

# Office of Financial Stability

FY 2017

President's Budget Submission

February 9, 2016

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## Section 1 – Purpose

### 1A – 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 (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, the Office of Financial Stability (OFS) reports on its Operational Goals, which were developed by management to achieve Treasury’s strategic objective to wind-down emergency financial crisis response programs under our strategic goal of promoting 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 housing programs to help struggling families avoid foreclosure, primarily through mortgage modifications. As of November 30, 2015, OFS has recovered nearly 99 percent of the \$430.4 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 included, the amount recovered is greater than the funds disbursed by \$11.6 billion.

### 1.1 – Program Account Summary

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
<b>Obligations</b>					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	0	225	0	(225)	-100.00%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	168,861	147,797	127,430	(20,367)	-13.78%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
<b>Total Obligations</b>	<b>(\$1,352,807)</b>	<b>(\$59,287)</b>	<b>\$127,430</b>	<b>\$186,717</b>	<b>-314.94%</b>
<b>Budget Authority</b>					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	0	225	0	(225)	-100.00%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	181,640	147,797	127,430	(25,142)	-16.48%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
<b>Total Budget Authority</b>	<b>(\$1,340,028)</b>	<b>(\$54,512)</b>	<b>\$127,430</b>	<b>\$181,942</b>	<b>-333.76%</b>
<b>Outlays</b>					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	4,251,376	5,345,073	4,078,976	(1,266,097)	-23.69%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	152,021	235,237	131,503	(20,507)	-13.49%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
<b>Total Outlays</b>	<b>\$2,820,629</b>	<b>\$5,289,774</b>	<b>\$4,210,479</b>	<b>(\$1,079,294)</b>	<b>-20.40%</b>

## 1.2 – Financing Account Summary

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	Change	% Change
	Actual	Estimated	Estimated	FY 2015 to FY 2016	FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
<b>TARP Direct Loans</b>					
Obligations	288,850	656,332	0	(656,332)	-100.00%
Collections	148,377	547,588	0	(547,588)	-100.00%
Financing Authority (net)	(37,174)	0	0	0	0.00%
Financing Disbursements (net)	140,474	108,745	0	(108,745)	-100.00%
<b>Equity Purchases</b>					
Obligations	1,264,750	229,715	31,170	(198,545)	-86.43%
Collections	1,822,235	197,399	67,424	(129,975)	-65.84%
Financing Authority (net)	(539,526)	3,486	(36,254)	(39,740)	-1,139.99%
Financing Disbursements (net)	(558,074)	32,316	(36,254)	(68,570)	-212.19%
<b>Housing</b>					
Obligations	4,466	4,282	1,965	(2,317)	-54.11%
Collections	2,210	313	59	(254)	-81.15%
Financing Authority (net)	0	0	0	0	0.00%
Financing Disbursements (net)	2,257	3,969	1,906	(2,063)	-51.98%

## 1.3 – Program Disbursement, Repayments, and Cost/Savings

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
Credit Market Programs	19	19	0	5	24	-3
AIG Investment Program (AIG) Automotive Industry Financing Program	68	68	0	1	55	15 *
Treasury Housing Programs	80	80	0	7	71	12
	38	19				35
<b>Total**</b>	<b>\$455</b>	<b>\$430</b>	<b>\$1</b>	<b>\$49</b>	<b>\$425</b>	<b>\$35</b>
Additional AIG Common Shares Held by Treasury	0	0	0	18	18	-18 *
<b>Total for Programs and Shares**</b>	<b>\$455</b>	<b>\$430</b>	<b>\$1</b>	<b>\$66</b>	<b>\$442</b>	<b>\$17</b>

\*If all Treasury AIG Investments are combined, it would result in a net gain of nearly \$2.4 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.

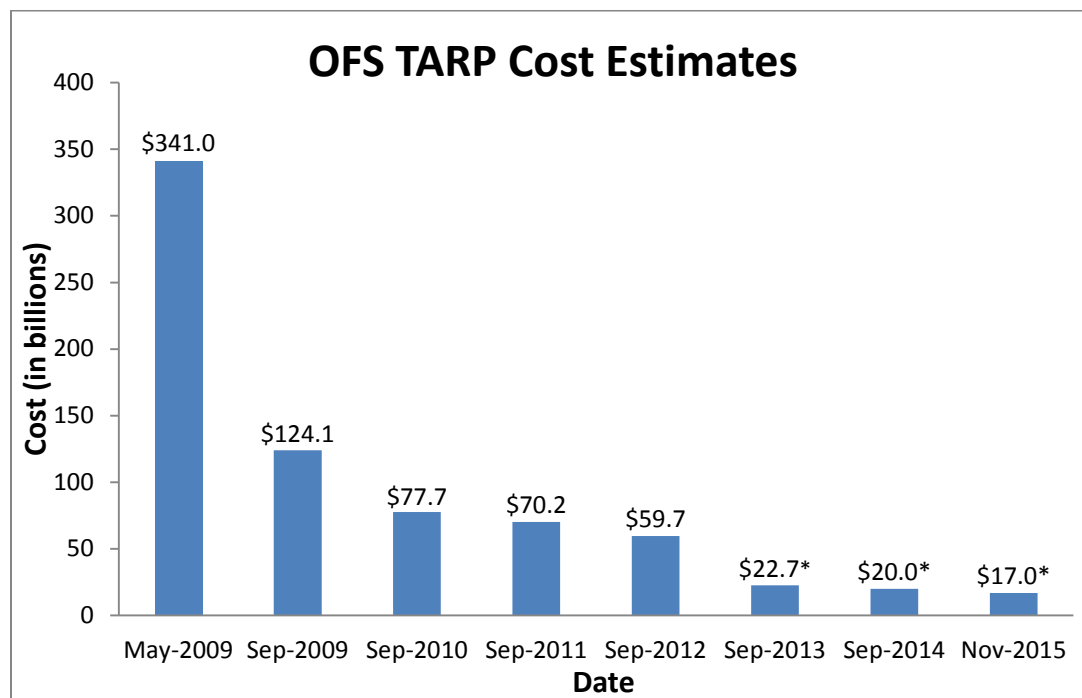
It was out of these extraordinary circumstances in the fall of 2008 that TARP was created as a central part of a series of emergency measures by the federal government. Seven years later, it is generally agreed that as a result of the forceful and coordinated response by the federal government through 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 Fiscal Year (FY) 2009, the program was projected to cost \$341 billion, but it is now estimated to cost only \$34.5 billion (of which -\$0.2 billion relates to investments and \$34.7 billion relates to housing programs that do not require repayments by recipients) as of November 30, 2015. Lifetime costs are projected at \$17.0 billion with the inclusion of receipts from Treasury’s sale of additional AIG common stock.



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

During FY 2016 and FY 2017, OFS's priorities will be to continue winding down TARP's bank investment programs subject to market conditions and continue helping struggling homeowners find solutions to avoid foreclosure by implementing TARP's housing program to reach as many homeowners as possible.

### **OFS Administrative Expenses**

The authority for OFS's administrative budget funds is provided in Section 118 of EESA. In FY 2016, OFS plans to obligate \$148 million and use no more than 72 FTEs, a decrease of approximately \$7 million and 3 FTEs from the FY 2016 President's Budget. The decrease in obligations is primarily due to the faster than anticipated wind-down of TARP's investment programs. In FY 2017, OFS plans to obligate \$127 million and use no more than 64 FTEs, a decrease of over \$20 million and 8 FTEs from the current FY 2016 estimates, to fund the management and maintenance 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 the Office of Financial Stability Administrative Account, the organization manages six 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, and 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 (EPFA): 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.

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 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.

TARP Home Affordable Modification Program Financing Account: 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 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 (OFS) 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
<b>FY 2016 Estimated</b>	<b>75</b>	<b>\$155,066</b>
Changes to Base:		
Adjustments to Estimate:	(3)	(7,269)
FY 2016 Revised Estimate	72	147,797
Maintaining Current Levels (MCLs):	-	2,738
Pay-Raise	-	115
Pay Annualization	-	38
Non-Pay	-	2,584
Subtotal Changes to Base	(3)	(4,531)
<b>Total FY 2017 Base</b>	<b>72</b>	<b>150,535</b>
Program Changes:		
Program Decreases:	(8)	(23,105)
Housing Program Support	-	(14,683)
Maintenance and Disposition of Assets	-	(1,867)
OFS Salaries and Benefits	(8)	(1,267)
Organizational Support	-	(5,288)
<b>Total FY 2017 Estimated</b>	<b>64</b>	<b>127,430</b>

### 2A – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$2,738,000 / +0 FTE**

Pay-Raise +\$115,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$38,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$2,584,000 / +0 FTE

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

**Program Decreases ..... -\$23,105,000 / -8 FTE**

Housing Program Support -\$14,683,000 / +0 FTE

The MHA administrative functions and compliance will continue due to the extension of the program through December 2016, but will decline over time as the application deadline expires and the program winds down.

Maintenance and Disposition of Assets -\$1,867,000 / +0 FTE

During FY 2016, OFS will continue the disposition of its position of the remaining Capital Purchase Program (CPP) banks. In FY 2017, OFS expects its portfolio to be composed of a handful of CPP institutions and the Community Development Capital Initiative (CDCI) institutions.



OFS Salaries and Benefits -\$1,267,000 / -8 FTE

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

Organizational Support -\$5,288,000/ +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.

## 2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	9,132	9,000	8,104
11.7 - Other Personnel Compensation	112	90	81
<b>11.9 - Personnel Compensation (Total)</b>	<b>9,243</b>	<b>9,090</b>	<b>8,185</b>
12.0 - Personnel benefits	2,673	2,700	2,491
<b>Total Personnel Compensation and Benefits</b>	<b>\$11,916</b>	<b>\$11,790</b>	<b>\$10,676</b>
21.0 - Travel and transportation of persons	171	225	145
23.0 - Rent, communications and utilities	9	0	0
25.1 - Advisory and assistance services	156,278	135,319	116,164
26.0 - Supplies and materials	479	456	437
31.0 - Equipment	8	8	8
43.0 - Interest and dividends	0	0	0
<b>Total Non-Personnel</b>	<b>156,945</b>	<b>136,007</b>	<b>116,754</b>
<b>Total Budgetary Resources</b>	<b>\$168,861</b>	<b>\$147,797</b>	<b>\$127,430</b>
<b>Budget Activities:</b>			
EESAP - TARP Administrative Account	168,861	147,797	127,430
<b>Total Budgetary Resources</b>	<b>\$168,861</b>	<b>\$147,797</b>	<b>\$127,430</b>
<b>FTE</b>	<b>74</b>	<b>72</b>	<b>64</b>

Table includes direct FTEs.

Totals may not foot due to rounding.

## 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**

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### **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.

During FY 2015, OFS focused on winding down the CPP according to the exit strategy announced on May 3, 2012. That strategy continues to include repayments by those institutions that are able to do so, selling OFS's positions in banks that are unlikely to repay in the near-term, and restructuring some investments. As of November 30, 2015, the CPP has generated \$226.6 billion in total receipts 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): 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, 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 Public-Private Investment Funds 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.

#### *Other Programs*

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<sup>®</sup> 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. 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. These changes 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.

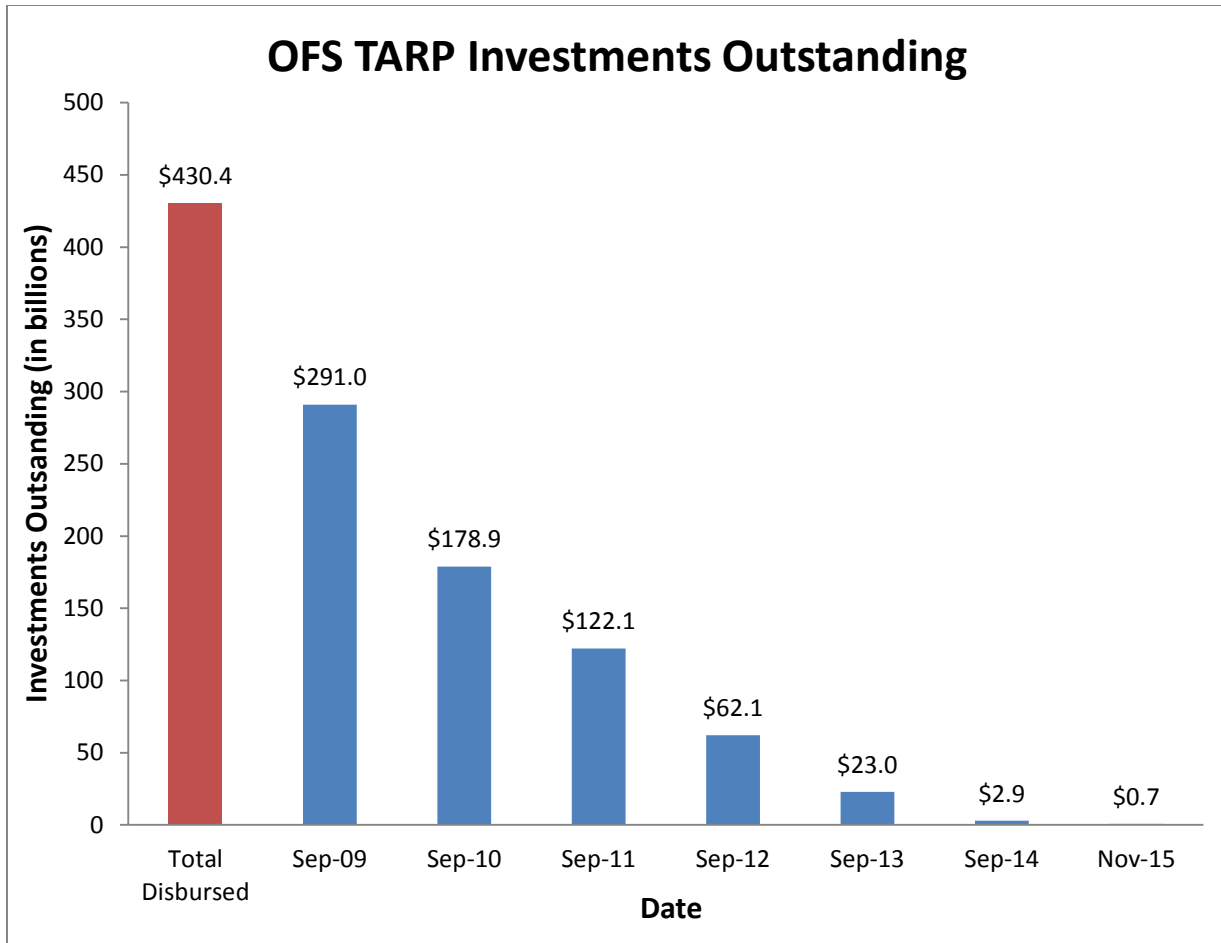
### **3B – EESA Administration**

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. Unlike the CPP, OFS did not take substantial actions during fiscal year 2015 to wind-down the CDCI because of the unique circumstances facing participating institutions. In particular, many CDCI participants lack the same access to capital markets that CPP institutions have, making it more challenging for them to repay the TARP investments in their institutions. As of November 30, 2015, \$445 million in CDCI investments remained outstanding. OFS will continue to closely monitor the performance of the CDCI and make decisions regarding the program's wind-down at a later date. All other TARP investment programs have been effectively wound down.



Continue to help struggling homeowners 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 to December 31, 2016, 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 1.5 million homeowners have had their mortgages modified permanently as of September 30, 2015. HAMP has also set new standards and changed practices throughout the mortgage servicing industry in fundamental ways. Together, public and private efforts have helped millions of 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.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Performance Metrics and Indicators<sup>1</sup></b> <i>(includes GSE and non-GSE)</i>	Actual	Actual	Actual	Actual	Actual
<i>Reduction in median payment for homeowners in permanent modifications (assist homeowners) program-to-date.</i>	\$526	\$541	\$547	\$540	\$481
<hr/>					
<i>Number of modifications entered into (assist homeowners)</i>					
Trial	344,598	213,613	181,505	137,550	122,496
Permanent	361,076	233,622	178,039	148,070	125,338
<hr/>					
<i>12-month re-default rate for Permanent Modifications (90+ days delinquency rate for loans seasoned 12 months)</i>	15.4%	14.5%	13.6%	13.5%	13.1%

<sup>1</sup>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 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.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Performance Metrics and Indicators<sup>1</sup></b>	Actual	Actual	Actual	Actual	Actual
<i>Proceeds from warrant repurchases as percent of aggregate CPP preferred investment amount (plus median for the selected banks)</i>	2.4%	1.9%	3.3%	4.2%	9.0%

<sup>1</sup>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 Treasury's 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 annual audited Agency Financial Report and continues to maintain productive working relationships with three oversight bodies charged with auditing and reviewing the TARP activities.

<b>Performance Metrics and Indicators<sup>1</sup></b>	<b>FY 2011 Actual</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2015 Target</b>	<b>FY 2016 Target</b>	<b>FY 2017 Target</b>
<u>Percentage of statutorily-mandated reports submitted on time</u> <i>(ensure transparency within the government)</i>	100%	100%	80%	99%	100%	100%	<b>100%</b>	<b>100%</b>
<u>Percentage of customers satisfied with FinancialStability.gov (self-selected respondents)</u> <i>(ensure transparency of operations to the public)</i>	66%	67%	70%	69%	67%	75%	<b>70%</b>	<b>70%</b>
<u>Timeliness of responses</u> <i>(ensure transparency within the government)</i>								
Average days to close a FOIA case <sup>2</sup>	98	90	21	NA	NA	NA	<b>NA</b>	<b>NA</b>
Percentage of FOIA requests on-time or less than 30-days overdue <sup>2</sup>	NA	NA	NA	15%	13%	33%	<b>33%</b>	<b>33%</b>
Percentage of Congressional correspondence responses drafted within 10 days	98%	99%	100%	92%	50%	100%	<b>100%</b>	<b>100%</b>
<u>Clean audit opinion on TARP financial statements</u> <i>(ensure transparency within the government)</i>	Yes	Yes	Yes	Yes	Yes	NA	<b>Yes</b>	<b>Yes</b>
<u>Percentage of SIGTARP and GAO oversight recommendations responded to on time</u> <i>(ensure transparency within the government)</i>	88%	82%	80%	100%	100%	100%	<b>100%</b>	<b>100%</b>

<sup>1</sup>Items underlined are measures. Targets are provided only for measures.

<sup>2</sup>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**

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### **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 and 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.