Emergency Economic Stabilization Act Programs

Mission Statement

The mission of the Office of Financial Stability is to carry out the authorities delegated to the Office by the Secretary of the Treasury to implement the Troubled Assets Relief Program (TARP). These authorities were vested to the Treasury Secretary by the Emergency Economic Stabilization Act of 2008, which authorized the Secretary of the Treasury to establish the TARP to "purchase, and to make and fund commitments to purchase troubled assets from any financial institution, on terms and conditions as are determined by the Secretary."

The purposes of the EESA are to—
(1) immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and
(2) ensure that such authority and such facilities are 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.

Program Summary by Budget Activity

(Dollars in thousands)

	FY 2009		FY 2010	
	Purchase Cap[1]	**Obligations[2]**	**Purchase Cap[1]**	**Obligations[2]**
Capital Purchase Program	$218,000,000	$58,830,700	$0	$0
Public-Private Investment Program[3, 4]	$75,000,000	$24,997,500	$0	$0
Systemically Significant Failing Institutions Program	$70,000,000	$57,946,000	$0	$0
Consumer and Business Lending Initiative[3]				
TALF 1.0	$20,000,000	$6,666,000	$0	$0
TALF Asset Expansion	$35,000,000	$11,665,500	$0	$0
TALF for Legacy Securities	$25,000,000	$8,332,500	$0	$0
Unlocking SBA Lending Markets	$15,000,000	$4,999,500	$0	$0
Home Affordable Modification Program	$50,000,000	$50,000,000	$0	$0
Targeted Investment Program	$40,000,000	$19,540,000	$0	$0
Automotive Industry Financing Program and Auto Supplier Support Program	$35,400,000	$18,235,070	$0	$0
Asset Guarantee Program[5]	$12,500,000	($752,500)	$0	$0
Estimate of Redemption	($25,000,000)	NA	$0	$0
Capital Assistance and Other TBD Programs[3]	$129,100,000	$43,029,030	$0	$0
Total	**$700,000,000**	**$303,489,300**	**$0**	**$0**

[1]Amount applied to the Section 115 Purchase Cap.
[2]Estimated program costs or savings do not include $1,998,749,041 in estimated modification costs due to revisions of the initial loan and equity purchase terms.
[3]Subsidy rate will be revised from the current 33.33% placeholder.
[4] The TALF for Legacy Securities program categorized under the Consumer and Business Lending Initiative in this table will be implemented under the Public-Private Investment program.
[5] Loan Guarantees are expected to be $419 billion, but Treasury will be limited to a $12.5 billion second loss.

FY 2010 Priorities

During FY 2010, the Office of Financial Stability will continue to implement the TARP and other programs established under the EESA.

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Section 1 – Purpose

1A-Description of Office Vision and Priorities

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the Secretary of the Treasury to establish the Troubled Assets Relief Program (TARP) to "purchase, and to make and fund commitments to purchase troubled assets from any financial institution, on terms and conditions as are determined by the Secretary." The EESA further authorized that the Secretary implement the programs under section (1) through an Office of Financial Stability (OFS).

Accordingly, since the passage of the legislation in October 2008, the Office of Financial Stability has implemented a number of programs aimed at stabilizing the financial system and restoring the flow of credit to consumers and businesses. The Treasury Department has also implemented a series of initiatives as part of its Financial Stability Plan that – alongside the American Recovery and Reinvestment Act – lay the foundations for economic recovery:

- ***Efforts to Improve Affordability for Responsible Homeowners:*** Treasury has implemented programs that allow families to save on their mortgage payments by refinancing, assist responsible homeowners in avoiding foreclosure through a loan modification plan, and, alongside the Federal Reserve, help bring mortgage interest rates down to near historic lows.

- ***Consumer and Business Lending Initiative:*** Treasury and the Federal Reserve are expanding the Term Asset-Backed Securities Loan Facility in conjunction with the Federal Reserve to jumpstart the secondary markets that support consumer and business lending. In addition, Treasury announced plans to make up to $15 billion in direct purchases to spur the secondary market government-guaranteed Small Business Administration loans.

- ***Capital Assistance Program:*** Treasury has also launched a new capital program, including a forward-looking capital assessment undertaken by bank supervisors to ensure that banks have the capital they need in the event of a worse-than-expected recession. If banks are confident that they will have sufficient capital to weather a severe economic storm, they are more likely to lend now – making it less likely that a more serious downturn will occur.

- ***Public-Private Investment Program:*** To address the challenge of legacy assets, Treasury – in conjunction with the Federal Deposit Insurance Corporation and the Federal Reserve – has announced the Public-Private Investment Program as part of its efforts to repair balance sheets throughout our financial system and ensure that credit is available to the households and businesses, large and small, that will help drive us toward recovery.

The priorities of the OFS are to effectively carry out these new programs as well as to continue the implementation of any new programs developed under the EESA.

1B – Current programs under the EESA

Capital Purchase Program

In October 2008, Treasury created the Capital Purchase Program (CPP) to stabilize the financial system by building the capital base of healthy, viable U.S. financial institutions, which in turn will increase the capacity of those institutions to lend to businesses and consumers and support the economy. Under this program, Treasury is purchasing senior preferred shares from qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies.

Through the CPP, Treasury has invested in over 540 institutions, including small, community, regional, and national banks, as well as Community Development Financial Institutions, in 48 states, the District of Columbia, and Puerto Rico. The application deadline for publicly-held institutions was November 14, 2008, the deadline for applications from eligible privately-held financial institutions was December 8, 2008, and the application deadline for S corporations was February 13, 2009. The deadline for a mutual holding company or holding company with a mutual top-tier parent to the CPP is May 7, 2009. The federal banking regulators are evaluating all submitted CPP applications and continue to send qualifying applications to Treasury for final approval.

On February 27, 2009, Treasury announced a plan to participate in an exchange of Citigroup CPP preferred stock for a new series stock which will automatically convert to common stock upon shareholder approval. Under the terms of the plan, Treasury will exchange up to $25 billion dollars of CPP shares for the new series. Closing of the plan is subject to regulatory approval and participation by certain private investors and public investors.

Systemically Significant Failing Institutions

The Systemically Significant Failing Institution program (SSFI) is intended to provide stability and prevent disruptions to financial markets from the failure of a systemically significant institution. The Treasury will determine the eligibility of participants on a case-by-case basis. Treasury provided assistance to the American International Group, Inc. (AIG) under the SSFI program in November 2008 and April 2009. In determining whether an institution is systemically significant and at substantial risk of failure, Treasury may consider, among other things:

1. The extent to which the failure of an institution could threaten the viability of its creditors and counterparties because of their direct exposures to the institution;

2. Whether the institution is sufficiently important to the nation's financial and economic system that a disorderly failure would, with a high probability, cause

major disruptions to credit markets or payments and settlement systems, seriously destabilize key asset prices, significantly increase uncertainty or losses of confidence thereby materially weakening overall economic performance; or

3. The extent and probability of the institution's ability to access alternative sources of capital and liquidity, whether from the private sector or other sources of government funds.

Targeted Investment Program

The Targeted Investment Program (TIP) is designed to prevent a loss of confidence in financial institutions that could result in significant market disruptions, threatening the financial strength of similarly situated financial institutions, impairing broader financial markets, and undermining the overall economy. Treasury will consider institutions as candidates for the TIP on a case-by-case basis, based on a number of factors described in the program guidelines. These factors include the threats posed by destabilization of the institution, the risks caused by a loss of confidence in the institution, and the institution's importance to the nation's economy.

Treasury completed the first transaction under the TIP on December 31, 2008, when it invested $20 billion in Citigroup perpetual preferred stock and warrants. Under the agreement with Citigroup, Treasury will receive an 8 percent annual dividend, payable quarterly. As part of this agreement, Citigroup must implement rigorous compensation standards and other restrictions on corporate expenditures. Treasury has also invested in Citigroup through the CPP and the Asset Guarantee Program.

On January 16, 2009, Treasury completed its second transaction under the TIP, investing $20 billion in Bank of America. Under the agreement with Bank of America, Treasury purchased $20 billion of preferred stock and warrants and will receive an 8 percent dividend, payable quarterly. As part of this agreement, Bank of America must implement rigorous executive compensation standards and other restrictions on corporate expenditures. Treasury has also invested in Bank of America through the CPP.

Automotive Industry Financing Program

The objective of the Automotive Industry Financing Program (AIFP) is to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States. The program requires participating institutions to implement plans that will achieve long-term viability. Participating institutions must also adhere to rigorous executive compensation standards and other measures to protect the taxpayer's interests, including limits on the institution's expenditures and other corporate governance requirements. Treasury has funded or announced its intent to fund four institutions under the AIFP for $35.4 billion.

Auto Supplier Support Program
On March 19, 2009, Treasury released details and eligibility information for the $5 billion Auto Supplier Support Program (ASSP). The ASSP program will provide domestic auto suppliers access to government-backed protection for products they ship to auto manufacturers. Participating suppliers will also be able to sell their receivables into the program at a modest discount, helping to unlock credit more broadly in the supplier industry.

All U.S.-based auto suppliers that ship to participating auto manufacturers on qualifying commercial terms may be eligible to participate in the program. Any domestic auto manufacturer is eligible to participate in the program. Participating auto manufacturers will decide which suppliers and receivables will receive protection.

Participating suppliers will pay a small fee for the right to participate in the program. Auto manufacturers that choose to participate in the program will request an allocation from Treasury to provide government-backing, and then will work with a third-party servicer to establish a receivables purchase program. Participating auto manufacturers will be required to make a financial commitment in connection with the allocation they receive from Treasury. Any receivable created with respect to goods shipped after March 19, 2009, that is made on qualifying commercial terms between a participating supplier and a participating auto manufacturer will be eligible for the program. General Motors (GM) and Chrysler have already agreed to participate in the program and will have fully operational purchase programs established shortly.

Warrantee Commitment Program
On March 31, 2009, as part of its assessment of the viability plans submitted by GM and Chrysler, the Administration announced the Warrantee Commitment Program, which will provide government-funded protection for warranties issued by auto manufacturers that are in the process of restructuring. The program will be available for all new warranties on new vehicles purchased from participating auto manufacturers during the period in which those manufacturers are restructuring. Both GM and Chrysler have already indicated their intention to participate in the program.

Asset Guarantee Program

The Asset Guarantee Program (AGP) provides guarantees for assets held by systemically significant financial institutions that face a risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. The AGP will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. Treasury does not anticipate that the program will be made widely available and notes that the EESA requires that premiums under section 102 of ESSA be set to ensure that taxpayers are fully protected. Details on the AGP are available on Treasury's web site.

Treasury completed its first transaction under the AGP on January 16, 2009, when it finalized the terms of a guarantee agreement with Citigroup that was previously announced on November 23, 2008. Under the agreement, Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) will provide protection against the possibility of large losses on an asset pool of approximately $301 billion of loans and securities backed by residential and commercial real estate and other such assets, which will remain on Citigroup's balance sheet. The following loss-sharing protocol will apply: Citigroup will absorb the first $39.5 billion in losses; losses over $39.5 billion are shared by the Government (90 percent) and Citigroup (10 percent) (the "second loss"). Treasury absorbs the second loss up to $5 billion, the FDIC absorbs the third loss up to $10 billion, and the Federal Reserve funds any residual loss through a non-recourse loan. The guarantee is in place for ten years for residential assets and five years for non-residential assets. As a fee for the guarantee, Citigroup will issue $7 billion of preferred stock with an 8 percent dividend rate; $4 billion will be issued to Treasury and $3 billion to the FDIC. As part of the agreement, Citigroup must submit an executive compensation plan to Treasury and the FDIC for approval and must comply with certain common stock dividend restrictions. Treasury has also invested in Citigroup through the CPP and the TIP.

In addition, Treasury and the FDIC announced that they will provide protection to Bank of America against the possibility of unusually large losses on an asset pool of approximately $118 billion of loans and securities backed by residential and commercial real estate loans, and other trading book assets that have been marked to current market value. The large majority of these assets were assumed by Bank of America as a result of its recent acquisition of Merrill Lynch & Co. The assets will remain on Bank of America's balance sheet. As a fee for this arrangement, Bank of America will issue preferred shares to Treasury and the FDIC. In addition and if necessary, the Federal Reserve is prepared to backstop residual risk in the asset pool through a non-recourse loan. As part of the agreement, Bank of America will be required to submit an executive compensation plan to Treasury and the FDIC for approval and to adhere to certain common stock dividend restrictions. The Bank of America guarantee was announced on January 16, 2009, but has not yet been finalized.

The Consumer and Business Lending Initiative (CBLI)

Term Asset-Backed Securities Loan Facility

In carrying out the Financial Stability Plan, the Federal Reserve and Treasury released further details on the Term Asset-Backed Securities Loan Facility (TALF) in February 2009, including program terms and conditions, as well as questions and answers. The creation of the TALF was announced in November 2008 as a Federal Reserve facility to which Treasury will provide $20 billion in funding through the TARP; subsequently, standardized terms have been developed. The Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated asset-backed securities (ABS) secured by newly and recently originated consumer and small business loans. TALF loans will have a term of three years and will be secured solely by eligible collateral. Haircuts (a percentage reduction used for collateral valuation) will be determined based on the riskiness of each type of eligible collateral and the maturity of the eligible collateral pledged to the Federal Reserve. The haircuts will provide additional protection to taxpayers by protecting the Federal Government from loss.

To promote accountability and oversight for the current facility, the participating sponsor must provide a certification to the effect that the collateral supporting the ABS is eligible under TALF and that an independent accounting firm registered with the Public Company Accounting Oversight Board has attested to the sponsor's assessment of the eligible collateral. As part of the Consumer and Business Lending Initiative announced by the Secretary on February 10, 2009, Treasury and the Federal Reserve have agreed to include four new asset categories under the TALF: (1) ABS backed by mortgage servicing advances; (2) ABS backed by loans or leases related to business equipment; (3) ABS backed by leases of vehicle fleets; and (4) ABS backed by floorplan loans. The CBLI also includes up to $25 billion for the purchase of legacy securities through the TALF structure as part of our Public Private Investment Program.

Initiative to Unlock Credit for Small Businesses

Traditionally, Small Business Administration (SBA) lending has been supported by an active secondary market, as community banks and other lenders sell the government-guaranteed portion of their loans, providing them with new capital to make additional loans. Since last fall, this secondary market – which has historically supported over 40 percent of SBA's 7(a) lending program – has frozen up. As a result, both lenders, including community banks and credit unions, and the "pool assemblers" that securitize their loans have been left with government-guaranteed SBA loans and securities on their books. This has prevented them from making or buying new loans.

On March 16, 2009, Treasury announced a program to unlock credit for small businesses as part of the Consumer and Business Lending Initiative. As part of the program, Treasury will make up to $15 billion in TARP funds available to make direct purchases to unlock the secondary market for the government-guaranteed portion of SBA 7(a) loans as well as first-lien mortgages made through the 504 program. These purchases, combined with higher loan guarantees and reduced fees implemented under the American Recovery and Reinvestment Act of 2009, will help provide lenders with the confidence that they need to extend credit, knowing that if they make an SBA loan, they will be able to sell it and access the liquidity necessary to do further lending.

Making Home Affordable

On March, 4, 2009, the Treasury released program guidelines for Making Home Affordable, a component of the Administration's Homeowner Affordability and Stability Plan announced in February 2009. Making Home Affordable includes: the Home Affordable Refinance Program and the Home Affordable Modification Program. Together, these programs will assist as many as nine million homeowners making a good-faith effort to stay current on their mortgage payments and will also work to prevent the destructive impact of foreclosures on families and communities. This plan is being implemented pursuant to Sections 101 and 109 of the EESA.

Under the Home Affordable Refinance Program, eligible borrowers who are current on their mortgages but have been unable to refinance to lower interest rates because their homes have decreased in value, may have the opportunity to refinance. This lower-cost refinancing program is limited to mortgage loans held in portfolio, securitized or guaranteed by Fannie Mae or Freddie Mac. First liens up to 105% of the current market value of the mortgaged property are eligible for the new high LTV refinancing program.

The Making Home Affordable Plan also includes the Home Affordable Modification Program. Treasury will share the cost with mortgage lenders to help borrowers avoid foreclosure by modifying at-risk loans to achieve a payment the borrower can afford. Borrowers must meet several eligibility requirements, including that the mortgaged property is the borrower's primary residence, the current monthly mortgage loan payment is greater than 31% of the borrower's monthly gross income, and the mortgage loan amount does not exceed $729,750 for one unite properties (more for 2-4 unit properties).

To encourage foreclosure mitigation efforts, Treasury will provide mortgage loan servicers up-front and "pay for success" fees for eligible loan modifications made to borrowers on a timely basis. Treasury will also pay borrower incentives for those who continue to stay current on his or her mortgage loan. This incentive payment will be paid to investors to reduce the principal of the borrower's loan. Treasury plans to create a reserve fund, designed to discourage lenders from opting to foreclose on mortgaged properties located in a declining housing market.

To protect taxpayers, the Home Affordable Modification Program will focus on sound modifications – incentive payments will only be made for sustainable modifications done in compliance with program guidelines. The Treasury has worked closely with the FDIC and other regulatory agencies to develop uniform guidance for loan modifications across the mortgage industry to bring order and consistency to foreclosure mitigation.

Capital Assistance Program

On February 10, 2009, Treasury announced the Capital Assistance Program (CAP), which is designed to ensure the continued ability of U.S. financial institutions to lend to creditworthy borrowers in the face of a weaker than expected economic environment and larger than expected potential losses. The CAP consists of two elements aimed at restoring confidence in the conditions of the U.S. banking system: a supervisory exercise and a new capital access program for qualifying financial institutions.

The first element is a forward-looking supervisory exercise on the part of the four federal banking regulators, who have long worked with the major banking organizations. The federal banking or thrift supervisor will undertake a coordinated supervisory capital planning exercise or "stress test" with each of 19 major U.S. banking organizations with assets in excess of $100 billion. The stress test will determine whether major financial institutions have the additional capital buffer necessary to continue lending and to absorb potential losses in a worse than expected economic downturn. If the respective federal banking or thrift supervisor concludes that there is a need to establish an additional capital buffer, the bank will have a six-month window to raise that capital privately or to access the capital made available by Treasury under the CAP. Eligible U.S. financial institutions with consolidated assets below $100 billion may also apply and obtain capital from the CAP.

The second component under the CAP is a new capital access program, under which Treasury will purchase convertible preferred shares from qualified financial institutions. In accordance with the considerations of the EESA, a broad spectrum of financial institutions is eligible for the program: U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies. A recommendation on acceptance is received from the institution's primary federal regulator or, in some cases, from a council of representatives from each federal regulator. Treasury is responsible for final approval.

The investment limit under the CAP is between 1% and 2% of total risk-weighted assets, plus any amount of CAP convertible preferred shares to the extent the proceeds are used to redeem preferred shares sold under the CPP and, if applicable, TIP. The convertible preferred shares automatically convert to common stock after seven years at a specified conversion price. The preferred shares also have an optional conversion feature which allows the financial institution to convert in whole or in part at any time with approval from their primary regulator. Standardized terms have been developed for institutions that are organized as publicly traded institutions; terms applicable to privately held institutions, S corporations, and mutual organizations are still under consideration. The standardized terms also impose provisions (such as the issuance of warrants) that will enable the taxpayer to benefit from the future appreciation of the financial institution. Additionally, firms must agree to comply with enhanced restrictions with respect to executive compensation, transparency, accountability, and monitoring.

Public-Private Investment Program

To address the challenge of legacy assets, Treasury – in conjunction with the FDIC and the Federal Reserve – is announcing the Public-Private Investment Program (PPIP) as part of its efforts to repair balance sheets throughout our financial system and ensure that credit is available to the households and businesses, large and small, that will help drive us toward recovery.

Three Basic Principles: Using $75 to $100 billion in TARP capital and capital from private investors, the PPIP will generate $500 billion in purchasing power to buy legacy assets – with the potential to expand to $1 trillion over time. The PPIP will be designed around three basic principles:

- *Maximizing the Impact of Each Taxpayer Dollar:* First, by using government financing in partnership with the FDIC and the Federal Reserve and co-investment with private sector investors, substantial purchasing power will be created, making the most of taxpayer resources.

• *Shared Risk and Profits with Private Sector Participants:* Second, the PPIP ensures that private sector participants invest alongside the taxpayer, with the private sector investors standing to lose their entire investment in a downside scenario, and the taxpayer sharing in profitable returns.
• *Private Sector Price Discovery:* Third, to reduce the likelihood that the government will overpay for these assets, private sector investors competing with one another will establish the price of the loans and securities purchased under the program.

Two Components for Two Types of Assets: The PPIP has two parts, addressing both the legacy loans and legacy securities clogging the balance sheets of financial firms:

• *Legacy Loans:* The overhang of troubled legacy loans stuck on bank balance sheets has made it difficult for banks to access private markets for new capital and limited their ability to lend.
• *Legacy Securities:* Secondary markets have become highly illiquid, and are trading at prices below where they would be in normally functioning markets. These securities are held by banks as well as insurance companies, pension funds, mutual funds, and funds held in individual retirement accounts.

The Legacy Loans Program: To cleanse bank balance sheets of troubled legacy loans and reduce the overhang of uncertainty associated with these assets, the FDIC and Treasury are launching a program to attract private capital to purchase eligible legacy loans from participating banks through the provision of FDIC debt guarantees and Treasury equity co-investment. Treasury currently anticipates that approximately half of the TARP resources for legacy assets will be devoted to the Legacy Loans Program, but our approach will allow for flexibility to allocate resources where we see the greatest impact.

The Legacy Securities Program: The goal of this program is to restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit. The resulting process of price discovery will also reduce the uncertainty surrounding the financial institutions holding these securities, potentially enabling them to raise new private capital. The Legacy Securities Program consists of two related parts designed to draw private capital into these markets by providing debt financing from the Federal Reserve under the TALF and through matching private capital raised for dedicated funds targeting legacy securities.

1. *Expanding TALF to Legacy Securities to Bring Private Investors Back into the Market*: The Treasury and the Federal Reserve have announced their plans to create a lending program that will address the broken markets for securities tied to residential and commercial real estate and consumer credit. The intention is to incorporate this program into the previously announced TALF.

2. *Partnering Side-by-Side with Private Investors in Legacy Securities Investment Funds*: Treasury will make co-investment/leverage available to partner with private capital providers to immediately support the market for legacy mortgage-

and asset-backed securities originated prior to 2009 with a rating of AAA at origination.

1C – Credit Reform

EESA Section 123 requires that the cost of EESA programs be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). Under credit reform, the net present value expected cost of a loan or loan guaranty is budgeted for at the time of obligation. Under EESA Section 101(a)(1), Treasury is authorized 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..." Under this authority, Treasury can enter into equity investments and other financial transactions in addition to loans and loan guarantees. Based on Section 123 of EESA, Treasury is budgeting for its equity investments under credit reform.

To comply with the credit reform requirements, Treasury has established five credit program accounts: TARP Equity Purchase Program Account, TARP Equity Purchase Financing Account, TARP Program Account, Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account, and TARP Direct Loan Financing Account.

Credit Reform Accounts Descriptions

TARP Equity Purchase Program Account
The 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 Equity Purchase Financing Account (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 Program Account
The TARP Account records the subsidy costs (cost to the government) associated with direct loans obligated and guaranteed loans committed to qualifying institutions. Subsidy costs are calculated on a net present value basis.

Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account
The Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account (GLFA) is a non-budgetary account that records all financial transactions to and from the government resulting from guarantees committed. Like EPFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

TARP Direct Loan Financing Account

The TARP Direct Loan Financing Account (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.

Section 2 – Budget Adjustments and Appropriation Language

2.1 Summary of Appropriation Highlights

Total TARP

Summary of Appropriation Highlights

(dollars in thousands)

TARP On-Budget Accounts	2008 Actual	2009 Budget Estimate	2009 Current Estimate	2010 Estimate	Increase (+) Decrease (-)
Obligations:					
Housing Account	$0	$0	$50,000,000	$0	-$50,000,000
Equity Program Account	$0	$0	$141,554,949	$0	-$141,554,949
TARP Account	$0	$0	$114,685,600	$0	-$114,685,600
TARP Negative Receipt Account	$0	$0	- $752,500	$0	+ $752,500
TARP Administrative Account	$0	$0	$278,700	$262,375	-$16,325
Total Obligations	**$0**	**$0**	**$305,766,749**	**$262,375**	**-$305,504,374**
Budget Authority:					
Housing Account	$0	$0	$50,000,000	$0	-$50,000,000
Equity Program Account	$0	$0	$141,554,949	$0	-$141,554,949
TARP Account	$0	$0	$114,685,600	$0	-$114,685,600
TARP Negative Receipt Account	$0	$0	- $752,500	$0	+ $752,500
TARP Administrative Account	$0	$0	$278,700	$262,375	-$16,325
Total Budgetary Authority	**$0**	**$0**	**$305,766,749**	**$262,375**	**-$305,504,374**
Outlays:					
Housing Account	$0	$0	$4,091,201	$8,102,255	+$4,011,054
Equity Program Account	$0	$0	$141,554,949	$0	-$141,554,949
TARP Account	$0	$0	$114,685,600	$0	-$114,685,600
TARP Negative Receipt Account	$0	$0	- $752,500	$0	+ $752,500
TARP Administrative Account	$0	$0	$222,960	$265,640	+$42,680
Total Outlays	**$0**	**$0**	**$259,802,210**	**$8,367,895**	**-$251,434,315**

Note: Dollar amounts may not add due to rounding in this and subsequent charts.

The FY 2009 appropriation forecast includes $279 million funding for general operating expenses associated with the TARP. The TARP does not require subsidy for FY 2010 obligations beyond $262 million for general operating expenses. These administrative costs do not count against the $700B purchase cap limitation.

2.2 Operating Levels Table

(dollars in thousands)					
		2009			
Office of Financial Stability Account	**2008 Actual**	**Budget Estimate**	**Current Estimate**	**2010 Estimate**	**Increase (+) Decrease (-)**
FTE	**0**	**0**	**134**	**225**	
Object Classification:					
11/12 Salary & Benefits	$0	$0	$21,110	$35,054	+ $13,944
21 Travel	$0	$0	$1,540	$2,538	+ $998
21 Transportation	$0	$0	$500	$504	+ $4
21 Rent, Communications, Utilities	$0	$0	$4,637	$8,224	+ $3,587
21 Contracts and Other Misc. Services	$0	$0	$248,160	$213,098	- $35,062
21 Supplies	$0	$0	$376	$497	+ $121
21 Equipment	$0	$0	$2,278	$2,459	+ $181
21 Land/Bldgs/Leasehold Improvements	$0	$0	$100	$0	- $100
Total	$0	$0	$278,700	$262,375	- $16,325

2.2.1 Operating Levels Table by Treasury Reimbursements

(dollars in thousands)					
		2009			
Office of Financial Stability Account	**2008 Actual**	**Budget Estimate**	**Current Estimate**	**2010 Estimate**	**Increase (+) Decrease (-)**
Direct Program Activity	$0	$0	$252,700	$228,375	**- $24,325**
Reimbursements:					
Congressional Oversight Panel	$0	$0	$4,000	$4,000	+ $0
GAO	$0	$0	$9,000	$9,000	+ $0
Treasury and non-Treasury Agencies	$0	$0	$14,000	$21,000	+ $7,000
Total	$0	$0	$279,700	$262,375	- $17,325

2.3 Financing Accounts - Non-Budgetary Summary

Financing Accounts – Non-Budgetary Financial Summary (dollars in thousands)					
		2009			
	2008 Actual	Budget Estimate	Current Estimate	2010 Estimate	Increase (+) Decrease (-)
TARP Guaranteed Loans:					
Obligations	$0	$0	$752,575	$1,096,067	+$343,492
Collections	$0	$0	$276,363	$1,222,167	+$945,804
Financing Authority (net)	$0	$0	$752,500	$593,084	-$159,416
Financing Disbursements (net)	$0	$0	$476,212	-$126,100	-$602,312
TARP Direct Loans:					
Obligations	$0	$0	$350,998,065	$19,885,917	-$331,112,149
Collections	$0	$0	$152,348,718	$31,397,879	-$120,950,839
Financing Authority (net)	$0	$0	$198,649,347	-$11,511,962	-$210,161,309
Financing Disbursements (net)	$0	$0	$198,649,347	-$11,511,962	-$210,161,309
Equity Purchases:					
Obligations	$0	$0	$348,524,618	$13,393,164	-$335,131,454
Collections	$0	$0	$182,165,548	$22,939,476	-$159,226,072
Financing Authority (net)	$0	$0	$166,359,070	-$9,546,312	-$175,905,382
Financing Disbursements (net)	$0	$0	$166,359,070	-$9,546,312	-$175,905,382
TARP Financing Accounts Totals:					
Obligations	$0	$0	$700,275,258	$34,375,148	-$665,900,111
Collections	$0	$0	$334,790,629	$55,559,521	-$279,231,108
Financing Authority (net)	$0	$0	$365,760,917	-$20,465,190	-$386,226,107
Financing Disbursements (net)	$0	$0	$365,484,629	-$21,184,374	-$386,669,003

2.4 TARP Summary

Summary of TARP Activity (dollars in thousands)			
	Amount towards $700B limit	**Subsidy Rates**	**Subsidy Cost**
Total Equity Transactions	$333,000,000	41.91%	$139,556,200
Total Direct Loans	$329,500,000	34.81%	$114,685,600
Guaranteed Loans:	$12,500,000	-0.18%	-$752,500
Home Affordable Modification Program	$50,000,000	NA	$50,000,000
Estimated Redemptions	($25,000,000)		
Total Amount of TARP Activity	**$700,000,000**	**43.36%**	**$303,489,300**

2B – Enacting Legislation

Public Law 110-343, Emergency Economic Act of 2008, provides such sums as necessary, including administrative expenses, for the cost to purchase and insure certain types of troubled assets for the purposes of providing stability to and preventing disruption in the economy and financial system.

2C –Legislative Proposals

The TARP has no legislative proposals in FY 2010.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome.

3.1 – Budget by Strategic Outcome

Treasury Strategic Outcome (dollars in thousands)	FY 2009 Estimated AMOUNT	FY 2010 Estimated AMOUNT	Percent Change AMOUNT
Ensure the Overall Stability and Liquidity of the Financial System	$517,100,000	$0	- 100%
Protect the Economy from Systemic Risks	$157,900,000	$0	- 100%
Provide incentives to ensure Homeownership Preservation	$50,000,000	$0	- 100%

3A – Ensure the Overall Stability and Liquidity of the Financial System

The primary objective of the EESA is to ensure the overall stability and liquidity of the financial system. To achieve that objective, Treasury has developed a number of programs that are broadly available to all financial institutions. Two of the programs, CPP and CAP, are designed to inject capital directly into the banking system. This capital enhances the banks' ability to increase lending to households and businesses, and allows for the write-down or sale of troubled assets that sit on banks' balance sheets. A second complementary program, the PPIP, facilitates the removal of troubled assets from the banks' balance sheets. In addition to these initiatives Treasury has implemented the CBLI program to enhance liquidity and restore the flow of credit to consumers and business. As with the CPP, CAP and PPIP, the CBLI program is available to all financial institutions. It is comprised of a specific small business component and a general securitization component. Taken together these programs will help ensure the overall stability and liquidity of the financial system.

Performance metrics are in development and will be available by FY 2010.

3B – Protect the Economy from Systemic Risks

While the above widely available programs will put the country on a path to a stronger financial system, there are specific instances where exceptional assistance is required. Treasury has identified a select few financial institutions where direct aid is required to prevent a broader crisis from spreading throughout the economy, and has taken action in these cases to mitigate potential systemic risks. The objectives of the TIP, SSFI and AGP programs are to mitigate distress at key troubled financial institutions through targeted programs and investments. Similarly, the AFIP provides funding for the automotive industry in order to prevent a significant disruption of the automotive industry that would pose a systemic risk to financial markets and negatively affect the real economy.

Performance metrics are in development and will be available by FY 2010.

3C – Homeownership Preservation

The Home Affordable Modification program will help mortgage holders who are making a good-faith effort to make their mortgage payments, while attempting to prevent the destructive impact of the housing crisis on families, communities, and the economy. This program is intended to reach millions of responsible homeowners who are struggling to afford their mortgage payments because of the current recession, yet cannot sell their homes because prices have fallen so significantly. The Home Affordable Modification program operates through a shared partnership between the Treasury Department and mortgage loan servicers to help those who commit to make reasonable monthly mortgage payments to stay in their homes. This plan will also help to stabilize home prices for homeowners in neighborhoods hardest hit by foreclosures.

Performance metrics are in development and will be available by FY 2010.

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

OFS's Human Capital Strategy is designed to position the Office of Financial Stability to meet the human capital management challenges necessary to support OFS's mission. The key aspects of OFS's FY 2009/2010 human capital strategy include using:

- OPM HR flexibilities and authorities to hire new employees for short and long term assignments;
- experts or consultants and detailees for temporary or intermittent employment;
- pay incentives flexibilities to retain unique expertise that enables OFS to meet its goals; and
- regularly scheduled strategic workforce assessments to refine the organization and identify and eliminate competency gaps of its workforce needed to achieve OFS's mission.

4B – Summary of IT Resources and Information Technology Strategy

As an organization embedded in Domestic Finance, the Office of Financial Stability (OFS) leverages technologies and services provided by the Treasury Office of the Chief Information Officer (OCIO). Most services rely on IT Line-of-Business service providers, the Treasury GSS, and existing key Treasury management control applications in use across the agency.

Financial outlays from OFS for technology are also occasionally required for the acquisition of products and services which have not been historically available through the agency and for those OFS requirements that exceed the capacity of the agency technology provider. The acquisition of computers, copiers, technology analyst and developers are examples of such outlays. OFS support technologies are in concert with the Treasury Optimized Enterprise IT Infrastructure.