Emergency Economic Stabilization Act Programs

Mission Statement

The mission of the Office of Financial Stability is to carry out the authorities delegated to 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)	Purchase Cap[1]			BA Outlays[2]
	FY 2009	**FY 2010**	**Total**	**Cohort 2009 and 2010**
Capital Purchase Program	$204,617,573	$3,382,427	$208,000,000	- $3,680,719
Public-Private Investment Program	$6,666,667	$23,340,000	$30,006,667	+ $314,542
AIG Investment Program	$69,835,000	$0	$69,835,000	+ $48,147,456
Consumer and Business Lending Initiative	$20,000,000	$40,000,000	$60,000,000	+ $2,194,226
Home Affordable Modification Program[3]	$27,065,760	$21,690,240	$48,756,000	+ $48,756,000
Targeted Investment Program	$40,000,000	$0	$40,000,000	- $4,083,330
Automotive Industry Financing Program	$81,054,933	$3,790,000	$84,844,933	+ $28,208,444
Asset Guarantee Program[4]	$5,000,000	$0	$5,000,000	- $3,014,971
Total	**$454,239,933**	**$92,202,667**	**$546,442,599**	**+ $116,841,648**

[1]Amount applied to the Section 115 Purchase Cap (i.e., the portion of the original $700 billion cap expected to be used).
[2] Estimated program costs (+) or savings (-) over the life of the program, including interest on reestimates and excluding administrative costs.
[3] Includes $1.2 B reduction in TARP purchase authority from the Helping Families Save Their Homes Act of 2009.
[4] Treasury guaranteed up to $5 billion of potential losses incurred on a $301 billion portfolio of loans.

FY 2011 Priorities

During FY 2011, the Office of Financial Stability will be primarily in the maintenance phase of the TARP, which includes managing assets, repayments, repurchases, warrant liquidation, dividends, corporate actions, collateral management exchanges, etc. Under the terms of TARP, Treasury can enter into new commitments to purchase troubled assets through October 3, 2010. While Treasury does not plan to implement any new TARP programs in FY 2011, funding for existing programs such as the Home Affordable Modification Program will continue to occur.

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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 101 through an Office of Financial Stability (OFS).

In light of this statutory direction, OFS established the following as its operational goals:

1. Ensure the overall stability and liquidity of the financial system.
    a. Make capital available to viable institutions.
    b. Provide targeted assistance as needed.
    c. Increase liquidity and volume in securitization markets.
2. Prevent avoidable foreclosures and help preserve homeownership.
3. Protect taxpayer interests.
4. Promote transparency.

1B – Program History and Future Outlook

To administer the programs under TARP, the Secretary of the Treasury has established the OFS, which is designed to be temporary in nature, but also highly skilled and well equipped to handle the complexity of TARP initiatives. During FY 2009, the OFS disbursed $364 billion of the authorized $700 billion, most of it in the form of investments. As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to the taxpayer of TARP investments is likely to be significantly lower than expected. In the FY 2010 budget total impact of the program on the deficit was expected to be $306 billion, but it is now expected to total only $117 billion (see Program Summary by Budget Activity table above). The authority for administrative budget TARP funds is provided in Section 118 of EESA. In FY 2011 OFS plans to obligate almost $298 million and use 271 FTE, a decrease of $58 million and an increase of 11 FTE from the FY 2010 estimates.

Capital Purchase Program

EESA was originally proposed as a means to buy mortgage loans, mortgage-backed securities and certain other assets from banks. However, the authorities granted under EESA were broadened in the legislative process to cover any financial instrument whose purchase the Secretary of the Treasury, after consultation with the Chairman of the Federal Reserve, determines necessary to promote financial market stability. Shortly following passage of EESA, it became clear to the leaders of many G-7 nations that rapid action was needed to provide capital to the financial system as a whole. Lending even between banks had practically stopped, credit markets had shut down, and many financial institutions were facing severe stress. There was not sufficient time to implement a program to buy mortgage related assets, which posed difficulties related to valuing such assets and getting the holders of such assets to sell them at current prices. In this context, immediate capital injections into financial institutions were a necessary step to avert a potential collapse of the financial system.

Given the high level of uncertainty in financial markets and the economy, even strong financial institutions began to hoard capital. Based on various market indicators, it became clear that financial institutions needed additional capital to sustain a normal flow of credit to businesses and consumers during the financial turmoil and economic downturn. As a result, OFS launched the Capital Purchase Program (CPP), its largest and most significant program under EESA, on October 14, 2008. OFS initially committed over a third of the total TARP funding, $250 billion, to the CPP, which it lowered to $218 billion in March 2009.

The CPP was designed to bolster the capital position of viable institutions and, in doing so, to build confidence in these institutions and the financial system as a whole. With the additional capital, CPP participants were better equipped to undertake new lending, even while absorbing write downs and charge-offs on loans that were not performing.

Of the $250 billion commitment, OFS invested $125 billion in eight of the country's largest financial institutions. The remaining $125 billion was made available to qualifying financial institutions (QFIs) of all sizes and types across the country, including banks, savings associations, bank holding companies and savings and loan holding companies. QFIs interested in participating in the program had to submit an application to their primary federal banking regulator. The minimum subscription amount available to a participating institution was 1 percent of risk-weighted assets. The maximum subscription amount was the lesser of $25 billion or 3 percent of risk-weighted assets.

OFS provided a total of $205 billion in capital to 707 institutions in 48 states, including more than 300 small and community banks, helping to enable them to absorb losses from bad assets while continuing to lend to consumers and businesses. The largest investment was $25 billion while the smallest was $301,000. To encourage continued participation by small and community banks, the application window for CPP was reopened on May 13, 2009, for banks with less than $500 million in assets, with an application deadline of November 21, 2009. As of December 31, 2009, the funding deadline for CPP ended. The Budget reflects that financial institutions redeemed $70.7 billion in principal repayments and $9.7 billion in dividends, interest, warrants and fees as of September 30, 2009. Furthermore, the Budget reflects that financial institutions will redeem an additional $59.7 billion in principal repayments and receive over $20.1 billion in dividends, interest, warrants and fees in 2010.

Most banks participating in the CPP are to pay OFS a dividend rate of 5 percent per year, increasing to 9 percent a year after the first five years. In the case of S-corporations, OFS acquires subordinated debentures. Under the CPP, OFS has a right to elect two directors to the board of directors of an institution that misses six or more dividend payments.

American International Group, Inc. (AIG) Investment Program

Since September 2008, the Federal Reserve and OFS have taken a series of actions related to AIG in order to prevent AIG's disorderly failure and mitigate systemic risks. These actions addressed the liquidity and capital needs of AIG, helping to stabilize the company. OFS provided this assistance by purchasing preferred shares in AIG and also received warrants to purchase common shares in the institution. The assistance provided to AIG was deemed "exceptional assistance" which means that the recipient is subject to greater restrictions under the rules relating to executive compensation.

The Federal Reserve Board, through the Federal Reserve Bank of New York (FRBNY), provided an $85 billion credit facility in the form of secured loans to AIG on September 16, 2008 to contain the financial panic at least cost to the American taxpayer. The FRBNY has also provided additional assistance to AIG by funding special purpose entities which purchased certain derivative contracts from AIG. In connection with its assistance to AIG, the FRBNY received convertible preferred stock representing approximately 77.9 percent of the fully diluted voting power of the AIG common stock. This preferred stock was deposited in a trust, which exists for the benefit of the U.S. taxpayers. The FRBNY has appointed three independent trustees who have the power to vote the stock and dispose of the stock with prior approval of FRBNY and after consultation with Treasury. The Department of the Treasury does not control the trust and cannot direct the trustees.

In November 2008, this assistance was restructured so that AIG had more equity and less debt. OFS purchased $40 billion in cumulative preferred stock from AIG under the TARP, the proceeds of which were used to repay the Federal Reserve loan in part. In April 2009, OFS exchanged the $40 billion in cumulative preferred stock for $41.6 billion in non-cumulative preferred stock and created an equity capital facility, under which AIG may draw up to $29.8 billion as needed in exchange for issuing additional preferred stock to OFS. As of September 30, 2009, AIG had drawn approximately $3.2 billion from the facility. The preferred stock pays a noncumulative dividend, if declared, of 10 percent per annum.

Targeted Investment Program

OFS established the Targeted Investment Program (TIP) under the TARP in December 2008. The TIP gave the OFS the necessary flexibility to provide additional or new funding to financial institutions that were critical to the functioning of the financial system. Through TIP, OFS sought to prevent a loss of confidence in critical financial institutions, which could result in significant financial market disruptions, threaten the financial strength of similarly situated financial institutions, impair broader financial markets, and undermine the overall economy.

Eligibility to participate in the TIP was determined on a case-by-case basis, depending on a number of factors. OFS considered, among other things:

- 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;

- The number and size of financial institutions that are perceived or known by investors or counterparties as similarly situated to the failing institution, or that would otherwise be likely to experience indirect contagion effects from the failure of the institution;

- 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, or significantly increase uncertainty or loss of confidence, thereby materially weakening overall economic performance; and

- 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.

OFS invested $20 billion in each of Bank of America (BofA) and Citigroup under the TIP. These investments provide for annual dividends of 8 percent; and impose greater reporting requirements and harsher restrictions on the companies than under the CPP terms, including restricting dividends to $0.01 per share per quarter, restrictions on corporate expenses, and other measures. The Budget reflects that both Citigroup and Bank of America fully redeemed the Government's TIP investments in 2010. Furthermore, the Budget reflects that Citigroup and Bank of America paid $1.8 billion in dividends in 2009 and an estimated $791 million in additional dividend payments in 2010. Assistance under the TIP is also considered "exceptional assistance", which means that the recipient is also subject to greater restrictions under the executive compensation rules.

Automotive Industry Financing Program

OFS established the Automotive Industry Financing Program (AIFP) on December 19, 2008, to help prevent a significant disruption to the American automotive industry, which would have posed a systemic risk to financial market stability and had a negative effect on the economy. OFS announced a plan to make emergency loans available from the TARP under the AIFP to General Motors Corporation (GM) and Chrysler LLC (Chrysler) to provide a path for these companies to go potentially through orderly restructurings and achieve viability.

OFS' investments in the auto companies were determined to be consistent with both the purpose and specific requirements of EESA. OFS determined that the auto companies were and are interrelated with entities extending credit to consumers and dealers because of their financing subsidiaries and other operations, and that a disruption in the industry or an uncontrolled liquidation would have had serious effects on financial market stability, employment and the economy as a whole. In addition, Congress provided the Secretary of the Treasury broad authority by defining “financial institutions” in EESA flexibly so as not to be limited to banks, savings institutions, insurance companies and similar entities. The auto companies, as well as their respective financing entities, qualified as "financial institutions" under EESA. In each case, they were organized under Delaware law, had significant U.S. operations, were subject to extensive federal and state regulation, and were not a central bank or institution owned by a foreign government.

OFS initially provided loans of $13.4 billion to GM and $4 billion to Chrysler under the AIFP to give the companies time to negotiate with creditors and other stakeholders in order to prevent disorderly bankruptcies. Under the terms of the loans, each company was required to prepare a restructuring plan that included specific actions aimed at assuring: (i) the repayment of the loan extended by TARP; (ii) the ability of the company to comply with applicable federal fuel efficiency and emissions requirements and commence the domestic manufacturing of advanced technology vehicles in accordance with federal law; (iii) achievement of a positive net present value; (iv) rationalization of costs, capitalization, and capacity with respect to the manufacturing workforce, suppliers and dealerships of the company; and (v) a product mix and cost structure that is competitive in the U.S. marketplace.

To oversee the federal financial assistance—including evaluating the restructuring plans—and to make decisions about future assistance to the automakers, the loan agreements provided for a presidential designee. Under the terms of the loan agreements, because no presidential designee has been appointed to date, the Secretary of the Treasury makes decisions on all matters involving financial assistance to the automakers, with input from the National Economic Council.

To date, the OFS has provided approximately $85 billion in loans and equity investments to GM, Chrysler, and their respective financing entities.

Auto Supplier Support Program

Because of the credit crisis and the rapid decline in auto sales, many of the nation's auto parts suppliers were struggling to access credit and faced uncertainty about the prospects for their businesses. Suppliers that ship parts to auto companies generally receive payment approximately 45-60 days after shipment. In a normal credit environment, suppliers can either sell or borrow against those commitments, or receivables, in the interim period to pay their workers and fund their ongoing operations. However, due to the uncertainty about the ability of the auto companies to honor their obligations, banks were unwilling to extend credit against these receivables. On March 19, 2009, OFS announced the Auto Supplier Support Program (ASSP) to help address this problem by providing up to $5 billion to domestic auto manufacturers to purchase supplier receivables. With the emergence of New GM and New Chrysler from bankruptcy proceedings and with the threat of liquidation greatly reduced, credit market access for suppliers has improved. As of July 1, 2009, the base commitment under the ASSP was decreased to $3.5 billion. As of September 30, 2009, OFS has funded $413 million under the ASSP. The loans used to finance the program must be repaid within a year, unless extended. OFS expects these loans to be fully repaid by or before April 2010. The companies may still draw on the loans but they are not expected to.

Warranty Commitment Program

On March 30, 2009, OFS announced an Auto Warranty Program designed to give consumers considering new car purchases from domestic manufacturers the confidence that warranties on those cars would be honored regardless of the outcome of the restructuring process. As of July 10, 2009, the program was terminated after New GM and New Chrysler completed the purchase of substantially all of the assets of GM and Chrysler from their respective bankruptcies. The $640 million advanced to GM and Chrysler under the program has been repaid to OFS; Chrysler repaid the full amount with interest while GM repaid only principal.

Asset Guarantee Program

Pursuant to section 102 of EESA, OFS established the Asset Guarantee Program (AGP) with the same objective as the TIP of preserving financial market stability. The AGP, like the TIP, is a targeted program aimed at maintaining the stability of systemically important financial institutions and, thereby, reducing the potential for problems at such an institution to “spillover” to the broader financial system and economy. More specifically, the AGP may be used to provide protection against the risk of significant loss in a pool of assets held by a systemically significant financial institution that faces a risk of losing market confidence due in large part to its holdings of distressed or illiquid assets. By helping limit the institution’s exposure to losses on illiquid or distressed assets, the AGP can help the institution maintain the confidence of its depositors and other funding sources and continue to meet the credit needs of households and businesses.

The AGP has been applied with extreme discretion and OFS does not anticipate wider use of this program. To date, OFS has used this program to assist Citigroup and began negotiations with Bank of America (BofA) under the AGP which BofA subsequently terminated.

Citigroup

In January 2009, OFS and Citigroup entered into an agreement for Citigroup’s participation in the AGP. OFS guaranteed up to $5 billion of potential losses incurred on a $301 billion pool of loans, mortgage-backed securities, and other financial assets held by Citigroup. The Federal Reserve and the FDIC are also parties to this arrangement. OFS will not become obligated to pay on its guarantee unless and until Citigroup has absorbed $39.5 billion of losses on the covered pool. OFS would then cover 90 percent of all losses on the covered pool, up to a maximum of $5 billion. In consideration for the guarantee, OFS received $4.03 billion in preferred stock that pays an annual dividend of 8 percent.   OFS also received a warrant to purchase approximately 66 million shares of common stock at a strike price of $10.61 per share.

As part of an exchange offer, OFS exchanged preferred stock received under the AGP for an equivalent amount of trust preferred securities paying interest at the same rate.

On December 22, 2009, Treasury, the Federal Reserve, the Federal Deposit Insurance Corporation and Citigroup terminated the agreement under which the U.S. government agreed to share losses on a pool of Citigroup assets. The U.S. government parties did not pay any losses under the agreement, and will keep $5.2 billion of $7.0 billion in trust preferred securities as well as warrants for common shares that were issued by Citigroup as consideration for such guarantee. With this termination, the AGP is being terminated at a profit to the taxpayer.

Bank of America

In January 2009, OFS, the Federal Reserve and the FDIC entered into a term sheet for a potential loss sharing arrangement under the AGP on a $118 billion pool of financial instruments owned by Bank of America. In May 2009, Bank of America announced its intention to terminate negotiations with respect to the loss-sharing arrangement and in September 2009, Treasury, the Federal Reserve, the FDIC and Bank of America entered into a termination agreement pursuant to which (i) the parties terminated the related term sheet and (ii) Bank of America agreed to pay a termination fee of $425 million to the government parties, with $276 million going to Treasury. The fee compensated the government parties for the value that Bank of America had received from the announcement of the negotiations with government parties to guarantee and share losses on the pool of assets from and after the date of the term sheet. The termination fee was determined by taking the fee that would have been payable had the guarantee been finalized.

The Consumer and Business Lending Initiative (CBLI)

OFS designed two initiatives to restore consumer and business lending, the Term Asset-Backed Securities Loan Facility (TALF) and the Unlocking Credit for Small Business Initiative. Both programs are discussed in more detail below.

Term Asset-Backed Securities Loan Facility

The asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) markets over time have funded a substantial share of credit to consumers, businesses and real estate owners. In the third quarter of 2008, the ABS market and commercial mortgage-backed securities markets came to nearly a complete halt.

In November 2008, the Federal Reserve and Treasury announced the creation of the Term Asset-Backed Securities Loan Facility (TALF) and launched TALF under the Financial

Stability Plan on February 10, 2009. The TALF's objective was to stimulate investor demand for certain types of eligible ABS, specifically those backed by loans to consumers and small businesses, and ultimately, bring down the cost and increase the availability of new credit to consumers and businesses. Under the TALF, the Federal Reserve extends up to $200 billion in three- and five-year non-recourse loans to investors that agree to purchase eligible consumer or small business ABS. OFS provides up to $20 billion of TARP monies in credit protection to the Federal Reserve for losses arising under TALF loans.

The TALF was initially designed for newly or recently originated AAA-rated ABS backed by student loans, auto loans, credit card loans, and loans guaranteed by the SBA. On March 19, 2009, OFS and the Federal Reserve announced that the TALF would be expanded to include newly or recently issued AAA-rated Asset Backed Securities (ABS) backed by four additional types of consumer and business loans – mortgage servicing advances, loans or leases relating to business equipment, leases of vehicle fleets, and floor plan loans. These new categories of collateral were eligible for inclusion in the April 2009 TALF subscription and funding process.

The OFS and the Federal Reserve structured the TALF to minimize credit risk to the U.S. government to the greatest extent possible, consistent with achieving the program's purpose of encouraging lending to consumers and businesses. Investors take risk by providing some of the capital to purchase the securities. The amount of private capital is measured in the form of haircuts, which represents the investor's equity contribution. The haircut level varies across asset class and maturity to take into account any differences in risk. Finally, the borrower must also make monthly or quarterly interest payments to the federal government. The cost of the loan is 100 basis points over a fixed or floating rate benchmark, such as the London Interbank Offered Rate ("LIBOR").

The Federal Reserve had originally authorized using the TALF to make loans through December 31, 2009. To promote the flow of credit to businesses and households and to facilitate the financing of commercial properties, the Federal Reserve announced on August 17, 2009 that the TALF will continue to make loans against newly issued ABS and previously issued CMBS through March 31, 2010. In addition, TALF will make loans against newly issued CMBS through June 30, 2010. The inclusion of CMBS as eligible collateral helps prevent defaults on economically viable commercial properties, increases the capacity of current holders of maturing mortgages to make additional loans, and facilitates the sale of distressed properties.

Unlocking Credit for Small Businesses Program

To help restore the confidence needed for financial institutions to increase lending to small businesses, Treasury announced a program to unlock credit for small businesses on March 16, 2009. Under the program, Treasury announced that it would make up to $15 billion in TARP funds available to purchase securities backed by the Small Business Administration (SBA)-guaranteed portions of loans made under the SBA's 7(a) loan program. The SBA's 7(a) program is the SBA's most basic and widely used loan program.

Since Treasury's announcement of this program, the credit markets for small businesses have improved somewhat. The secondary market for guaranteed SBA loans, for example, had essentially ceased working last fall and had only $86 million in January re-sales. That market improved notably this spring in the wake of Treasury's announcement, with $399 million settled from lenders to broker-dealers in September 2009. As a result of this improvement, as well as reluctance on the part of market participants to accept TARP funds, OFS found that demand for its proposed program declined. As of September 30, 2009, no funds had been disbursed under the program, although it remains available. However, as part of its commitment to take additional steps to improve the availability of credit to small businesses, Treasury is working with the Small Business Administration to develop and implement additional TARP efforts that will support small banks in increasing lending to small businesses in their communities.

Home Affordable Modification Program

To mitigate foreclosures and help ensure homeownership preservation, Treasury announced a comprehensive $75 billion program, the Home Affordable Modification Program (HAMP), in February 2009. OFS will provide up to $50 billion in funding through the TARP, while Fannie Mae and Freddie Mac agreed to provide up to $25 billion of additional funding. HAMP focuses on creating sustainably affordable mortgage payments for responsible home owners who are making a good faith effort to make their mortgage payments, while mitigating the spillover effects of preventable foreclosures on neighborhoods, communities, the financial system and the economy.

HAMP is built around three core concepts. First, the program focuses on affordability. Every modification under the program must lower the borrower's monthly mortgage payment to no more than 31 percent of the borrower's monthly gross income, the "target monthly mortgage payment ratio". Second, the HAMP's pay-for-success structure aligns the interests of servicers, investors and borrowers in ways that encourage loan modifications that will be both affordable for borrowers over the long term and cost-effective for investors and taxpayers. Third, the HAMP establishes detailed guidelines for the industry to use in making loan modifications with the goal of encouraging the mortgage industry to adopt a sustainably affordable standard, both within and outside of the HAMP.

HAMP operates through the combined efforts of the Treasury Department, Fannie Mae, Freddie Mac, mortgage loan servicers, investors and borrowers to help qualifying homeowners who commit to making modified monthly mortgage payments to stay in their homes. In addition, the federal bank, thrift, and credit union regulatory agencies have encouraged all federally regulated financial institutions that service or hold residential mortgage loans to participate in the HAMP.

The following highlights some of the key terms and conditions of HAMP:

- Eligible Homeowners: The modification plan was designed to be inclusive, with a loan limit of $729,750 for single-unit properties, and higher limits for multi-unit properties. Over 97 percent of the mortgages in the country have a principal balance within these limits.

- Servicers' Obligation to Extend Modification Offer: Servicers participating in HAMP are required to apply a standardized net present value (NPV) test to each loan that is at risk of foreclosure -- defined as either at risk of imminent default or in default. The NPV test compares the net present value of cash flows from the mortgage if modified under HAMP and the net present value of the cash flows from the mortgage without modification. If the NPV test is positive – meaning that the net present value of expected cash flows is greater if modified under the HAMP than if the loan is not modified – the servicer must extend an offer to modify the loan in accordance with HAMP guidelines, absent fraud or a contractual prohibition limiting modification of the mortgage.

- Reductions in Monthly Payments: Servicers are required to follow the waterfall outlined in the program contracts in reducing the borrower's monthly payment to no more than 31 percent of their monthly gross income. The interest rate floor under HAMP is 2 percent. Further flexibility is provided if reducing the loan rate to 2 percent, by itself, does not achieve the 31 percent threshold. In that case, the servicers can extend the term of the loan, up to 480 months, in order to achieve the 31 percent payment threshold. The HAMP also provides the servicer the option to reduce principal on a stand-alone basis to help reduce the borrower's monthly payment

The HAMP includes a standardized set of procedures that servicers must follow in modifying eligible loans under the program and in estimating the expected cash flows of modified mortgages. The borrower must remain current on their modified mortgage payments for at least 90 days in order for a HAMP loan modification to become permanent.

To increase participation in HAMP and encourage borrowers to remain current on loan modifications under the program, OFS provides targeted incentives to borrowers, investors, and servicers that participate in the program. These incentives include an up-front payment of $1,000 to the servicer for each successful modification after completion of the trial period, and "pay for success" fees of up to $1,000 per year for three years, provided the borrower remains current. Additional one-time incentives of $500 to the servicers and $1,500 to the investors are paid if loans are modified for borrowers who are current but are in danger of imminent default are successfully modified. Homeowners will also earn up to $1,000 towards principal balance reduction each year for five years if they remain current and pay on time. Investors are entitled to payment reduction cost-share compensation for up to five years for half the cost of reducing the borrower's payment from a 38 percent to 31 percent threshold, provided the borrower remains current. Investors must pay for reducing the borrower's payment down to the 38 percent threshold before they are able to benefit from the cost-share incentive. This requires investors to take the first loss for unaffordable and unsustainable loans that were extended to borrowers.

Public-Private Investment Program

Treasury, in conjunction with the Federal Reserve and the FDIC, announced the Public-Private Investment Program (PPIP) on March 23, 2009, as a part of the Financial Stability Plan. The PPIP is designed to improve the condition of financial institutions by facilitating the removal of legacy assets from their balance sheets. Legacy assets include both real estate loans held on banks' balance sheets (legacy loans) as well as securities backed by residential and commercial real estate loans (legacy securities). The legacy loans portion of PPIP was initially to be operated by the FDIC and has not been implemented to date.

The PPIP is designed to help restart the market and provide liquidity for legacy assets, enabling financial institutions to make new loans available to households and businesses. Legacy assets became a stumbling block to the normal functioning of credit markets with the bursting of the housing bubble. With the housing market in decline, financial institutions and investors suffered significant losses on these legacy assets. These losses drove financial institutions to conserve capital, reduce leverage and minimize exposure to riskier investments. Many institutions did so by selling assets, triggering a wide-scale deleveraging in these markets. As the supply of assets being sold increased, prices declined and many traditional investors exited these markets, causing further declines in the demand and the liquidity for these assets. This lack of liquidity created significant uncertainty regarding the value of these legacy assets, which in turn raised questions about the balance sheets of these financial institutions, compromising their ability to raise capital and continue lending.

The PPIP helps address this valuation concern. Through PPIP, OFS partners with experienced investment managers and private sector investors to purchase legacy assets. Rather than resolving the uncertainty by having the government set the price for these assets, the private sector investors compete with one another to establish the price of the legacy assets purchased under the PPIP. By drawing new private sector capital into the market for legacy assets and facilitating price discovery, the PPIP should increase the liquidity for these legacy assets.

OFS initially announced that it would provide up to $100 billion for the PPIP. Because of improvements in the market, this amount was reduced to $30 billion. Under the PPIP, OFS provides equity and debt financing to newly-formed public-private investment funds (PPIFs) established by private fund managers with private investors for the purpose of purchasing legacy securities. These securities are commercial mortgage-backed securities and non-agency residential mortgage-backed securities. To qualify for purchase by a Legacy Securities PPIP (S-PPIP), these securities must have been issued prior to 2009 and have originally been rated AAA – or an equivalent rating by two or more nationally recognized statistical rating organizations – without ratings enhancement and must be secured directly by the actual mortgage loans, leases, or other assets.

The S-PPIP allows the OFS to partner with private investors in a way that increases the flow of private capital into these markets while maintaining equity "upside" for the taxpayers. Under the principal terms of the S-PPIP, OFS partners with pre-qualified fund managers that raise a minimum amount of capital from private sources. Each manager forms a Public Private Investment Fund or PPIF. OFS invests equity capital from the TARP in each PPIF on a dollar-for-dollar basis, matching the funds raised by these managers. In addition, OFS also provides debt financing up to 100 percent of the PPIF's total equity capital, subject to certain restrictions on leverage, withdrawal rights, disposition priorities and other customary financing protections. OFS not only participates pro rata in any profits or losses of the PPIF but also receives additional potential equity upside in the form of warrants, as required by EESA. Each fund manager will seek to generate attractive returns for the PPIF through a predominately long-term buy and hold strategy.

On July 8, 2009, following a comprehensive two-month application, evaluation and selection process, OFS pre-qualified nine fund managers to participate in the S-PPIP based, in part, on a demonstrated ability to invest in legacy assets and to raise private capital for such investments. On September 30, 2009, two PPIFs signed limited partnership agreements and loan agreements with OFS, resulting in a $6.7 billion commitment for OFS. As of September 30, 2009, these two PPIFs had approximately $1.13 billion in private sector capital commitments, which were matched 100 percent by OFS, representing total equity capital commitments of $2.26 billion. OFS is providing debt financing up to 100 percent of the total capital commitments of each PPIF, representing in the aggregate approximately $4.52 billion of total equity and debt capital commitments. As of November 30, 2009, nine PPIFs have signed agreements with OFS. Following signature of these agreements, each fund manager has up to six months to raise additional private capital to receive the full allocation of the $3.3 billion in matching equity and debt capital from OFS. Assuming that each of the nine fund managers raises enough private capital to receive the full allocation from OFS, the total purchasing power of the PPIFs will be $40 billion, including $10 billion in private capital and the $30 billion OFS commitment. As of September 30, 2009, no fund managers had made any investments and OFS had not disbursed any funds.

Program Evaluation

During FY 2011, OFS is proposing to fund a project to enhance the HAMP's existing standardized set of procedures that servicers must follow to modify loans in order to increase the conversion of offered to modified loans. This would be completed by facilitating and evaluating pilot programs, which some servicers have already implemented on their own book, that are structured differently from the standard loan modifications under HAMP. By assisting these servicers to develop and design statistically sound pilot programs, these successful programs can then be launched on a national scale.

1C – Credit Reform

EESA Section 123 authorizes the cost of EESA programs to 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	2009 Actual	2010 Budget Estimate	2010 Current Estimate	2011 Estimate	Increase (+) Decrease (-)
Obligations:					
Housing Account	$27,065,760	$0	$21,690,240	$0	- $21,690,240
Equity Program Account	$142,420,358	$0	$4,626,845	$0	- $4,626,845
TARP Account	$40,377,449	$0	$3,000,000	$0	- $3,000,000
TARP Negative Receipt Account	- $2,720,374	$0	-$117,624,526	-$22,261	+ $117,602,264
TARP Administrative Account	$248,325	$262,375	$355,488	$297,747	- $57,741
Total Obligations	**$207,391,518**	**$262,375**	**-$87,951,953**	**$275,485**	**+ $88,227,438**
Budget Authority:					
Housing Account	$45,461,463	$0	$3,294,537	$0	- $3,294,537
Equity Program Account	$151,955,429	$0	$4,626,845	$0	- $4,626,845
TARP Account	$40,572,759	$0	$3,000,000	$0	- $3,000,000
TARP Negative Receipt Account	-$2,720,374	$0	-$117,624,526	-$22,261	+$117,602,264
TARP Administrative Account	$278,700	$262,375	$355,488	$297,747	- $57,741
Total Budgetary Authority	**$235,547,978**	**$262,375**	**-$106,347,656**	**$275,485**	**+ $106,623,141**
Outlays:					
Housing Account	$946	$8,102,255	$11,121,995	$10,259,416	- $862,579
Equity Program Account	$115,293,157	$0	$31,149,603	$58,501	- $31,091,102
TARP Account	$38,577,186	$0	$2,247,080	$438,492	- $1,808,588
TARP Negative Receipt Account	-$2,720,374	$0	$2,720,374	$2,720,374	+ $0
TARP Administrative Account	$89,543	$265,640	$285,000	$309,295	+ $24,295
Total Outlays	**$151,240,459**	**$8,367,895**	**$47,524,052**	**$13,786,077**	**- $33,737,975**

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

The current estimate for FY 2010 TARP administrative expenses is $355 million, including reimbursable expenses. In 2011, TARP administrative expenses are estimated at $298 million. These administrative costs are covered under the permanent, indefinite authority provided under EESA and do not count against the TARP purchase authority.

2.2 Operating Levels Table

(dollars in thousands)					
		2010			
Office of Financial Stability Account	**2009 Actual**	**Budget Estimate**	**Current Estimate**	**2011 Estimate**	**Increase (+) Decrease (-)**
FTE	**86**	**225**	**260**	**271**	**11**
Object Classification:					
11/12 Salary & Benefits	$14,173	$35,054	$39,565	$43,145	+ $3,580
21 Travel	$268	$2,538	$629	$631	+ $2
22 Transportation	$12	$504	$357	$364	+ $7
23 Rent, Communications, Utilities	$113	$8,224	$250	$255	+ $5
24 Printing	$0	$0	$100	$50	- $50
25 Contracts and Other Misc. Services	$233,269	$213,098	$313,956	$252,916	- $61,040
26 Supplies	$257	$497	$130	$135	+ $5
31 Equipment	$232	$2,459	$500	$250	- $250
Total	$248,325	$262,375	$355,488	$297,747	- $57,741

2.2.1 Operating Levels Table by Treasury Reimbursements

(dollars in thousands)					
		2010			
Office of Financial Stability Account	**2009 Actual**	**Budget Estimate**	**Current Estimate**	**2011 Estimate**	**Increase (+) Decrease (-)**
Direct Program Activity	$205,079	$228,375	$313,808	$260,117	**- $53,690**
Reimbursements:					
Congressional Oversight Panel	$4,000	$4,000	$4,800	$2,400	- $2,400
GAO	$9,000	$9,000	$11,360	$11,928	+ $568
Treasury and non-Treasury Agencies	$30,246	$21,000	$25,520	$23,301	- $2,219
Total	$248,325	$262,375	$355,488	$297,747	- $57,741

2.3 Financing Accounts - Non-Budgetary Summary

Financing Accounts – Non-Budgetary Financial Summary
(dollars in thousands)

	2009 Actual	2010 Budget Estimate	2010 Current Estimate	2011 Estimate	Increase (+) Decrease (-)
TARP Guaranteed Loans:					
Obligations	$1,049,055	$1,096,067	$2,223,599	$214,820	- $2,008,779
Collections	$457,234	$1,222,167	$524,948	$360,741	- $164,206
Financing Authority (net)	$774,415	$593,084	$1,986,462	$0	- $1,986,462
Financing Disbursements (net)	$591,821	-$126,100	$1,698,651	-$145,922	- $1,844,573
TARP Direct Loans:					
Obligations	$116,284,337	$19,885,917	$81,280,759	$8,586,863	- $72,693,896
Collections	$42,036,128	$31,397,879	$12,103,180	$7,442,082	- $4,661,098
Financing Authority (net)	$72,447,947	-$11,511,962	$77,003,852	$2,937,947	- $74,065,905
Financing Disbursements (net)	$23,897,532	-$11,511,962	$57,532,161	$6,152,053	- $51,380,108
Equity Purchases:					
Obligations	$334,851,167	$13,393,164	$128,439,706	$11,762,275	- $116,677,431
Collections	$200,579,032	$22,939,476	$154,702,349	$27,147,116	- $127,555,233
Financing Authority (net)	$115,907,175	-$9,546,312	$16,567,212	-$8,873,160	- $25,440,372
Financing Disbursements (net)	$105,420,425	-$9,546,312	$568,454	-$15,202,082	- $15,770,536
TARP Financing Accounts Totals:					
Obligations	$452,184,559	$34,375,148	$211,944,064	$20,563,958	- $191,380,106
Collections	$243,072,393	$55,559,521	$167,330,477	$34,949,940	- $132,380,538
Financing Authority (net)	$189,129,536	-$20,465,190	$95,557,525	-$5,935,213	- $101,492,738
Financing Disbursements (net)	$129,909,778	-$21,184,374	$59,799,267	-$9,195,950	- $68,995,217

2.4 TARP Summary

Summary of TARP Activity
(dollars in thousands)

	Amount towards $700B purchase limit	Net impact on the deficit
Total Equity Transactions	$344,127,222	$48,289,344
Total Direct Loans	$148,559,377	$22,811,275
Guaranteed Loans:	$5,000,000	-$3,014,971
Home Affordable Modification Program[1]	$48,756,000	$48,756,000
Total Amount of TARP Activity	**$546,442,599**	**$116,841,648**

[1] Excludes $1.244B in Helping Families Save Their Home Act of 2009.

2A – Enacting Legislation

Public Law 110-343, Emergency Economic Stabilization 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.

2B –Legislative Proposals

OFS has no legislative proposals.

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	$427,174,173	$70,512,427	- 83%
Prevent Avoidable Foreclosures by Providing an Affordable, Sustainable, Mortgage Modification Option for up to 4 million At-Risk Homeowners	$27,065,760	$21,690,240	- 20%
Protect Taxpayer Interests	--	--	--
Promote Transparency	--	--	--

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, OFS developed several programs under the TARP that were broadly available to financial institutions. Under the Capital Purchase Program (CPP), OFS provided capital infusions directly to banks and insurance companies deemed viable by their regulators but in need of a stronger asset base to weather the crisis. The Capital Assistance Program (CAP) was developed to supplement the Supervisory Capital Assessment Program (SCAP), or "stress test" of the largest U.S. financial institutions. If these institutions were unable to raise adequate private funds to meet the SCAP requirements, OFS stood ready to provide additional capital.

In addition, OFS provided direct aid to certain financial industry participants through the Targeted Investment Program (TIP) and the Asset Guarantee Program (AGP), as well as the program originally known as the Systemically Significant Failing Institutions (SSFI) program. These programs were designed to mitigate the potential risks to the system as a whole from the difficulties facing these firms. (Because SSFI was used only for investments in American International Group, Inc. (AIG), such investments are now referred to as the AIG Investment Program.)

Similarly, the Automotive Industry Financing Program (AIFP) provided funding for General Motors Corporation (GM) and Chrysler LLC (Chrysler), as well as their financing affiliates in order to prevent a significant disruption of the automotive industry that would have posed a systemic risk to financial markets and negatively affected the real economy. OFS' actions helped GM and Chrysler undertake massive and orderly restructurings through the bankruptcy courts that have resulted in leaner and stronger companies.

The Public-Private Investment Program (PPIP) was established to facilitate price discovery and liquidity in the markets for troubled real estate-related assets as well as the removal of such assets from the balance sheets of financial institutions. In addition to these initiatives, OFS implemented the Consumer and Business Lending Initiative (CBLI) to enhance liquidity and restore the flow of credit to consumers and small businesses. The primary program through which the CBLI operated in 2009 was the Term Asset-Backed Securities Loan Facility (TALF).

Through this combination of tools, the TARP helped strengthen a broad set of financial institutions and markets. While directly measuring the effects of any of these programs is not possible, OFS is tracking a number of indicators of success of the programs taken together.

Performance metrics[1]	**FY 2008 Result**	**FY 2009 Result**
LIBOR/OIS spread	218bp (1 m) 232bp (3m)	10bp (1 m) 12bp (3m)
Change in lending of CPP banks vs. control banks	--	TBD
Change in capital ratio of CPP banks vs. control banks	--	TBD
Credit default spreads at targeted institutions	151bp BofA 305bp Citi 1,451bp AIG 277bp CDR Index	120bp BofA 190bp Citi 767bp AIG 98bp CDR Index
Change in stock price of auto companies	TBD	TBD
Spreads between secondary ABS and benchmarks	230bp prime auto 200bp credit card 250bp equipment 450bp prv stdnt ln	65bp prime auto 65bp credit card 120bp equipment 500bp prv stdnt ln
TALF eligible ABS issuance	--	$79.7B
Decline in use of government programs (Qualitative)	--	TBD

[1]Items are indicators.

Prevent Avoidable Foreclosures by Providing an Affordable, Sustainable, Mortgage Modification Option for up to 4 million At-Risk Homeowners

To prevent avoidable foreclosures and preserve homeownership, Treasury used authority granted under EESA to establish the Home Affordable Modification Program (HAMP) in February 2009. Other government policies have helped keep home mortgage rates at historic lows and allowed millions of Americans to refinance and stay in their homes. But because of falling housing prices, many responsible homeowners are unable to refinance. Meanwhile, job losses and reductions in working hours and benefits are making it harder for these Americans to pay their mortgages. HAMP provides incentives to mortgage servicers, investors, and homeowners to work together to reduce an eligible homeowner's monthly payments to levels that are affordable in light of the homeowner's current income. This plan also helps to stabilize home prices for homeowners in neighborhoods hardest hit by foreclosures. To track the success of these programs OFS is tracking the following indicators of success.

Performance metrics[1]	**FY 2009 Result**
Number of modifications (trial/permanent) entered into	487,081/ 1,733
Change in average borrower payments	NA
Re-default rate	NA

[1]Items are indicators.

Protect Taxpayer Interests

Government financial programs, including TARP, helped prevent the U.S. financial system from collapse, which could have resulted in a much more severe contraction in employment and production. The manner in which TARP was implemented is also designed to protect taxpayers and to compensate them for risk. For example, in exchange for capital injections, recipients of TARP funds have to adhere to corporate governance standards, limit executive pay, and provide additional reporting on lending activity. In addition, OFS generally received preferred equity, which provides dividends. The dividend rates generally increase over time to encourage repayment.

Further, EESA stipulated that the taxpayer benefit as the institutions which received TARP funds recovered. Therefore, in connection with most investments, OFS receives warrants for additional securities in the institutions. Under the broad programs described above, the OFS has priority over existing shareholders of TARP recipients for which TARP holds equity investments. This gives taxpayers the ability to share in the potential upside along with existing shareholders.

Finally, the OFS seeks to achieve the goal of protecting the taxpayer through the effective management and disposition of all TARP investments. To evaluate the success of these efforts OFS tracks the following indicators and metrics.

Performance metrics[1]	**FY 2009 Result**	**FY 2010 Target**
Return for each program over its benchmark (subsidy rate)	TBD	--
Clean audit opinion on TARP financials	Yes	Yes
Percentage of SIGTARP and GAO oversight recommendations responded to on time	100%	100%

[1]Items in *italics* are indicators; those underlined are measures. Targets are provided only for measures.

Promote Transparency

EESA requires transparency and accountability. Specifically, EESA requires OFS to provide Congress with a variety of reports. These include a monthly report to Congress on TARP activity, a "tranche" report each time OFS reaches a $50 billion spending threshold, and transaction reports posted within two days detailing every TARP transaction. In carrying out its operations, the OFS has sought to not only meet the statutory requirements but also to be creative and flexible with respect to additional transparency initiatives. The OFS proactively provides to the public monthly Dividends and Interest Reports reflecting dividends and interest paid to OFS from TARP investments, loans, and asset guarantees, as well as monthly reports detailing the lending activity of participants in the Capital Purchase Program. All of these reports are publicly available on *www.FinancialStability.gov.*

EESA also provided for extensive oversight of the TARP, including by the Congressional Oversight Panel, the Special Inspector General for the TARP, and the Government Accountability Office. In addition, OFS officials frequently testify before Congress on the progress of TARP programs, and OFS staff provided briefings to Congressional staff on programmatic developments. OFS is tracking its performance along a number of metrics related to this Transparency objective.

Performance metrics[1]	FY 2009 Result	FY 2010 Target
On time reporting percentage	100%	100%
Website satisfaction	65%	70%
Timeliness of responses • Average business days to close a FOIA case • Percentage of Congressional correspondence responses drafted within 48 hours	 67 days 87%	 64 days 90%

[1]Items are measures. Targets are provided only for measures.

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 its mission. The key aspects of OFS's FY 2009/2010 human capital strategy include using:

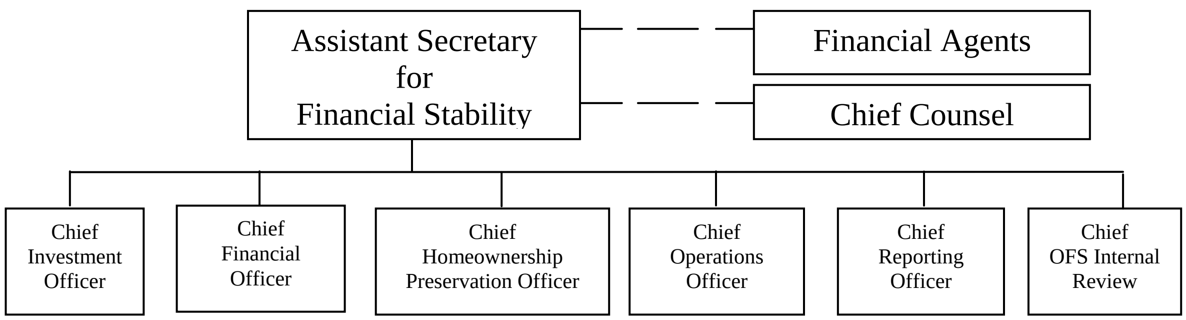
- OPM HR flexibilities and authorities to recruit new employees for short and long term assignments
- Experts or consultants and detailees for temporary or intermittent employment
- Training and development interventions to ensure existing staff is engaged and possesses the requisite skill set
- Regularly scheduled strategic workforce assessments to refine the organization and identify and eliminate competency gaps of its workforce needed to achieve OFS's mission

The OFS organization required a rapid ramp up in staffing during its first year of operation in FY 2009 and utilized term employees and detailees where possible. Additionally, as diverse legal and financial asset management expertise not currently available within the government became essential to support some programs, it became necessary to contract with outside organizations to supplement Treasury’s in-house counsel. This was required because it is not practicable or economical for OFS to employ the staff of full-time legal practitioners and support personnel with the necessary required technical expertise to advise on and address the complex legal issues that arise under programs authorized by the EESA.

The Treasury also issued an open notice soliciting financial institutions to provide asset management services needed for its portfolio of securities issued by Financial Institutions participating in programs under EESA. Those services included but were not limited to valuing of the assets issued by those Financial Institutions; analyzing the on-going financial condition, capital structure, and risks of those Financial Institutions; advising on the optimal disposition of Treasury's assets; and providing Treasury with analysis and recommendations on other business events connected with those Financial Institutions that could impact Treasury's ownership stake. These services required outside entities who were capable of gathering and analyzing market inputs, trends, and transactions that are relevant when determining the market value and market impact of Treasury's investments and decisions. Due to the potential impact of Treasury's investments on the Financial Institutions and the broader market, this is an additional area where the Government does not possess the depth and breadth, or the in-house personnel resources, to provide the type of analysis required to fully monitor the value and risks of such investments.

OFS is headed by an Assistant Secretary of the Treasury, appointed by the President with the advice and consent of the Senate. Reporting to the Assistant Secretary for Financial Stability are seven major divisions: the Offices of the Chief Investment Officer, the Chief Financial Officer, the Chief for Investment Operations/Technology, the Chief Homeownership Preservation Officer, the Chief Administrative Officer, the Chief Reporting Officer, and the Chief for OFS Internal Review. A Chief Counsel's Office reports to the Office of the General Counsel in the Department of Treasury.

The OFS organization chart is shown below:



Description of OFS Structure

As of January 8, 2010, OFS had 219 full-time employees (108 career civil servants, 101 term appointments, and 10 detailees) who support the TARP. These employees include 20 employees who report through the Department of the Treasury's Office of General Counsel and approximately 40 others outside of OFS who continue to provide support to the office on an as-needed basis. OFS continues to use direct-hire and other appointments to expedite hiring of highly-qualified candidates, which has enabled OFS to reduce the number of temporary and contract staff and strengthen the continuity and institutional knowledge of the workforce.

OFS is made up of six divisions:

The Chief Investment Office (CIO) is responsible for program development and the execution and management of all investments made pursuant to EESA. The CIO relies on contracted asset managers and a custodian to assist in the management of acquired or insured assets. The CIO also manages a contract with an investment advisor who provides guidance on the selection of asset managers.

The Office of the Chief Financial Officer (CFO) manages the OFS budget, cash flow requirements and accounting support activities for all of OFS concentrating on accounting and reporting activities required by the Federal Credit Reform Act to include modeling of cash flow and all required re-estimates. The Office serves as liaison with Government Accountability Office (GAO) staff for financial statement reporting and internal controls.

The Office of the Chief of Homeownership Preservation is responsible for identifying opportunities to help homeowners while also protecting taxpayers. The priorities of the Office are to: implement the Administration's loss mitigation program; develop and implement a robust outreach program targeted to at-risk homeowners; outline and implement strategies to regularly update the Administration, Congress, the public, and other key stakeholders, on results; and monitor, analyze and report on the results of the loan modification program.

The Office of the Chief Operations Officer (OCOO) is responsible for developing an office infrastructure and managing internal operations in OFS. The OCOO works with each OFS organizational entity to effectively manage the budget, facilities, information technology (IT), acquisition management oversight, document flows, physical security and privacy, and workforce planning.

The Office of Reporting is responsible for coordinating OFS' work with the external oversight entities including the GAO, Special Inspector General for TARP, Financial Stability Oversight Board and the Congressional Oversight Panel. The Office also prepares periodic, statutory reports to the Congress under EESA.

The Office of Internal Review (OIR), for which most functions were previously conducted under the name Office of Compliance and Risk, is responsible for management controls such as policies and procedures, designed to help program and financial managers achieve results, mitigate risk, and safeguard the integrity of TARP programs.

The Office of the Chief Counsel provides legal advice to the Assistant Secretary for Financial Stability.

OFS Staff by Office **(as of 1/08/2010)**

	Perm	Term/Temp	Details	Total	ES/SL/EF	GS-15	GS-14	GS-13	GS-12	GS-11	GS-9	GS-7	GS-5
Assistant Secretary	1	3	0	**4**	1	1	0	1	1	0	0	0	0
CIO	10	23	4	**37**	4	11	8	6	3	2	2	1	0
HPO	9	18	0	**27**	1	5	7	3	1	3	5	2	0
Chief Counsel	16	4	0	**20**	1	10	3	4	2	0	0	0	0
Internal Review	11	12	0	**23**	2	8	7	2	1	1	0	2	0
CFO	16	10	1	**27**	3	8	8	4	2	0	1	1	0
COO	32	14	5	**51**	1	10	14	6	11	4	2	2	1
Oversight & Reporting	7	8	0	**15**	1	4	1	2	4	0	1	2	0
Financial Agent	6	4	0	**10**	0	4	2	1	2	1	0	0	0
Special Master	0	5	0	**5**	0	3	0	0	2	0	0	0	0
Totals	108	101	10	**219**	14	64	50	29	29	11	11	10	1

4B – Summary of IT Resources and Information Technology Strategy

As an organization embedded in Domestic Finance, OFS has leveraged technologies and services provided by the Treasury Department Office of the Chief Information Officer (OCIO) as much as possible. In its first year of operation, OFS utilized OCIO-provided infrastructure/applications (e.g., LAN, WAN, telephones) and contractor personnel to develop and support the current infrastructure and applications. During FY 2010, OFS will focus on five core activities:

- Develop a governance structure (program and project management)
- Develop fundamental transaction records and ledgers to better support the Middle Office and Chief Financial Officer's Office
- Build a robust data warehouse to support end user questions, reporting and analysis
- Enhance unstructured document management
- Manage a variety of IT operational issues supported by either OFS or OCIO.

To successfully achieve these objectives, OFS will expand its on board IT staff to include a Chief Technology Officer. External contractors/consultants will be sourced to provide short-term/specialized skills with additional personnel being absorbed through the transfer of personnel from within OFS as well as with term employees.

The bulk of needed hardware and software has already been purchased, though refinement of OFS needs will occur as the requirements for the projects noted above are further developed. All OFS support technologies are in concert with the Treasury Optimized Enterprise IT Infrastructure.