2 billion out of a possible \$27.8 billion under MHA.

#### ***Housing Finance Agency (HFA) Hardest Hit (HHF) Fund***

HHF was established in 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn by providing funding to state HFAs. The \$7.6 billion initiative encompassed 18 states and the District of Columbia. In December 2015, the Act granted Treasury authority to make an additional \$2.0 billion in commitments through the HHF. As of November 30, 2017, OFS had disbursed \$8.5 billion out of a possible \$9.6 billion under the HFA Hardest Hit Fund.

#### ***Federal Housing Administration (FHA) - Short Refinance Program***

OFS continues to support the FHA Short Refinance Program, designed 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. As of November 30, 2017, the revised lifetime cost estimate for the program was \$17 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, 2017, OFS has collected \$70.5 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 American International Group, Inc. Investment Program.

For more details, please see the Budgetary Effects of the TARP chapter in the Analytical Perspectives volume.