FINANCIAL STABILITY OVERSIGHT BOARD
QUARTERLY REPORT TO CONGRESS

For the quarter ending
December 31, 2010

Submitted pursuant to section 104(g) of the
Emergency Economic Stabilization Act of 2008

Ben S. Bernanke, Chairperson
Chairman
Board of Governors of the Federal Reserve System

Timothy F. Geithner
Secretary
Department of the Treasury

Shaun Donovan
Secretary
Department of Housing
and Urban Development

Mary L. Schapiro
Chairman
Securities and Exchange Commission

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency

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I. INTRODUCTION

This report constitutes the ninth quarterly report of the Financial Stability Oversight Board ("Oversight Board") pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008 ("EESA"). This report covers the period from October 1, 2010 to December 31, 2010 (the "quarterly period").

The Oversight Board was established by section 104 of the EESA to help oversee the Troubled Asset Relief Program ("TARP") and other emergency authorities and facilities granted to the Secretary of the Treasury ("Secretary") under the EESA. The Oversight Board is composed of the Secretary, the Chairman of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Director of the Federal Housing Finance Agency ("FHFA"), the Chairman of the Securities and Exchange Commission ("SEC"), and the Secretary of the Department of Housing and Urban Development ("HUD"). Through Oversight Board meetings and other activities, the Oversight Board reviews and monitors the development, implementation, and effect of the policies and programs established under the TARP to restore liquidity and stability to the U.S. financial system.

II. OVERSIGHT ACTIVITIES OF THE FINANCIAL STABILITY OVERSIGHT BOARD

The Oversight Board met three times during the quarterly period, specifically on October 29, November 29, and December 20, 2010. The minutes of the Oversight Board's meetings[1] reflect that the Oversight Board received presentations and briefings from Treasury officials to assist the Oversight Board in monitoring the actions taken by the Treasury Department under TARP and the Administration's Financial Stability Plan.

a. Update on Key Initiatives and Developments

The following highlights some of the key initiatives and developments under TARP and the Financial Stability Plan during the quarterly period, subject to review and oversight by the Oversight Board. Additional details concerning these developments and programs are included in Part IV below.

The Capital and Guarantee Programs for Banking Organizations

- The Capital Purchase Program ("CPP").
    - As of December 31, 2010, Treasury had recovered approximately $168 billion of the approximately $205 billion invested under the CPP. Of the approximately $34 billion that remained invested under the CPP at quarter-end, approximately $1.7 billion consisted of investments in six institutions.

[1] Approved minutes of the Oversight Board's meetings are located at: http://www.treasury.gov/initiatives/financial-stability/about/Oversight/FSOB/Pages/finsob.aspx.

As of December 31, 2010, Treasury had received more than $8 billion in gross proceeds from the repurchases of warrants acquired under the CPP.

- During the quarterly period, 132 institutions did not make the scheduled dividend or interest payment on Treasury's CPP investments. As of quarter-end, missed payments by portfolio institutions in the CPP were approximately $0.17 billion, which represents approximately 1.6 percent of the cumulative CPP dividends and interest paid to date.[2]

- As of December 31, seven CPP institutions have declared bankruptcy or had their banking subsidiary placed in receivership (CIT Group Inc., UCBH Holdings, Inc., Midwest Banc Holdings, Inc., Sonoma Valley Bancorp, Pacific Coast National Bancorp, Pierce County Bancorp and Tifton Banking Company), which represent less than 1 percent of the number of institutions that received funding. These institutions to date represent approximately $2.98 billion of CPP investment, or 1.5 percent of the total CPP investment.

- <u>Update on Citigroup, Inc. ("Citigroup")</u>. On December 10, Treasury completed the sale of the final approximately 2.4 billion common shares of Citigroup held by Treasury for proceeds of approximately $10.5 billion. As of December 10, Treasury had received approximately $57 billion in repayments, interest, dividends and sale proceeds from the investments made or received in Citigroup under the CPP, the Targeted Investment Program ("TIP") and the Asset Guarantee Program ("AGP"), representing a $12 billion realized profit over the $45 billion that Treasury invested in Citigroup under TARP.

American International Group, Inc. ("AIG")

- On December 8, 2010, AIG announced that it had entered into a definitive agreement with ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York ("FRBNY"), Treasury, and the AIG Credit Facility Trust (the "Trust") regarding a series of integrated transactions, previously announced on September 30, 2010, to recapitalize AIG (the "Recapitalization"), including the repayment of all amounts outstanding under the revolving credit facility with the FRBNY. The definitive agreement supersedes the agreement in principle, dated as of September 30, 2010, and includes forms of several other agreements governing the recapitalization. At the closing of the Recapitalization, which occurred on January 14, 2011, AIG repaid the outstanding balance, including all accrued interest and fees, on the original $85 billion FRBNY credit facility provided to AIG in September 2008. The FRBNY also received the full amount, including all accrued dividends, of the preferred interests ("SPV Preferred

[2] References to missed payments by portfolio institutions exclude non-portfolio institutions that have entered bankruptcy, had a bank subsidiary placed in receivership or for which Treasury has disposed of its CPP investment.

Interests") in AIA Aurora LLC and ALICO Holdings LLC, two SPVs formed as part of the March 2009 restructuring of the U.S. government's assistance. Treasury now owns 1.655 billion shares of AIG common stock (approximately 92 percent of the company) and approximately $20 billion of preferred equity interests in two AIG subsidiaries. Following the completion of the recapitalization, Treasury's total cash investment in AIG stands at $68 billion. Treasury expects to exit its investments in AIG over time, subject to market conditions, in order to recoup taxpayer funds.

Automotive Industry Financing Program ("AIFP")

- Update on General Motors, Inc. ("GM"). In November 2010, GM completed its initial public offering with net proceeds to Treasury of $13.5 billion. The offering reduced Treasury's ownership share of GM's outstanding common stock by nearly half from 61 percent to 33 percent. In October 2010, Treasury accepted an offer from GM for the company to repurchase its TARP preferred shares. GM completed this transaction on December 15, 2010, purchasing Treasury's approximately 84 million Series A shares at a price per share of $25.50, which is equal to 102 percent of the liquidation preference. Treasury has invested $49.5 billion in GM and has received a total of $23.1 billion in return from GM through repayments, interest, and dividends since the company emerged from bankruptcy in July 2009. Treasury's remaining stake in GM now consists of approximately 500 million shares of common stock.

- Update on Ally Financial, Inc. ("Ally"). On December 30, Treasury converted approximately $5.5 billion of the approximately 11.4 billion of mandatorily convertible preferred stock held in Ally into common stock. The conversion was designed to help normalize Ally's capital structure by increasing the proportion of equity in the form of common stock. This should help facilitate Treasury's exit from the investment through the potential sale of shares. Following the conversion, Treasury continues to hold approximately $5.9 billion of Mandatory Convertible Preferred Stock in Ally, as well as $2.7 billion of Trust Preferred securities ("TruPs"). Ally has agreed to assist Treasury in the sale of a portion of its holdings of TruPs on terms acceptable to Treasury and Ally as soon as practical, subject to certain conditions.

Housing stabilization and foreclosure mitigation

- Making Home Affordable ("MHA") and Home Affordable Modification Program ("HAMP"). The October, November and December MHA Servicer Performance Reports indicated that new permanent modifications totaled approximately 28,000, 24,000, and 30,000, in September, October, and November, respectively. The number of aged trials decreased each month.

- Second Lien Modification Program ("2MP"). As of December 31, Treasury has signed up 17 mortgage servicers under the 2MP, including the four largest mortgage servicers, which service approximately 60 percent of outstanding second liens combined. The infrastructure necessary to support the 2MP continues to be developed and implemented by Treasury, its financial agent (Fannie Mae), and its servicers.

- Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("Hardest Hit Fund" or "HHF"). As of December 31, 2010, programs in twelve states have drawn $0.103 billion from the $7.6 billion Treasury has allocated to the Hardest Hit Fund. Programs in eight states have begun accepting applications or providing assistance (AZ, CA, MI, NC, OH, OR, RI and SC), and eight others (AL, DC, FL, GA, KY, MS, NV and TN) began operating pilots in January. The four largest servicers have begun participating on a pilot basis. However, HFAs and servicers continue to work through operational issues such as servicer capabilities to process and report on aggregating mortgage payments from multiple sources (e.g., from both a borrower and an HFA entity).

b. Agency Financial Report

In November, the Office of Financial Stability ("OFS") released the Agency Financial Report for Fiscal Year 2010 for the Troubled Asset Relief Program ("Agency Financial Report"). This report provides information on financial results relating to the TARP as required by the Emergency Economic Stabilization Act and other laws.[3] For the second consecutive year, OFS earned unqualified or "clean" opinions on its financial statements and its internal control over financial reporting from the Government Accountability Office, with no material weaknesses.

As reported in the Agency Financial Report, during the fiscal year ended September 30, 2010 ("Fiscal Year 2010"), Treasury: (i) disbursed $23.4 billion in TARP funds to make loans and equity investments; (ii) had net income from operations of $23.1 billion; (iii) received $131.3 billion of repayments on certain investments and loans; and (iv) received $8.2 billion in net proceeds from the sale/repurchase of assets in excess of cost. As of September 30, 2010, Treasury reported $145.5 billion for the value of loans, equity investments, and the asset guarantee program.

Treasury's Fiscal Year 2010 net income from operations of $23.1 billion includes the estimated net cost related to loans, equity investments, and the asset guarantee program. For Fiscal Year 2010, Treasury reported net subsidy income for five programs—the TIP, AGP, PPIP, AIG Investment Program and the AIFP. These programs collectively reported net subsidy income of $28.4 billion.

Also, for Fiscal Year 2010, Treasury experienced net subsidy cost for two programs—the Capital Purchase Program and the Consumer and Business Lending Initiative had reported net subsidy cost of $4.2 billion which together with Fiscal Year 2010 expenses for the Treasury Housing Programs under TARP of $825 million and administrative expenses of $296 million

[3] The second Agency Financial Report for the year ended September 30, 2010, is available at: http://www.treasury.gov/initiatives/financial-stability/briefing-room/reports/agency_reports/Pages/default.aspx

brought the total reported fiscal year net income from operations to $23.1 billion. The net income and net cost amounts reported in the financial statements reflect transactions only through September 30, 2010 and are different from lifetime cost estimates made for budgetary purposes.

c. Projected Cost of TARP Programs

Treasury provides updated cost assessments for TARP programs four times per year, and prepares financial statements for TARP on an annual basis in the Agency Financial Report. The ultimate cost of TARP remains subject to uncertainty, and will depend on how financial markets and the economy perform in the future. If financial and economic conditions deteriorate, for example, prospects for TARP investments will also deteriorate.

According to Treasury's re-estimate of the cost of TARP programs released in January 2011, the expected overall cost of TARP will be approximately $48 billion, which reflects the completion of the AIG restructuring and when measured at the November 30, 2010 market price. In addition, using the same assumptions, Treasury estimates that the combined cost of TARP programs and other Treasury interests in AIG will be about $28 billion. The costs are expected primarily from losses related to TARP investments in auto companies and foreclosure mitigation efforts. See figure 1 below.

Figure 1

Treasury Estimates of the Impact of TARP Programs and Other Treasury Investment in AIG on the Federal Budget (as of November 30, 2010) ($ billions)[4]

Programs	Obligation/ Commitment	Disbursed	Outstanding Investment Balance	Market Value of Outstanding Common	Estimated Lifetime Cost
Bank Support Programs:					
Capital Purchase Program (CPP):					
Citigroup[2]	$ 25.00	$ 25.00	$ 0.00		$ (6.46)
Other banks with assets $10 billion or greater	165.30	165.30	26.21		(8.24)
Banks with assets less than $10 billion	14.59	14.59	10.81		2.24
Total	$204.89	$204.89	$ 37.02		$(12.46)
Targeted Investment Program (TIP)	$ 40.00	$ 40.00	$ 0.00		$ (3.81)
Asset Guarantee Program (AGP)[3]	$ 5.00	$ 0.00	$ 0.00		$ (3.71)
Community Development Capital Initiative (CDCI)	$ 0.57	$ 0.57	$ 0.57		$ 0.29
Credit Market Programs:					
Public-Private Investment Program (PPIP):					
Equity	$ 7.51	$ 5.22	$ 5.06		$ (0.31)
Debt	14.90	9.83	9.43		0.10
Total	$ 22.41	$ 15.05	$ 14.49		$ (0.21)
Term Asset Backed Securities Lending Facility (TALF)	$ 4.30	$ 0.10	$ 0.10		$ (0.33)
Purchase SBA 7(a) Securities (SBA)	$ 0.37	$ 0.29	$ 0.31		$ 0.00
Other Programs:					
American International Group (AIG):					
Preferred Stock[4]	$ 69.84	$ 67.84	$ 20.29		$ -
Common Stock[4]	0.00	0.00	47.54	$39.14	8.04
Total	$ 69.84	$ 67.84	$ 67.83		$ 8.04
Automotive Industry Financing Program (AIFP)[5]	$ 81.75	$ 79.69	$ 46.42	$17.10	$ 14.80
Sub-total for Investment Programs	**$429.12**	**$408.43**	**$166.74**		**$ 2.61**
Treasury Housing Programs Under TARP	$ 45.63	$ 0.88	$ 0.00		$ 45.63
Total for TARP Programs	**$474.75**	**$409.31**	**$166.74**		**$ 48.24**
Additional AIG Common Shares Held by Treasury[6]	n/a	n/a	n/a	$20.17	$(20.17)
Total for TARP Programs and Additional AIG Shares[7,8]	**$474.75**	**$409.31**	**$166.74**		**$ 28.07**

[1] All information is as of November 30, 2010 except for Citigroup (see note 2) and AIG (see note 4). Estimated lifetime costs are preliminary and subject to change.

[2] Outstanding balance gives effect to the sale of the remaining shares of Citigroup common stock on December 10, 2010.

[4] Treasury plans to make updates of this chart available on the website FinancialStability.gov.

[3] Estimated lifetime costs for AGP includes the Treasury-OFS portion of $276 million for the termination fee Bank of America paid government parties for the value they received from the announcement of the negotiations with government parties to guarantee and share losses on a pool of assets.

[4] All AIG information gives effect to the closing of the restructuring transaction entered into on December 8, 2010 and the AIG Recapitalization on January 14, 2010, at which time: (i) the outstanding preferred stock investment was exchanged for 1.1 billion shares of AIG common stock (which is valued for purposes of this table at $35.84 per share, which is the November 30, 2010 market price less an adjustment for the estimated value of additional AIG warrants to be distributed to shareholders other than Treasury), and (ii) $20.29 billion previously an undrawn commitment was disbursed. Treasury estimates that it will not incur any loss on this disbursement because the aggregate value of the assets underlying the preferred interests in the Special Purpose Vehicles that Treasury received for the disbursement exceeds the liquidation preference of the preferred interests. In addition, market prices will change which will result in changes to the cost estimate over time. If the restructuring was not completed, estimated lifetime costs of AIG would have been $36.1 billion at November 30, 2010.

[5] All AIFP information is for all investments (including those GM, Chrysler and Ally), except that market value of outstanding common refers only to outstanding common stock investment in GM as of November 30, 2010. All information for GM gives effect to sale of $13.5 billion of shares in initial public offering at $33.00 per share, including exercise of overallotment option, in November 2010, and to receipt of $2.1 billion from the repurchase by GM of preferred shares on December 15, 2010.

[6] Represents additional 563 million shares of AIG common stock received from the trust created by the Federal Reserve Bank of New York for the benefit of Treasury pursuant to the restructuring. Although the shares were not acquired with TARP funds, the shares and any proceeds from their sales go to the U.S. Treasury and therefore are reflected in the table for informational purposes.

[7] Includes the U.S. Treasury's beneficial interest in the AIG trust described in note 5.

[8] Estimates include interest on reestimates, which result from changes from previous TARP cost estimates. Interest on reestimates is one component of the cost to Government of financing TARP programs, and is not a direct programmatic cost.

a. Aggregate Level of Commitments, Disbursements and Repayments

As part of its oversight activities, the Oversight Board continues to monitor Treasury's effort to wind down TARP and manage the remaining TARP investments. As of December 31, 2010, Treasury had approximately $168 billion in TARP investments and commitments outstanding, exclusive of the housing initiatives. The chart in Appendix B summarizes TARP commitments, disbursements, and repayments as of December 31, 2010.

III. EVALUATING THE EFFECTS OF EESA PROGRAMS

In light of severe stresses in the U.S. and global financial markets that came to a head in the fall of 2008, Congress passed EESA to "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." Since that time, utilizing the authority provided by EESA, Treasury has implemented a range of programs to stabilize the financial markets and financial institutions, support the flow of credit to consumers and businesses, and help at-risk homeowners remain in their homes and avoid foreclosure. These programs are described in detail in Part IV of this report and in the previous quarterly reports of the Oversight Board.[5]

Under section 104 of EESA, the Oversight Board is charged with reviewing Treasury's efforts under EESA, including the policies implemented under sections 101 and 102, and the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.

In past quarterly reports, the Oversight Board has indicated that financial-market shocks from the crisis have been lessened by Treasury's actions under EESA, and TARP and other government programs have contributed to preventing the adverse effects of the crisis from becoming significantly more severe. The accumulated effects of Treasury's actions under TARP continued to contribute significantly and positively to conditions in many financial markets during subsequent quarters. In light of the significant repayments of financial-sector investments received by Treasury, and more generally, the closing and wind-down of the TARP financial-sector programs, the current and future developments in TARP financial-sector programs and investments no longer exert the same degree of influence on financial market conditions. Indeed other developments unrelated to TARP investments have been the principal influences on financial markets for some time, including for example market concerns about particular European countries. Accordingly, the Oversight Board believes its evaluations of the effects of TARP financial-sector programs should shift toward assessing Treasury's administration of the financial-sector assets it still owns and, in particular, the management of those assets over time toward exit strategies that protect taxpayers and safeguard the public interest in the stability of financial markets. These evaluations will be integrated with broader discussion of program developments in section IV.

TARP housing-sector programs, in contrast, remain open to new applications from eligible borrowers and many operate at an early phase in their respective program life-cycles. The housing-sector programs will provide assistance to additional mortgage borrowers and retain the potential to influence housing market conditions going forward. Accordingly, the Oversight Board will continue to evaluate the effects of TARP housing-sector programs from that perspective. The Oversight Board believes that Treasury's accumulated actions under TARP, together with other federal programs, continued to provide support to the housing market and assistance to at-risk mortgage borrowers during the quarter. These actions have helped to promote more stable conditions for housing finance and to reduce avoidable foreclosures. Home price indexes remained stagnant or fell slightly during the quarter, and sales of new and existing homes jumped 14 percent from the severely depressed levels following the expiration of tax credits, but remained at approximately the same levels as in the first half of 2009 at a 4.5 million unit rate. Mortgage delinquency rates again declined modestly, influenced by a slowdown in foreclosures associated with industry-wide concerns about documentation and servicer practices related to foreclosures. During September, October, and November, new permanent loan

[5] Discussion of conditions and effects of TARP programs on financial markets, financial stability and markets for housing and home finance in past periods can be found in the Oversight Board's previous quarterly reports at: http://www.treasury.gov/initiatives/financial-stability/about/Oversight/FSOB/Pages/minutes-reports.aspxl.

modifications totaled approximately 28,000, 24,000, and 30,000, respectively.[6] Along with new trial modification offers extended under HAMP, and the loan modification and refinancing efforts undertaken by other government and non-government entities, HAMP modifications have reduced mortgage debt service obligations of participating at-risk borrowers with the goal of creating opportunities for these households to achieve sustainable arrangements. Over the longer horizon, it remains too early to assess the extent to which borrowers with HAMP permanent modifications, or other loan modifications and refinancings, may subsequently default.

a. Brief review of financial market developments[7]

During the fourth quarter, conditions in financial markets continued on a path consistent with gradual economic recovery, aided by improvements in the economic outlook of households and businesses and additional policy accommodation by the Federal Reserve, while also reflecting concerns about fiscal strains and banking-sector problems in the euro-area periphery.

The S&P 500 stock price index increased more than 10 percent in the fourth quarter of 2010, and bank stocks outperformed the broader market. Credit default swap spreads for large bank holding companies, generally considered to be a key indicator of investors' views about the health and prospect of these institutions, were on average little changed over the quarter and remained well below the levels seen in late 2008 and early 2009, prior to the release of the results from the Supervisory Capital Assessment Program ("SCAP").

Data from the flow of funds accounts published by the Federal Reserve Board show that debt for households continued to decline through the end of the third quarter (the latest data available). Debt for nonfinancial businesses grew during the period, although only at a moderate pace, due mostly to solid corporate bond issuance. Total loans at depository institutions continued to contract in the third quarter of 2010. Charge-offs of problem loans have been a significant contributor to weakness in the level of business and household debt over the past year.

Disentangling the sources of changes in debt presents significant conceptual and practical challenges. Results from the October Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve show that, on net, banks modestly loosened standards and terms during the previous three months on credit cards and C&I loans, though not on commercial real estate ("CRE") loans; nonetheless these standards and terms remain very tight after an extended period of increasing the rigor of these standards. Banks also reported that demand for core loans (i.e., C&I, real estate, and consumer loans) was, on net, little changed.

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[6] Information, including servicer performance on modifications through December 2010, was released after quarter-end.

[7] Information and data on credit and financial market conditions can be found in the Federal Reserve's semiannual Monetary Policy Report, Senior Loan Officer Opinion Survey on Bank Lending Practices, Flow of Funds data releases, consumer credit aggregates and other periodic reports and analysis at: www.federalreserve.gov.

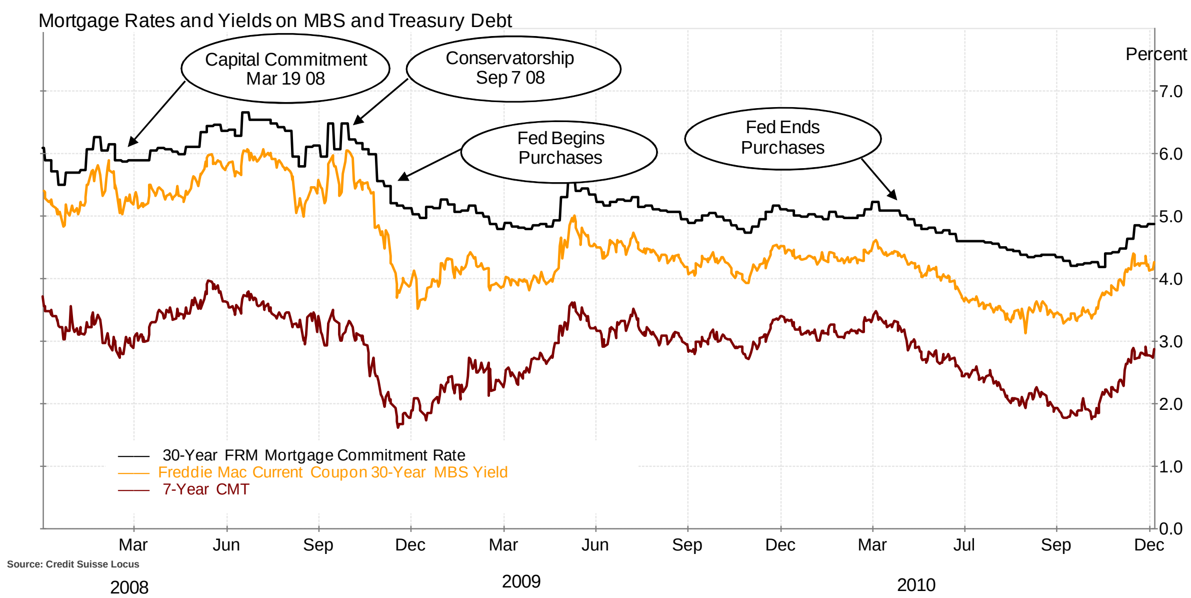
Securitization of household credit in the fourth quarter of 2010 continued at about the same pace seen in the previous quarter. Unlike auto or credit card ABS, however, spreads on commercial mortgage-backed securities ("CMBS") remain substantially above pre-crisis levels. Issuance of new CMBS remains very low, though some more deals came to market during the quarter. Overall, commercial real estate markets continued to exhibit considerable stress. Gross bond issuance of both investment grade and speculative grade bonds for nonfinancial corporations was very robust in the fourth quarter.

b. Assessment of the effect of the actions taken by Treasury in stabilizing housing markets

Actions taken by the Treasury under TARP, together with Treasury actions taken under the Housing and Economic Recovery Act ("HERA") and actions taken by the Federal Reserve, HUD, and FHFA, continued to support the housing market and provide assistance to mortgage borrowers during the fourth quarter.

Long-term mortgage interest rates rebounded from historic lows early in the last quarter of 2010 to finish the year a bit below 5 percent, close to their average during the first quarter of that year (figure 2). The rise reflected increased yields on reference Treasury securities, but was more moderate, as higher borrowing costs sharply reduced demand for refinance loans late in the year. Spreads between new mortgage commitment rates and market yields on mortgage and Treasury securities reversed most of the widening that had occurred during the previous six months.

Figure 2



Foreclosure mitigation efforts under TARP continued at significant rates. During September, October, and November, new permanent modifications each month steadied at approximately 28,000, 24,000, and 30,000 respectively. Total active permanent modifications increased to approximately 550,000 through November, and the number of trials aged six months or more continued to decrease to fewer than 50,000. As decisions were made on the aged trials and new activity progressed, the number of active trials decreased by more than 25,000 from September through November. The performance data for HAMP modifications in the period was consistent with earlier data. For loans starting permanent modifications in the last quarter of 2009 or the first quarter of 2010, approximately 9.6 percent were 60 days or more delinquent six months later. For those starting in late 2009, 26 percent were 60 days or more delinquent after 9 months. It is still too early to assess the ultimate success of these efforts, but these initial results remain better than many expected.

Borrowers that are not accepted for HAMP trials or whose trials are cancelled continue to frequently enter alternative modification programs in large numbers. The eight largest servicers reported that through October, approximately 45 percent of all HAMP trial modifications that were cancelled received or were in the process of evaluation for an alternative modification. Overall, the Hope Now Alliance estimates that the number of loan modifications completed outside of HAMP amounted to approximately 300,000 in the three month period ending in October, down slightly from the previous three-month period.

Low interest rates during the early part of the fourth quarter made possible an increased pace of refinance loans, lowering monthly payment burdens of borrowers. These benefits extended, under the non-TARP Home Affordable Refinance Program ("HARP"), to borrowers in areas suffering from house price declines whose mortgages were purchased or guaranteed by Fannie Mae or Freddie Mac. Under HARP, borrowers can refinance with loan-to-value ratios of as much as 125 percent. During the three months ending in October, there were 115,000 new HARP loans, the largest three month total since HARP's inception in April 2009.

For its part, FHA single-family insurance activity in the quarter was marked by a further decline in home-purchase endorsements, which was balanced once again by an increase in refinance endorsements. On net, the dollar volume of insurance in the quarter was very close to that of the previous quarter, but more than sixteen percent below the year-earlier period. Originations for FHA insurance—which lead insurance endorsements by up to two months—were down 33 percent compared with the year-earlier period, with a 44 percent decline in home-purchase loan volumes and a 16 percent decline in refinance volumes. The year-over-year decline in total origination volume for FHA was larger than that for the overall market (33 percent vs. 24 percent) because home purchase loans represent a greater share of FHA activity.[8]

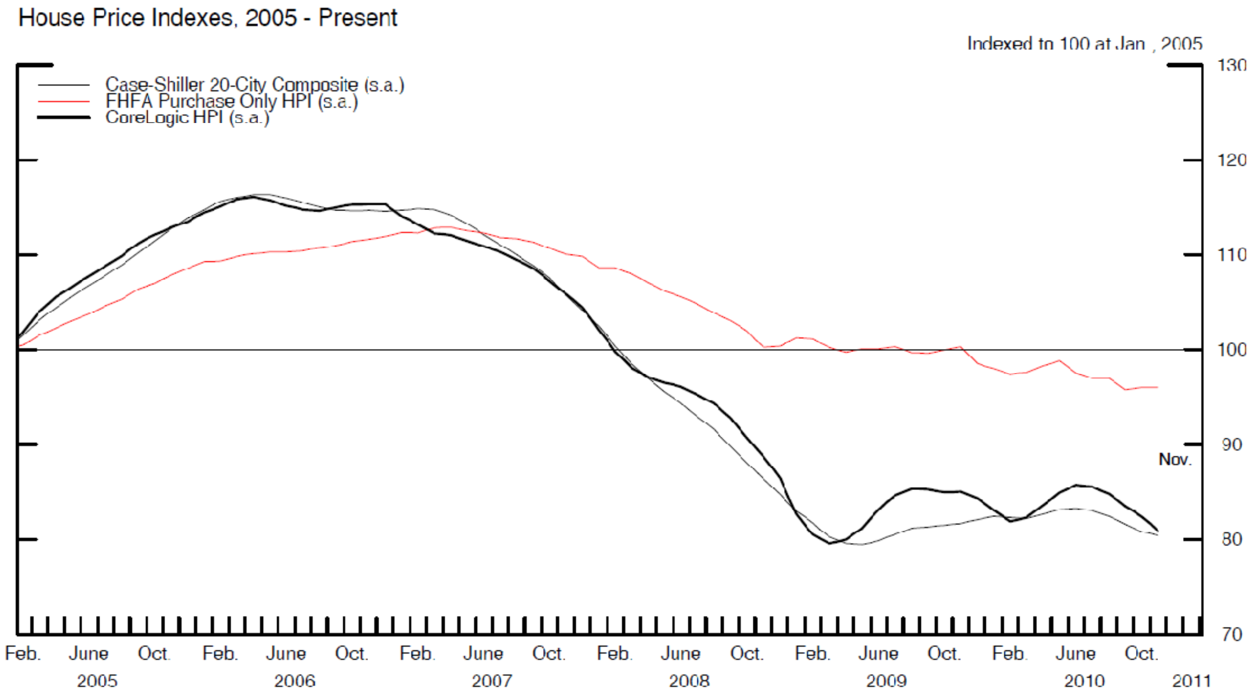
The government programs described above, combined with low mortgage interest rates, have lent important support to housing market conditions over the past two plus years. Nevertheless, weak labor market conditions, tighter lending standards, and concerns about further house price declines have kept sales volumes well below those during the housing boom years. In the last quarter of 2010, combined existing and new single-family house sales, as measured by the Census Bureau and the National Association of Realtors, jumped 14 percent

[8] Early estimates of market originations activity in 2010Q4 used here are from the MBA Mortgage Finance Forecast, January 14, 2011. See: http://www.mortgagebankers.org/files/Bulletin/InternalResource/75318_.pdf .

from the severely depressed levels following the expiration of tax credits, but remained at approximately the same levels as in the first half of 2009 at a 4.5 million unit rate.

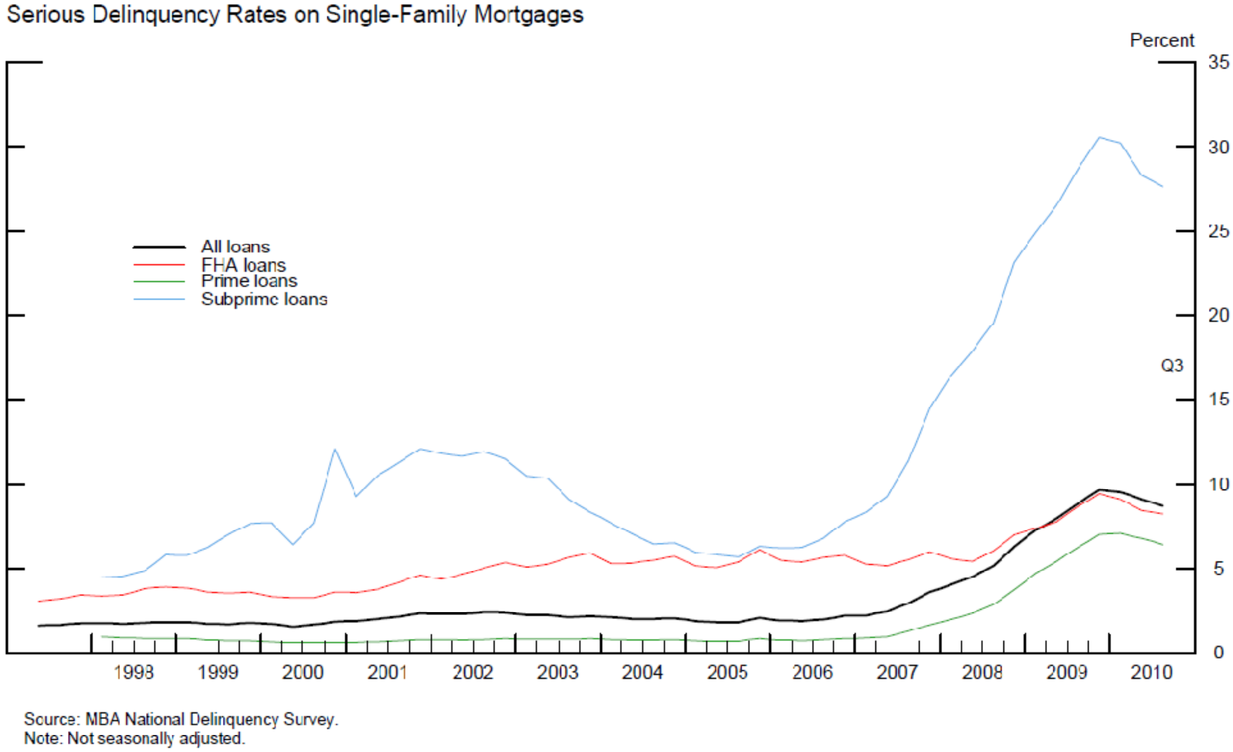
Consistent with the generally weak level of house sales, but not the recent increases, house prices have remained stagnant to slightly down. The seasonally adjusted FHFA, CoreLogic, and Case-Shiller S&P House Price Indexes are all at or very near their cyclical lows (figure 3). Significant slowing in the pace of foreclosures during the last quarter of the year may restrain market supply over the near term, but may also hold back speculative purchasing, as some potential buyers wait to see if better opportunities may lie ahead.

Figure 3



The slowdown in foreclosures has prevented some seriously delinquent loans from moving out of that category, for example, slowing the decline in rates of serious delinquency at Fannie Mae and Freddie Mac early in the fourth quarter. In the fourth quarter, loans more than 90 days past due in all categories (figure 4) continued to fall as the pace of foreclosures was still increasing and new delinquent loan volumes remained well below 2009 levels.

Figure 4



HUD continued to see evidence of a measurable decline in the annualized rate of new FHA 90-day delinquencies during the quarter. The seasonally-adjusted annual rate (SAAR) of new 90-day events was down nine percent from the previous quarter and down 13 percent from the year earlier period. This is especially encouraging because the large 2009 book-of-business is now coming into the period over which, based on historical patterns, one would expect to see those loans to reach their peak default rates. For the entire FHA portfolio, the annual rate of new 90-day events as a percent of insurance-in-force (6.84 percent) was, in this quarter, at its lowest point since the beginning of 2008.

IV. DISCUSSION OF THE ACTIONS TAKEN BY TREASURY UNDER THE EESA DURING THE QUARTERLY PERIOD

This section provides a detailed update on the various programs, policies, financial commitments, and administrative actions taken by Treasury under the EESA during the quarterly period, from October 1, 2010, to December 31, 2010, subject to review and oversight of the Oversight Board.

a. Capital and Guarantee Programs for Banking Organizations

i. Repayments under the Capital Purchase Program

The Capital Purchase Program, the largest and the first program established by Treasury under EESA, in late 2008, addressed severely deteriorated conditions in credit markets and provided an important stabilizing influence to the financial system by providing capital to a broad range of viable U.S. financial institutions. Approximately $205 billion was disbursed to 707 institutions, and the final investments under the program occurred in December 2009.

As of December 31, 2010, Treasury had received approximately $167.93 billion in total repayments under the CPP, more than 80 percent of the funds that were initially invested. During the quarterly period, Treasury received $3.5 billion in repayments, as well the repayments associated with the completion of the sale of Citigroup common stock described below. The chart below shows the top twenty-five CPP remaining investments by institution as of December 31, 2010 (figure 5).[9]

Figure 5

Top 25 Remaining CPP Investments by Institution as of December 31, 2010

	Institution	City, State	Investment Amount
1	SunTrust Banks, Inc.	Atlanta, GA	$ 4.85
2	Regions Financial Corp./ Regions Bank	Birmingham, AL	$ 3.50
3	Fifth Third Bancorp	Cincinnati, OH	$ 3.41
4	KeyCorp/Keybank National Association	Cleveland, OH	$ 2.50
5	Marshall & Ilsley Corporation [a]	Milwaukee, WI	$ 1.72
6	Zions Bancorporation	Salt Lake City, UT	$ 1.40
7	Synovus Financial Corp.	Columbus, GA	$ 0.97
8	Popular, Inc.	San Juan, PR	$ 0.94
9	M&T Bank Corporation [b]	Buffalo, NY	$ 0.75
10	Associated Banc-Corp	Green Bay, WI	$ 0.53
11	First Bancorp [c]	San Juan, PR	$ 0.42
12	Wilmington Trust Corporation [b]	Wilmington, DE	$ 0.33
13	Sterling Financial Corporation [d]	Spokane, WA	$ 0.30
14	Citizens Republic Bancorp, Inc.	Flint, MI	$ 0.30
15	Whitney Holding Corporation [e]	New Orleans, LA	$ 0.30
16	First Banks, Inc.	Clayton, MO	$ 0.30
17	New York Private Bank & Trust Corp.	New York, NY	$ 0.27
18	Flagstar Bancorp, Inc.	Troy, MI	$ 0.27
19	Cathay General Bancorp/ Cathay Bank	Los Angeles, CA	$ 0.26
20	PrivateBancorp, Inc.	Chicago, IL	$ 0.24
21	International Bancshares Corporation	Laredo, TX	$ 0.22
22	MB Financial Inc.	Chicago, Il	$ 0.20
23	Pacific Capital Bancorp [f]	Santa Barbara, CA	$ 0.20
24	First Midwest Bancorp, Inc.	Itasca, IL	$ 0.19
25	United Community Banks, Inc.	Blairsville, GA	$ 0.18
	Total		**$24.52 billion**

a/ In December 2010, BMO Financial Group, parent company of The Bank of Montreal ("BMO"), and Marshall & Ilsley Corporation ("M&I") announced entry into a definitive agreement for M&I to merge into BMO in a stock-for-stock transaction. Subject to the receipt of requisite approvals, BMO expects to purchase all of M&I's TARP investment.

b/ In November 2010, M&T Bank Corporation ("M&T") and Wilmington Trust Corporation ("Wilmington") have agreed to merge. Completion, which is subject to conditions, includes the assumption by M&T of Wilmington's TARP preferred stock obligations.

c/ In July 2010, Treasury exchanged its preferred stock for mandatorily convertible preferred stock ("MCP") with capitalized interest. Subject to the fulfillment by First BanCorp of certain conditions, including those related to its capital plan, the MCP may be converted to common stock.

d/ In September 2010, Treasury exchanged its preferred stock for MCP, and Sterling fulfilled the conversion conditions, including those related to its capital plan, so that Treasury's MCP was converted into 378,750,000 shares of common stock.

e/ In December 2010, Hancock Holding Company, parent company of Hancock Bank, and Whitney Holding Corporation announced that they have entered into a definitive agreement for Whitney to merge into Hancock in a stock-for-stock transaction. Subject to the receipt of requisite approvals, Hancock expects to purchase all of Whitney's TARP investment.

[9] Following the end of the quarterly period, in January 2011, Fifth Third Bancorp announced plans for an equity raise and repayment of its TARP investment.

f/ In August 2010, Treasury exchanged its preferred stock for MCP with capitalized dividends. Pacific Capital fulfilled the conversion conditions and Treasury's MCP was converted into 360,833,250 shares of common stock.

ii. Update on recoupment of TARP investments in Citigroup

During the quarterly period, Treasury conducted the fourth and final trading plan with its sales agent for the disposition of the remaining Citigroup common shares acquired through Treasury's CPP investment in the firm.[10] Treasury sold 5.3 billion shares at an average price of $4.04 under four trading plans. The final sale of approximately 2.4 billion shares was made pursuant to an underwritten offering. Proceeds were $10.5 billion, at a price per share of $4.35. The average selling price for all 7.7 billion shares was $4.14 per share as compared to a cost of $3.25 per share. In total, Citigroup common stock sales generated proceeds of $31.85 billion, which represents a gain to taxpayers of $6.85 billion. The sales of common stock did not include Treasury's holdings of Citigroup warrants for common stock. The chart below summarizes the repayments from Citigroup (figure 6).

Figure 6

Summary of Repayments from Citigroup and Sales of Citigroup Investments as of December 31, 2010 ($ billions)

Underwritten Offering of Common Shares (12/10)	$	10.50
Completed Common Stock Trading Plans (12/10)		21.34
Asset Guarantee Program TruPS Repurchase (9/10)[1]		2.25
Targeted Investment Program Repayment (12/09)		20.00
Interest and Dividends		2.94
Total Proceeds	**$**	**57.03**
Total Investment	$	45.00
Realized Gain[2]	**$**	**12.03**

1/ No funds were ever disbursed under the Asset Guarantee Program and the guarantee was cancelled in December 2009. As a premium for providing the guarantee, Treasury received $4.034 billion of preferred stock that was later exchanged for a like amount of TruPS; in consideration for the early termination of the asset guarantee in December 2009. Treasury cancelled $1.8 billion of its trust preferred securities and the FDIC agreed to transfer to Treasury $800 million of their trust preferred securities contingent on Citigroup repaying its previously issued FDIC guaranteed debt; Treasury sold its directly-held trust preferred securities in October 2010.

[10] In March 2010, Treasury announced its intention to dispose of its shares of common stock in Citigroup in an orderly and measured fashion subject to market conditions. Treasury had received these shares of common stock pursuant to the June 2009 exchange agreement between Treasury and Citigroup, which provided for the exchange into common shares of the preferred stock that Treasury purchased in connection with Citigroup's participation in the CPP. Pursuant to the exchange, which was part of a series of exchange offers conducted by Citigroup to strengthen its capital base, Treasury exchanged the CPP investment of $25 billion in preferred stock for approximately 7.7 billion shares of common stock at a price of $3.25 per common share.

2/ Excludes warrants held by Treasury from the CPP, TIP and AGP investments, and approximately $0.80 billion of TruPS held by the FDIC for Treasury's benefit.

iii. Update on Warrant Dispositions

As of December 31, 2010, Treasury had disposed of warrants from 90 banking organizations and had received more than $8 billion in gross proceeds.[11] During the quarterly period, nine banking organizations repurchased warrants for proceeds of approximately $1.27 million. After the end of the quarterly period, in January 2011, Treasury announced plans to sell the warrant positions in Citigroup, Boston Private Financial Holdings, Inc., and Wintrust Financial Corporation. All public auctions to date have been conducted as modified “Dutch” auctions registered under the Securities Act of 1933, in a format where qualified bidders could submit one or more independent bids at different price-quantity combinations and the warrants would be sold at a uniform price that clears the market.

iv. Update on CPP Dividends and Interest

As of December 31, 2010, Treasury had received approximately $10.36 billion in total dividends and interest under the CPP program. During the quarterly period, Treasury received approximately $0.44 billion in dividends and interest.

a. Missed Payments

During the quarterly period, 132 institutions did not make the scheduled dividend or interest payment on Treasury’s CPP investments. As of quarter-end, missed payments by portfolio institutions in the CPP were approximately $0.17 billion, which represents approximately 1.6 percent of the cumulative CPP dividends and interest paid to date.[12] Under the CPP agreements, Treasury cannot demand payment of dividends, but instead has a contractual right to appoint two directors to the institution’s board of directors if an institution has missed six payments. During the previous quarter, Treasury announced plans to utilize board observers (drawn from Treasury staff) to inform its decisions in that regard,

[11] Includes warrant dispositions through auction, repurchase, and repurchase of exercised warrant preferred shares from the CPP and TIP.

[12] References to missed payments by portfolio institutions exclude non-portfolio institutions that have entered bankruptcy, had a bank subsidiary placed in receivership or for which Treasury has disposed of its CPP investment.

and at quarter-end, and nineteen banks have six or more missed payments and Treasury observers had attended the board of directors meetings of 20 CPP institutions.[13]

v. Update on Certain Institutions

a. Exchanges and Dispositions

In limited cases, and in keeping with the objectives of EESA to "restore liquidity and stability to the financial system of the United States" in a manner which "maximizes overall return to taxpayers", Treasury may agree to participate in a direct disposition of the CPP investment to new investors who are able to provide fresh equity investment, conduct a capital restructuring or otherwise strengthen the capital position of the bank, or Treasury may participate in exchanges of CPP preferred stock for other securities. Exchanges made on this basis may be at a rate less than par, and sales by Treasury to a new investor may be made at a discount. During the quarterly period, Treasury entered into the transactions described below:

(1) An agreement with Community Bancorp LLC for the sale of all $44 million preferred stock and warrants issued by Cadence Financial Corporation to Treasury for an aggregate purchase price of $38 million plus accrued and unpaid dividends through the date of the agreement. Completion of the sale is subject to the fulfillment of certain closing conditions.

(2) The sale to The Bank of Currituck ("Currituck") for an aggregate repurchase price of $1.74 million of all preferred stock which Currituck had issued to Treasury in February 2009 for an aggregate purchase price of $4.02 million. Completion of the sale was subject to the fulfillment of certain closing conditions, including the closing of the sale to TowneBank, a Virginia chartered bank, of all of Currituck's branches and certain other assets.

[13] During prior quarterly periods, five financial institutions with CPP investments had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership: CIT Group, Inc. ($2.33 billion), UCBH Holdings, Inc. ($299 million), Midwest ($89 million), Pacific Coast National Bancorp ($4 million), and Sonoma Valley Bancorp ($8.65 million). In total, these institutions represent less than 1 percent of the number of institutions that received funding, and approximately $2.98 billion of CPP investment, or 1.5 percent of the total CPP investment.

b. Receivership

During the quarterly period, the banking subsidiary of Pierce County Bancorp and Tifton Banking Company were placed into receivership by their respective regulators. Treasury had invested approximately $6.8 million in Pierce. Also, Treasury had invested $3.8 million in preferred stock in Tifton. It is unlikely that Treasury will receive any significant recovery on these investments.[14]

b. AIG

On December 8, 2010, to implement the agreement-in-principle signed in September, AIG entered into a Master Transaction Agreement with Treasury, the Federal Reserve Bank of New York ("FRBNY"), certain special purpose vehicles ("SPVs") controlled by AIG, and the trustees of the AIG Credit Facility Trust (the "Trust") regarding a series of integrated transactions (the "Recapitalization"), to accelerate the repayment of U.S. taxpayer funds and facilitate AIG's transition from a majority government owned and supported entity to a financially sound and independent entity. The Recapitalization was completed on January 14, 2011.

Following completion of the Recapitalization, Treasury: (a) held approximately 1.655 billion shares of AIG common stock, representing ownership of 92 percent of the company, (b) held $20 billion of preferred interests in the SPVs, and (c) had a $2 billion commitment under the Series G equity capital facility, as described below.

i. Repayment and termination of the FRBNY credit facility

AIG repaid the FRBNY in cash the outstanding balance, approximately $21 billion, including all accrued interest and fees, on the original $85 billion FRBNY credit facility provided to AIG in September 2008. The funds for repayment were sourced from the net cash proceeds from the initial public offering of approximately 67 percent of AIA Group Limited

[14] During prior quarterly periods, five financial institutions with CPP investments had entered or completed bankruptcy proceedings or had a banking subsidiary placed in receivership: CIT Group, Inc. ($2.33 billion), UCBH Holdings, Inc. ($299 million), Midwest ($89 million), Pacific Coast National Bancorp ($4 million), and Sonoma Valley Bancorp ($8.65 million). In total these institutions represent less than 1 percent of the number of institutions that received funding, and approximately $2.98 billion of CPP investment, or 1.5 percent of the total CPP investment.

("AIA") in October and the sale of American Life Insurance Company ("ALICO") in November.[15]

In December 2009 and part of the March 2009 restructuring of the U.S. government's assistance to AIG, the FRBNY received preferred equity interests in two SPVs formed to hold the outstanding stock of AIG's largest foreign insurance subsidiaries, AIA and ALICO, in exchange for a $25 billion reduction in the balance outstanding and maximum credit available under AIG's credit facility with the FRBNY.

ii. Repurchase and exchange of the SPV preferred interests

The FRBNY also received the full amount, including all accrued dividends, of the SPV Preferred Interests. AIG had the right to draw down approximately $22.3 billion pursuant to the agreement from April 2009 between AIG and Treasury relating to the Series F preferred stock equity capital facility (the "Series F Treasury Department Commitment").[16] Pursuant to the Recapitalization, AIG (i) drew down the full amount of the Series F Treasury Department Commitment, less $2 to remain available for general corporate purposes under a new Series G preferred stock, and (ii) used the drawn amount of $20.3 billion to purchase the FRBNY's SPV preferred interests, and then transferred the purchased SPV preferred interests to Treasury in exchange for the Series F preferred stock that Treasury received pursuant to the draw. AIG will repay the SPV preferred interests from monetization of the non-cash assets of the SPVs, including the sales of AIG Star Life Insurance and AIG Edison Life Insurance, Nan Shan Life Insurance Company, the remaining equity stake in AIA, the MetLife equity securities received as part of the ALICO sale, and certain other designated assets. The aggregate value of the assets underlying the preferred interests in the SPVs significantly exceeds the liquidation preference of the preferred interest. Therefore, Treasury does not currently anticipate incurring any loss from its purchase of the SPV preferred interests.

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[15] Repayments to the FRBNY do not include amounts lent by the FRBNY to Maiden Lane II LLC Maiden Lane III LLC, entities formed to purchase residential mortgage-backed securities from several of AIG's regulated U.S. insurance subsidiaries and multi-sector collateralized debt obligations from certain counterparties of AIG Financial Products Corp. respectively, which do not represent obligations of AIG. Further information, including amounts repaid to date, is available at: http://www.newyorkfed.org/markets/maidenlane.html#.

[16] As of December 31, 2010, AIG had drawn down approximately $7.5 billion from the Series F equity capital facility.

iii. Recoupment of Treasury investment

Treasury will continue to evaluate its options for an exit from the investment in AIG as soon as practical while protecting taxpayers. As part of the Recapitalization, AIG entered into a Registration Rights Agreement that grants Treasury certain rights to facilitate its sale of common shares. Such rights include participation in any public registered offering of common stock by AIG and, as of August 15, 2011, causing AIG to facilitate underwritten and at-the-market offerings of Treasury's common shares.

c. Automotive Industry Financing Program

As of December 31, 2010, Treasury holds common stock in GM, Chrysler Group LLC ("Chrysler"), and Ally. Treasury also holds preferred stock and trust preferred securities in Ally. Treasury continues to periodically evaluate both public and private options to exit the equity investments under the AIFP. Treasury continues to hold debt in Chrysler, a portion of which matures in December 2011 and the balance in June 2017.

i. Update on General Motors

In November, General Motors completed its initial public offering with net proceeds to Treasury of $13.5 billion. The offering reduced Treasury's ownership share of GM's outstanding common stock by nearly half from 61 percent to 33 percent. The price received per share to Treasury was $32.7525, which represented the public sale price of $33 less underwriting discounts and fees. Also in December, General Motors completed the repurchase of all GM preferred stock held by Treasury for total proceeds of $2.14 billion. GM purchased all of Treasury's preferred stock at a price per share of $25.50, equal to 102 percent of the liquidation preference. As of December 31, 2010, Treasury's investments in GM consisted of a 33.3 percent common equity position (approximately 500 million shares of common stock).[17]

ii. Update on Chrysler

During the quarterly period, Treasury's investments in Chrysler remained unchanged, consisting of 9.9 percent of the common equity and $7.1 billion of loans (including undrawn commitments), and Treasury received approximately $0.13 billion in interest income from Chrysler.[18]

[17] Treasury also has approximately $986 million of outstanding loans that remained with Old GM (now known as "Motors Liquidation Company") for wind-down costs associated with its liquidation and bankruptcy proceedings, and it is unlikely that Treasury will receive any significant recovery.

[18] In January 2011, Chrysler met the first of three performance related milestones and Fiat's ownership automatically increased from 20 percent to 25 percent. Treasury's ownership now stands at 9.2 percent. For more information visit: http://www.media.chrysler.com/newsrelease.do?id=10453&mid=2.

iii. Update on Ally Financial, Inc. (Formerly GMAC)

Treasury invested a total of approximately $17 billion in Ally under TARP. As of December 31, 2010, Treasury's investment in Ally Financial consisted of a 74 percent common equity position, $5.94 billion of mandatorily convertible preferred stock and $2.67 billion of trust preferred securities. During the quarterly period, Treasury received approximately $319 million in dividend income from Ally.

On December 30, 2010, Treasury converted $5.50 billion of preferred stock in Ally into common stock. The conversion did not involve any new investment. Instead, Treasury converted a portion of the $11.44 billion in mandatorily convertible preferred stock already received, which is designed to be converted into common stock in certain circumstances, including at the election of Treasury. The conversion increased Treasury's common equity stake in Ally from 56 percent to 74 percent of total common shares outstanding. Treasury converted its preferred stock at 1.0 times the book value of tangible common equity balance as of September 30, 2010, subject to certain adjustments. Ally also agreed to assist Treasury in the sale or sales of its holdings of TruPs on terms acceptable to Treasury and Ally as soon as practical subject to certain conditions.

d. Legacy Securities Public Private Investment Program

The Legacy Securities Public Private Investment Program ("S-PPIP") is designed to support market functioning and facilitate price discovery in the mortgage-backed securities markets–through investments in non-agency residential mortgage-backed securities ("RMBS") and CMBS, allowing banks and other financial institutions to re-deploy capital and extend new credit to households and businesses. Under the program, Treasury has partnered with fund managers and private investors who invest in legacy securities through a Public Private Investment Fund ("PPIF").

In January 2011, Treasury released its fifth quarterly report with information regarding S-PPIP performance during the quarter from October 1, 2010 through December 31, 2010.[19] As of December 31, the PPIFs had collectively generated $1.1 billion in unrealized gains and $314 million in realized gains net of fees and expenses on Treasury's $5.2 billion equity investment, which is equal to a 27 percent return on Treasury's equity paid in capital. Net internal rates of return ranged from 23 percent for Wellington and 59 percent for Angelo Gordon among the individual PPIFs.

As of December 31, 2010, the PPIFs had drawn approximately $20.4 billion of total capital (69.3 percent of the $29.4 billion in total purchasing power), which had been invested in eligible RMBS and CMBS or cash equivalents pending investment compared to $18.6 billion of total capital drawn-down as of September 30, 2010. Among the individual PPIFs, RLJ Western had drawn the most (100 percent of its total purchasing power) and Oaktree, which is focused

[19] The latest quarterly report is available at: http://www.treasury.gov/initiatives/financial-stability/investment-programs/ppip/Pages/publicprivatefund.aspx.

exclusively on CMBS investments, had drawn the least (8.1 percent of its total purchasing power). The total market value of non-agency RMBS and CMBS held by the PPIFs was approximately $21.5 billion with approximately 81 percent of the portfolio holdings non-agency RMBS and 19 percent CMBS as of December 31, 2010. The PPIFs remain in the early stages of their three-year investment periods, which ends in the fourth quarter of 2012.

e. Community Development Capital Initiative

Following the end of the TARP purchase authority and as of December 31, 2010, under the Community Development Capital Initiative ("CDCI"), 84 community development financial institutions ("CDFIs") had exchanged and/or received funding of approximately $570 million. Of this amount, approximately $363.3 million from 28 banks was exchanged from investments under the Capital Purchase Program into the CDCI. As of December 31, 2010, Treasury has received a total of $2.07 million in dividend and interest payments under the CDCI, and one institution missed a payment of $54,000.

f. Term Asset-Backed Securities Loan Facility ("TALF")

In November 2008, Treasury and the Federal Reserve established the TALF to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of asset-backed securities ("ABS") collateralized by a variety of consumer and business loans, and improve market conditions for ABS more generally. Using funds authorized under TARP, Treasury committed to provide $20 billion in credit protection to the Federal Reserve in connection with the TALF to support the $200 billion of authorized lending value under the program. This commitment was reduced to $4.3 billion in July 2010 to reflect the fact that only $43 billion of TALF loans were outstanding when the program was closed to new lending. Treasury and the Federal Reserve closed the TALF for new loan extensions against newly issued CMBS on June 30, 2010, and for new loans against all other types of collateral on March 31, 2010. TALF loans extended by the Federal Reserve during the program will mature over the next several years, with all loans maturing no later than March 30, 2015.

As of December 29, 2010, the amount of CMBS loans outstanding under the program remained at approximately $4 billion, and the amount of non-CMBS loans outstanding remained at approximately $20 billion. In total, over two-thirds of the loans by volume have been repaid early as the underlying collateral is sold to other investors or the TALF borrowers arrange less expensive sources of funding. All loans that have not been repaid early are current in their payments of principal and interest and remain well collateralized. Prepayments by borrowers primarily contributed to the decline in loans outstanding and fully accounted for the decline in TALF borrowers. TALF LLC, a limited liability company formed to purchase and manage assets received by the Federal Reserve from the TALF program, remains in operation, but as of December 29, 2010, TALF LLC had not purchased any assets from the Federal Reserve.

g. SBA 7(a) Securities Purchase Program

As of December 31, 2010, Treasury has conducted 31 transactions totaling approximately $368 million under the SBA 7(a) Securities Purchase Program. The program ceased purchasing securities in conjunction with the expiration of the TARP purchase authority. As of December 31, 2010, Treasury has received $7.21 million in amortized principal and $3.05 million in interest. The securities purchased by Treasury comprised about 1,000 loans ranging across approximately 17 diverse industries as well as from 39 of the 50 states.

h. Housing Stabilization and Foreclosure Mitigation

Treasury has indicated that reducing foreclosures for responsible homeowners and further stabilizing the U.S. housing market are key areas to which committed TARP funds will be used going forward. While Treasury can no longer make new financial commitments under TARP, expenditures to implement existing housing programs will continue to be made incrementally over time.

i. Making Home Affordable ("MHA") and the Home Affordable Modification Program ("HAMP")

a. Overview

The purpose of the Making Home Affordable ("MHA") programs is to offer responsible, but struggling, homeowners the opportunity to remain in their homes at more affordable payment levels, consistent with the mandate of EESA to promote financial stability while protecting taxpayers. As the mortgage crisis evolved, Treasury enhanced MHA and developed new programs designed to meet the changing landscape. While HAMP was the primary program, MHA expanded to include a number of more specialized programs, as described below.

In addition to helping struggling homeowners stay in their homes, Treasury believes the MHA program has transformed the way the mortgage servicing industry treats borrowers with a temporary financial hardship. Because of MHA, in this view, servicers have developed more constructive private-sector options. Applying affordability standards and a net present value test to evaluate borrowers, servicers have the ability to reduce mortgage payments to sustainable levels while simultaneously providing investors with a justification for modifications.

b. Housing programs' indicative reporting timetable

As noted above, Treasury has announced and begun to implement a range of additional housing-related programs, in addition to MHA-HAMP, intended to address particular aspects of the problems faced by struggling homeowners, such as the presence of second liens, or to offer particular forms of solutions, such as principal reduction. The chart below (figure 7) shows for each program an indicative reporting timetable with the approximate date of: (i) program announcement; (ii) program effectiveness, usually by way of issuance and implementation of guidance to servicers in the form of Supplemental Directives; (iii) provision of an infrastructure for servicers to begin reporting on program activity to Treasury's system of record ("IR2"); and (iv) Treasury having completed its review of the reported data and processes in order to provide validated data on the program activity. As shown in this table, as of December 2010, only MHA-HAMP and FHA-HAMP had reached validated reporting. Treasury expects the remaining programs to begin providing such reporting by mid-2011. Further discussion of each program follows below.

Figure 7

Housing programs indicative reporting timetable

MHA Program	Program Description	Announcement	Program Effective	Servicer IR2 Reporting Capability	Public Reporting
HAMP	First-lien loan modifications	Feb-09	Mar-09	Jun-09	Aug-09
Second-Lien Modification Program (2MP)	Second-lien loan modifications for HAMP first-lien borrowers	Aug-09	Jun-10	Sep-10	2Q 2011
Home Affordable Foreclosure Alternatives (HAFA)	Incentives for short sales or deeds-in-lieu of foreclosure	Mar-10	Apr-10	Jun-10	2Q 2011
Principal Reduction Alternative (PRA)	Principal reduction for HAMP-eligible borrowers with high loan-to-value ratios	Jun-10	Oct-10	Dec-10	2Q 2011
Unemployment Program (UP)	Temporary principal forbearance for unemployed borrowers	May-10	Aug-10	Jan-11	2Q 2011
FHA-HAMP	Principal reduction and modification of deliquent or at risk FHA loans	Mar-10	Mar-10	Sep-10	Dec-10
FHA Short Refinance (FHA 2LP)	Restructure of 2nd liens to allow refinance of current, negative equity mortgages into FHA loans	Mar-10	Aug-10	N/A	2Q 2011

c. Program Guidance and Supplemental Directives

As part of continued operational improvements for the housing programs, during the quarterly period, Treasury released Version 3.0 of the *Handbook for Servicers of Non-GSE Mortgages* (the "Handbook"), which is a consolidated resource with guidance for all existing housing programs,[20] and MHA published an enhanced HAMP Servicer Reporting Requirements document. The reporting requirements document has a new design, a streamlined format, and up-to-date content for servicers using the HAMP Reporting Tool.

Treasury also released six Supplemental Directives ("SDs") during the quarterly period, several of which are described below.[21] The new SDs include SD 10-15, *Making Home Affordable Program – Case Escalation Process/Dodd-Frank Act NPV Notices*, with guidance to servicers designed to enhance servicer responsiveness to borrowers who have inquiries or disputes related to MHA. Among the new requirements, servicers must: establish in-house MHA case escalation teams staffed with individuals who are independent of the original underwriting decision-makers; provide to borrowers a response within 30 calendar days; fully cooperate with representatives of Treasury's borrower support centers so that disagreements can be resolved; and suspend scheduled foreclosure sales until an escalated case is resolved.

[20] The Handbook can be accessed at: https://www.hmpadmin.com/portal/programs/guidance.jsp.

[21] The SDs are available at: https://www.hmpadmin.com/portal/programs/guidance.jsp.

ii. HAMP

HAMP is a component of the Treasury's MHA program. HAMP is designed to help prevent avoidable foreclosures by reducing first-lien mortgage payments to no more than 31 percent of gross monthly income for homeowners who are experiencing a financial hardship.[22] To facilitate and promote modifications, HAMP offers "pay-for-success" incentives to servicers, lenders, investors, and borrowers on permanent modifications, as long as borrowers stay current on their payments.[23] Payment affordability under HAMP is achieved primarily through interest rate reduction, term extensions, and principal forbearance. All loans permanently modified include an interest rate reduction, and the initial interest rate is set for five years. HAMP also includes additional incentives to encourage investors with properties located in areas where home prices have recently declined and where investors are concerned that price declines may persist (the Home Price Decline Protection ("HPDP")).

To participate in HAMP and its component programs, servicers must have entered into a Servicer Participation Agreement with Fannie Mae, Treasury's financial agent before October 3, 2010. Borrowers may be accepted into the program if they are offered a trial period plan by their servicer on or before December 31, 2012. While homeowners receive immediate assistance through lower monthly mortgage payments once the trial modification starts, Treasury pays incentives only once the permanent modification has started and then incrementally over time as long as there is no re-default. As of December 31, 2010, Treasury had disbursed approximately $0.84 billion of incentive payments and had a total maximum commitment for HAMP and its component programs of approximately $29.91 billion.[24]

[22] MHA also includes (i) a refinancing component (HARP) funded outside of TARP that allows homeowners who have loans owned or guaranteed by Freddie Mac and Fannie Mae to refinance at lower interest rates, and (ii) the additional components described later in this section. Treasury has two websites with comprehensive data on the MHA programs, and all of the borrower application documents: www.MakingHomeAffordable.gov and www.hmpadmin.com.

[23] Eligible homeowners for modifications under HAMP must, among other criteria, live in an owner-occupied principal residence, have a mortgage balance less than $729,750, owe monthly mortgage payments that are not affordable (greater than 31 percent of their income) and demonstrate a financial hardship.

[24] Treasury's Transactions Reports, which are available at: http://www.treasury.gov/initiatives/financial-stability/briefing-room/reports/tarp-transactions/Pages/default.aspx, show the adjusted cap amounts for each servicer, and now show the total disbursements to each non-GSE servicer, itemized by incentive payments to borrowers, investors /lenders, or servicers.

iii. Second Lien Modification Program ("2MP")

Under 2MP, Treasury provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when a modification has been initiated on the first lien mortgage for the same property under HAMP.[25] As of December 31, 2010, 17 servicers (including the four largest mortgage servicers, who in aggregate service approximately 60 percent of outstanding second liens) have agreed to participate in the Second Lien Modification Program. Treasury believes that take up under 2MP has been slowed by issues related to the infrastructure necessary to support the 2MP, such as the matching of first and second liens within the operational systems. However, Treasury, its financial agent (Fannie Mae), and the servicers have taken steps to address these operational issues to facilitate an increase in 2MP participation during 2011.

iv. Home Affordable Foreclosure Alternatives ("HAFA") Program

Under the HAFA Program, Treasury provides incentives for short sales and deeds-in-lieu of foreclosure for circumstances in which borrowers are unable or unwilling to complete the HAMP modification process. During the quarterly period, Treasury released Supplemental Directive 10-18, *Home Affordable Foreclosure Alternatives Program – Policy Update*, which provided policy enhancements and streamlined processes for participation in the HAFA program.

v. The Unemployment Program ("UP")

The UP requires participating servicers to grant qualified unemployed borrowers a forbearance period during which their mortgage payments are temporarily reduced for a minimum of three months, and up to six months for some borrowers, while they look for new jobs.

vi. Principal Reduction Alternative ("PRA")

Under PRA, servicers are required to evaluate the benefit of principal reduction and are encouraged to offer principal reduction whenever the NPV result of a HAMP modification using PRA is greater than the NPV result without considering principal reduction. During the quarterly period, Treasury released SD 10-14, *Making Home Affordable Program–Principal Reduction Alternative Update*, which offered additional flexibilities for servicers to offer PRA and gave direction on how borrowers should be evaluated for PRA if already in permanent modifications or trial period plans. As of December 31, 2010, nine out of the largest ten servicers indicated that they offered PRA principal reductions. While each servicer developed their own PRA policy, many indicated they would offer principal reduction if the alternative waterfall results in a higher NPV.

[25] See also the FHA 2LP described below.

vii. Treasury Support for FHA Refinance of Borrowers in Negative Equity Positions ("FHA-Refinance") and FHA Second Lien Program ("FHA2LP")

The FHA Refinance of Borrowers in Negative Equity Positions provides additional refinancing options to homeowners who owe more than their homes are worth because of large declines in home prices in their local markets, and is designed to provide opportunities for qualifying mortgage loans to be restructured and refinanced into FHA-insured loans. Treasury has also implemented the FHA Second Lien Program ("FHA2LP"), a voluntary program that provides incentives to second lien mortgage servicers and investors who agree to full or partial extinguishment of a second lien mortgage loan in conjunction with an FHA-Refinance refinancing that closes on or before December 31, 2012. Take up under these programs is not expected to be seen for several quarters.

viii. Housing Scorecard and Servicer Performance Reports

During the quarterly period, HUD and Treasury released three monthly housing scorecards on the nation's housing market (the "Housing Scorecard").[26] The Housing Scorecard incorporates key housing market indicators and highlights the impact of housing recovery efforts, including assistance to homeowners through the FHA and HAMP, and incorporates the monthly MHA Servicer Performance Report. The servicer performance reports include data, among others, on the characteristics of permanent modifications, servicer activity, re-default rates, waterfall of eligible borrowers, homeowner experience, HAMP activity by state and metropolitan area, modifications by investor type, and compliance reviews.

During the quarterly period, monthly MHA Servicer Performance Reports covering September, October, and November 2010 were released.[27] Beginning in January 2011, the MHA Servicer Report will be released toward month-end, with data from the preceding month. Also in

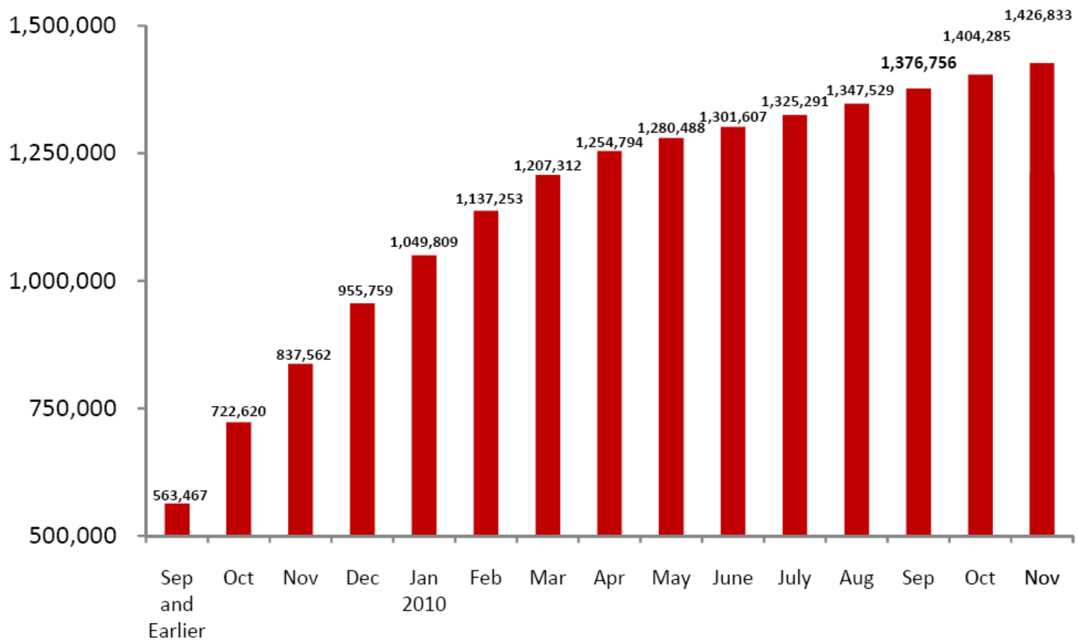
[26] Copies of the monthly Housing Scorecard are available at: www.HUD.gov/scorecard.

[27] Copies of the monthly Servicer Performance Reports are available at: http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Pages/default.aspx.

January, Treasury began publication of the MHA Data File.[28] Approximately 28,000, 24,000, 30,000 HAMP trial modifications became permanent in September, October, and November, respectively (figure 9). As servicers continued to work through the backlog, the number of aged trial modifications (those initiated at least six months ago) decreased each month—from 76,500 in September, to 69,000 in October and to less than 50,000 in November.

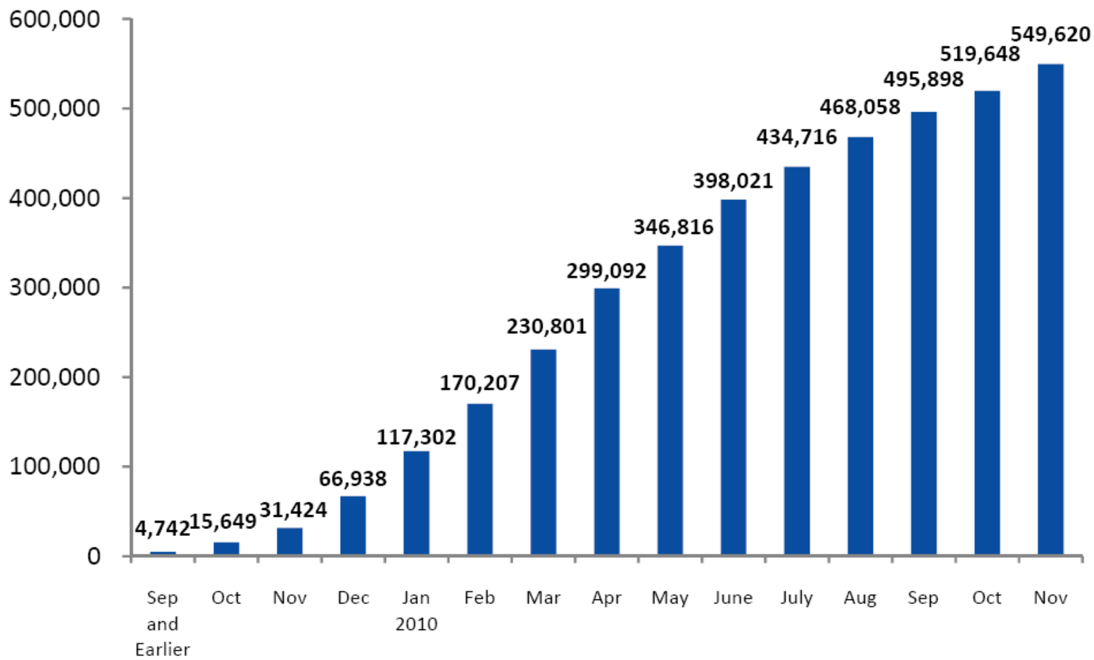
Figure 8

HAMP Trials Started (cumulative) through November 2010



[28] The Making Home Affordable Data File includes characteristics of program participants to date, including financial information, mortgage loan information before and after entering HAMP, performance in a HAMP modification, and race/ethnicity data. The MHA Data File offers mortgage loan-level data and is intended to allow for better understanding of the impact of the program. In preparing the MHA Data File, Treasury applied the recommendations of an independent non-profit, non-partisan policy institute to ensure the privacy of participating homeowners. The release of the data file fulfills a requirement within the Dodd-Frank Wall Street Reform and Consumer Protection Act to make available loan-level data about the program. Treasury will update the file monthly and will expand reporting to include newer initiatives that are part of Making Home Affordable. The MHA Data File and user guide are available at: http://www.treasury.gov/initiatives/financial-stability/results/Pages/mha_publicfile.aspx.

Permanent Modifications Started (cumulative) through November 2010



ix. Housing Finance Agency Innovation Funds for the Hardest Hit Housing Markets (HFA Hardest Hit Fund, or HHF)

The Hardest Hit Fund allows state housing finance agencies ("HFAs") in the nation's hardest hit housing and unemployment markets to design innovative, locally targeted foreclosure prevention programs. HFAs designed the state programs themselves, tailoring the housing assistance to their local needs, provided the programs satisfy the requirements for funding under EESA. Treasury has committed $7.6 billion to support the Hardest Hit Fund programs in nineteen states, as shown in the chart below (figure 9):

Figure 9

HHF commitment allocation by state ($ in millions)

Alabama	$	162.52	Indiana	$	221.69	North Carolina	$	482.78
Arizona	$	267.77	Kentucky	$	148.90	Ohio	$	570.40
California	$	1,975.33	Michigan	$	498.61	Oregon	$	220.04
District of Columbia	$	20.70	Mississippi	$	101.89	Rhode Island	$	79.35
Florida	$	1,057.84	Nevada	$	194.03	South Carolina	$	295.43
Georgia	$	339.26	New Jersey	$	300.55	Tennessee	$	217.32
Illinois	$	445.60			TOTAL	7.60 billion		

Five of these states (Arizona, California, Florida, Michigan and Nevada) have had average home price declines greater than 20 percent since the housing market downturn, accounting for the majority of "underwater" mortgages in the country. The remaining fourteen states and jurisdictions (Alabama, Georgia, Illinois, Indiana, Kentucky, Mississippi, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee and Washington, DC) have concentrated areas of economic distress due to unemployment or had an unemployment rate at or above the national average for the past year. Approximately two-thirds of all allocated funds are intended to assist unemployed borrowers pay or reinstate their mortgages. The remaining funds are intended for principal reduction, second lien removal, short sale assistance and other locally-tailored initiatives.

With respect to the implementation of the HHF programs, as of December 31, 2010, programs in twelve states have drawn approximately $104 million from the $7.60 billion allocation; programs in eight states have begun accepting applications or providing assistance (AZ, CA, MI, NC, OH, OR, RI and SC), and eight others (AL, DC, FL, GA, KY, MS, NV and TN) began operating pilots in January. The four largest servicers (Bank of America, J.P. Morgan Chase, Citibank and Wells Fargo) have begun participating on a pilot basis. However, HFAs and servicers continue to work through operational issues including the efficient communication of information and servicer capabilities to confirm amounts and accept payments from multiple entities.

x. HAMP and Foreclosure Safeguards

HAMP includes a number of safeguards to help homeowners avoid foreclosure. Servicers may not proceed to foreclosure sale unless and until they have tried these alternatives first. Servicers must issue a written certification to their foreclosure attorney or trustee stating that “all available loss mitigation alternatives have been exhausted and a non-foreclosure option could not be reached.” Supplemental Directive 10-01, which became effective on June 1, 2010, requires participating servicers of non-GSE loans to:

- Proactively reach out to all recently delinquent homeowners and evaluate them for HAMP modifications before referring them to foreclosure;

- Suspend foreclosure sales against homeowners who have applied for HAMP modifications, while their applications are pending;

- Stop all pending foreclosure actions when a borrower makes the first payment on a fully verified trial plan (applies to all HAMP trial modifications after June 1, 2010);

- Evaluate whether homeowners who do not qualify for HAMP (or who have fallen out of HAMP) qualify for alternative loss mitigation programs (which may include a short sale or deed-in-lieu of foreclosure) or private modification programs; and

- Provide a written explanation using plain language denial explanations to any borrower who is not eligible for modification and delay foreclosure for at least 30 days to give the homeowner time to appeal.

Servicers may not proceed to foreclosure sale unless and until they have tried to implement these safeguards. Additionally, participating servicers may not conduct a foreclosure sale until they have issued a written certification to their foreclosure attorney or trustee stating that “all available loss mitigation alternatives have been exhausted and a non-foreclosure option could not be reached." In October, Treasury reminded participating servicers in writing of this pre-foreclosure certification requirement. Treasury also recently instructed MHA-C to increase compliance reviews of the internal policies and procedures developed by the ten largest servicers for completing the written pre-foreclosure certifications. Though the results of these reviews are not yet available, if incidents of non-compliance with the certification requirement are found, Treasury will insist that servicers take appropriate corrective action, which may include suspending or reversing foreclosure proceedings and re-evaluating the affected homeowners for HAMP.

i. Update on Bank Lending Surveys

a. Monthly Lending and Intermediation Survey; CPP Monthly Lending Report

The *Monthly Lending and Intermediation Snapshot*, for the 22 largest recipients of CPP investments which was first published in January 2009 with data from inception of the CPP, provides quantitative information on three major categories of lending—consumer, commercial, and other activities—based on banks' internal reporting, and commentary to explain changes in lending levels for each category. As the reporting group contracted with additional CPP repayments, Treasury ceased to publish a summary analysis because the aggregate month to month changes are no longer meaningful. However, Treasury continues to publish the individual bank submissions and the underlying data from the banks that continue to submit Snapshot data.[29] Treasury's *Monthly Lending Report* provides data on consumer lending, commercial lending, and total lending for all CPP participants and is published in addition to the Snapshot.

b. The Quarterly CPP Report

Treasury prepares an analysis of the financial data submitted by depository institutions to their primary federal regulator in Call Reports and Thrift Financial Reports, as well as the Y-9C Reports submitted by large bank holding companies each quarter to the Federal Reserve, and publishes the results in reports, known as the Quarterly CPP Report, available at: http://www.treasury.gov/initiatives/financial-stability/results/cpp/Pages/default.aspx.

c. Use of Capital Survey

Treasury has also initiated an annual *Use of Capital Survey* to obtain insight into the lending, financial intermediation, and capital building activities of all recipients of government investment through CPP funds. The initial survey results were published to the *FinancialStability.gov* website in July 2010. Data and survey results are available at: http://www.treasury.gov/initiatives/financial-stability/results/cpp/Pages/default.aspx.

[29] Beginning with the December 2009 Snapshot (released in February 2010), banks that had repaid CPP funds in June 2009 no longer submitted data to Treasury. For complete information, including individual banks' reports, please visit: http://www.treasury.gov/initiatives/financial-stability/results/cpp/Pages/default.aspx.

j. Corporate Governance

i. Update on Executive Compensation[30, 31]

In the first quarter of 2011, the Office of the Special Master for TARP Executive Compensation will issue determination letters with respect to the 2011 compensation for the top 100 employees at each of the exceptional assistance TARP recipients.[32] As of December 31, 2010, only four of the original seven exceptional assistance recipients remained subject to the Special Master's jurisdiction—AIG, Ally Financial (formerly GMAC), GM and Chrysler.

k. Activities of the Office of Financial Stability

The Oversight Board continued to review and monitor the OFS infrastructure for the design and implementation of the programs established under EESA. This infrastructure includes hiring staff and establishment of the necessary internal controls and compliance and monitoring mechanisms for the TARP programs. The following outlines the status of OFS in the areas of staffing, procurement, conflict of interest mitigation, internal controls, oversight, and reporting during the quarterly period.

[30] EESA set standards for executive compensation and corporate governance for recipients of financial assistance under the TARP. These executive compensation standards were expanded under subsequent legislation and Treasury's Interim Final Rule on executive compensation published on June 15, 2009. This rule created the Office of the Special Master for TARP Executive Compensation.

[31] In September 2010, Kenneth R. Feinberg resigned as Special Master for TARP Executive Compensation and issued a Final Report ("Final Report"). Patricia Geoghegan was then appointed as Acting Special Master for TARP Executive Compensation. The Final Report summarizes the work of the Office of the Special Master for TARP Executive Compensation during Mr. Feinberg's tenure as Special Master and includes an overview of the compensation determinations issued for the 2009 and 2010 calendar years. The report also reviews, among other things, the processes (collection of data and analysis) and standards of review used for the determinations. The report, and copies of all determination letters, can be found at http://www.treasury.gov/initiatives/financial-stability/about/Recipient_Guidance/executive-compensation/Pages/spcMaster.aspx.

[32] Documents from the Office of the Special Master, including the Final Report and exhibits, which include all the determination letters, can be found at: http://www.treasury.gov/initiatives/financial-stability/about/Industry_Oversight/executive-compensation/Pages/default.aspx.

i. Staffing

As December 31, 2010, OFS had 219 full-time employees (97 career civil servants, 121 term appointments, and 1 detailee) who support the TARP. These employees include 16 employees who report through the Department of the Treasury's Office of the General Counsel, but exclude approximately 40 other reimbursables from outside of OFS who continue to provide support to the OFS on an as-needed basis. Treasury's organizational plans for the number of full-time employees were under discussion at the end of the quarterly period in light of the continued wind-down of TARP certain programs. OFS is not envisioned as a permanent organization, so to the maximum extent possible and appropriate, OFS utilizes private sector expertise in support of the execution of TARP programs.

ii. Procurement

Treasury continued to engage private sector firms to assist with the significant volume of work associated with the TARP. As of December 31, 2010, Fannie Mae and Freddie Mac accounted for 72 per cent of the obligated dollars on non-personal services contracts and agreements while assisting in the administration and compliance of the HAMP. Asset managers serve as financial agents in managing the portfolio of assets associated with several TARP programs. The balance of the non-personnel private sector firms were engaged to assist with the significant volume of work associated with the TARP in the areas of accounting and internal controls, administrative support, facilities, legal advisory, financial advisory, and information technology.

As part of Treasury's commitment to transparency and accountability of taxpayer dollars, OFS has and continues to publish all contracts and financial agent agreements ("FAAs").[33] The procurement section of the website provides information on procurement contracts and FAAs including dollar value, performance period, and a category description. This section of the website also describes the authority to enter into procurement contracts and FAAs, and OFS's commitments to small business and to a fair and open competitive process.

During the quarter ending December 31, 2010, Treasury awarded four new contracts to support the TARP and entered into one new FAA with Greenhill and Company LLC to provide services related to capital markets and disposition of Treasury assets. Treasury awarded an administrative support contract to Addx Corporation to support procurement operations and awarded contracts for training courses to Management Concepts, Inc. and an information technology contract to The Mitre Corporation and one subscription contract to LexisNexis.

In addition to the new contracts, Treasury awarded new task orders as follows: Davis Audrey Robinette for program support services; The Hispanic Association of Colleges and Universities for an internship program; Qualx Corporation for FOIA support services; Ennis Knupp & Associates Inc. for investment consulting services; Microlink LLC to support portal

[33] These contracts and agreements are available at: http://www.treasury.gov/initiatives/financial-stability/about/procurement/Pages/default.aspx.

service operations; and Cadwalader Wickersham & Taft LLP, Hughes Hubbard & Reed LLP and Paul Weiss Rifkind Wharton & Garrison LLP to provide legal services.

iii. Conflicts of Interest Mitigation

OFS, through its Office of Internal Review – Compliance continues to manage conflict of interest issues that arise with both new and existing arrangements with contractors and financial agents, pursuant to the Interim COI Regulation, as previously reported to the Oversight Board.[34]

iv. Governance and Internal Controls

Internal controls at OFS support TARP investment programs, financial reporting, and other key operational areas, such as compliance, information technology and human resources. Establishing and testing internal controls, assessing risk and developing and implementing policies and procedures also assists OFS in carrying out its mission and meeting its objectives. The Internal Control Program Office, the Risk Office within the Office of Internal Review and the Senior Assessment Team are largely responsible for leading internal control efforts. During the quarterly period, OFS conducted several risk assessments of program and business support areas, developed and implemented new policies and procedures and updated existing ones. As part of OFS's commitment to transparency, all policies and procedures are made available to the oversight bodies for review. OFS's commitment to internal controls was a critical factor in receiving a clean audit opinion from the GAO for the Fiscal Year 2010.

In the Agency Financial Report, Treasury management indicated several areas for improvement, including updating policies and procedures and internal control documentation as operational and accounting processes evolve; assessing the adequacy of internal controls provided by financial agents as they develop their program capabilities, with special focus on the housing programs; and maturing the information technology control environment.

v. Oversight

Treasury continued its active dialogue with the Oversight Board, as well as the other bodies with oversight responsibility over the TARP, including Congress, SIGTARP, GAO and the Congressional Oversight Panel. During the quarterly period, Treasury provided the Oversight Board with an update on its progress in implementing the recommendations in the reports of the oversight bodies. In the cases where Treasury has declined to implement a recommendation or sought to reach the recommendation's objectives by other means that Treasury considered to be more practical, effective or supportive of achieving financial stability, Treasury has explained its reasons to the relevant oversight body and to Congress.

[34] On January 21, 2009, Treasury published an interim final regulation designed to address actual or potential conflicts of interest among contractors and financial agents performing services in conjunction with the TARP (the "Interim COI Regulations"). For further information, please visit: http://www.FinancialStability.gov/docs/COI-Rule.pdf.

Treasury continued to track oversight recommendations and manages the implementation of recommendations related to TARP through the Joint Audit Management System ("JAMES"). The JAMES is a Treasury-wide tracking system that contains information on audit reports issued by the Treasury Office of Inspector General ("OIG"), the Treasury Inspector General for Tax Administration ("TIGTA"), the Government Accountability Office ("GAO") and SIGTARP. The JAMES details all findings and recommendations in each oversight report and tracks the status and completion of planned corrective actions required to satisfy those recommendations. With respect to such recommendations, as of December 31, 2010, Treasury had implemented 81 percent, is in the process of implementing 10 percent, and declined 7 percent, with the remainder not applicable to TARP programs.

vi. Reporting

Treasury makes all of its reports, which detail the objectives, structure, and terms of each TARP program and investment, available on its web site[35] and shares these reports with Congress. In addition, Treasury makes available information concerning the objectives and terms and results of programs established under the TARP through numerous press releases, testimonies, speeches, and briefings to Congressional staff. As part of the Open Government Plan of the Obama Administration, Treasury makes copies of the Transactions Reports and Dividends and Interest Reports available in searchable XLSX (Excel) format in addition to the official PDF version.

As of December 31, 2010, Treasury has filed—

- 239 transactions reports, in accordance with section 114 of the EESA, which include key details of the acquisition and, beginning March 31, 2009, the disposition of TARP investments;

- 26 monthly reports, in accordance with section 105(a) of the EESA, describing, among other things, financial data concerning administrative expenses, projected administrative expenses and a detailed financial statement with respect to TARP investments; and

- 8 tranche reports, in accordance with section 105(b) of the EESA, which outline the details of transactions that relate to each $50 billion incremental investment made under TARP, along with the pricing mechanism for each relevant transaction, a description of the challenges that remain in the financial system, and an estimate of the additional actions that may be necessary to address such challenges.

In addition to the reports referred to above that are required by EESA, Treasury made available the scores of other reports, surveys and contracts referred to herein during the quarterly period.

[35] http://www.treasury.gov/initiatives/financial-stability/about/Pages/default.aspx.

APPENDIX A

Minutes of the Financial Stability Oversight Board Meetings
During the Quarterly Period

Minutes of the Financial Stability Oversight Board Meeting
October 29, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EDT) on Wednesday, October 29, 2010, by telephone.

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Donovan
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PRESENT:

Mr. Goldstein, Under Secretary of the Treasury for Domestic Finance, Department of the Treasury

Mr. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Miller, Acting Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Weidman, Acting Chief Counsel, Office of Financial Stability, Department of the Treasury

Mr. Clair, Senior Advisor to the Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

Ms. Celosse, Office of Financial Stability, Department of the Treasury

Mr. Nix, Financial Analyst, Office of Financial Stability, Department of the Treasury

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Ms. Robertson, Assistant to the Board, Board of Governors of the Federal Reserve System

Chairperson Bernanke called the meeting to order at approximately 2:00 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board on September 29, 2010, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Using prepared materials, Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP") and existing initiatives that continue to be implemented under TARP. Discussion during the meeting focused on the American International Group, Inc. ("AIG"); the Automotive Industry Financing Program ("AIFP"); the Capital Purchase Program ("CPP"); the Public-Private Investment Program ("PPIP"); Making Home Affordable ("MHA") and related initiatives; and the Hardest Hit Funds Initiative ("HHF"). Also included in the materials prepared for the meeting were: updates concerning the other programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Treasury officials first discussed the agreement-in-principle reached between AIG, Treasury, the Federal Reserve, and the AIG Credit Facility Trust that was announced on September 30. Under this agreement-in-principle, AIG will repay and terminate the revolving senior secured credit facility from the Federal Reserve Bank of New York ("FRBNY"), primarily using the proceeds from the sale of a subsidiary and the initial public offering of another subsidiary. AIG will use some portion of the remaining $22 billion of TARP funds available to it under the Series F preferred stock facility provided in April 2009 to purchase the FRBNY's remaining preferred interests in the two special purpose vehicles established to hold these subsidiaries, which interests will then be transferred to Treasury in exchange for the draw on the Series F preferred. In addition, the Series C preferred shares held by the AIG Credit Facility Trust will be exchanged for AIG common stock and distributed to Treasury.

Treasury officials then updated the Members on recent developments with respect to General Motors, Inc. ("GM") under the AIFP. Treasury officials noted that Treasury had accepted an offer by GM to repurchase the $2.1 billion of Series A preferred stock issued to Treasury under the TARP, conditioned on the closing of the proposed initial public offering of GM's common stock. After the repurchase is completed, Treasury's investment in GM will be limited to 60.8 percent of the company's primary common equity, before giving effect to any sale of shares associated with GM's planned initial public offering.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP. Among the matters discussed were: recent sales of warrants received under the program; exchanges conducted by Treasury to protect the interest of taxpayers; and Treasury's progress in selling the common stock of Citigroup, Inc. ("Citigroup"), including Treasury's plans for selling additional common stock and securities of Citigroup in the future. As part of this discussion, officials also discussed Treasury's contractual right under the CPP to appoint up to two members to the board of directors of an institution upon the sixth missed dividend (or interest) payment. Officials explained that Treasury will determine whether to nominate directors based on Treasury's evaluation of the condition and health of the institution and the functioning of its board of directors, including the information provided by observers that Treasury may send to the institution's board of directors meetings. As of September 30, 2010, Treasury observers had attended board of directors meetings of 14 of the 22 CPP institutions that had missed five or more payments.

Using prepared materials, officials then provided the Members with an update on the PPIP. Treasury officials noted that, as of September 30, 2010, the Public-Private Investment Funds ("PPIFs") in the program have drawn-down approximately $18.6 billion of the total capital available under the program. These investments represent approximately 63 percent of the $29.4 billion in total purchasing power available under the program. As part of this discussion, Treasury officials reviewed with Members the returns achieved to date by the PPIFs, while noting that the funds are in their early stages. Treasury officials reported that Treasury had received approximately $159 million in cumulative gross equity distributions as of September 30, 2010.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives, including HAMP. Treasury officials noted that, as of October 1, 2010, more than 495,000 permanent modifications had been granted to homeowners under HAMP. While the number of trial modification cancellations has continued to rise, officials noted that, based on servicer reports, more than half of homeowners in cancelled trial modifications had received an alternative modification or become current, and fewer than 16 percent have moved into foreclosure. Treasury officials also reported that Treasury had recently begun auditing the internal policies and procedures of the ten largest servicers for completing pre-foreclosure certifications. Treasury officials then discussed Treasury's progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act, including the publication of an electronic file of loan level information for all HAMP activity and the establishment of a web-portal that allows borrowers to run a net-present value analysis, and provides borrowers who are turned down for a HAMP modification with the input data used to evaluate their application.

Using prepared materials, Treasury officials then provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each of the Hardest-Hit Funds and Treasury's progress in expanding the HHF initiative to support programs sponsored by Housing Finance Agencies ("HFAs") in eligible states that have experienced an unemployment rate at or above the national average over the past 12 months. Treasury officials noted that, in late-September, Treasury had announced that $3.5 billion of additional assistance will be made available to 18 states and the District of Columbia currently in the HHF program to expand the reach of programs under the HHF.

Members and officials then discussed the recent report issued by the Congressional Oversight Panel with respect to Treasury's use of contracting authority under TARP. Members and officials discussed, among other things, the content and conclusions of the report.

Members and officials then engaged in a discussion regarding the

Board's quarterly report to Congress for the quarter ending September 30, 2010, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential contents of the report.

The meeting was adjourned at approximately 2:55 p.m. (EDT).

[Signed Electronically]

Jason A. Gonzalez
Secretary

Minutes of the Financial Stability Oversight Board Meeting
November 29, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 2:00 p.m. (EST) on Monday, November 29, 2010, at the offices of the Federal Housing Finance Agency ("FHFA").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. Donovan
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PRESENT:

Mr. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Miller, Chief Investment Officer, Office of Financial Stability, Department of the Treasury

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Rasetti, Chief Financial Officer, Office of Financial Stability, Department of the Treasury

Mr. Millstein, Senior Restructuring Advisor, Office of Financial Stability, Department of the Treasury

Mr. Clair, Senior Advisor to the Counselor to the Secretary and Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugolleti, Senior Advisor to the Office of the Director, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 2:00 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on October 29, 2010, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Using prepared materials, Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program ("TARP"). Discussion during the meeting focused on the American International Group, Inc. ("AIG"); the Capital Purchase Program ("CPP"); the

Automotive Industry Financing Program ("AIFP"); the Making Home Affordable ("MHA") program and related initiatives; the Hardest Hit Funds Initiative ("HHF"); and the annual financial statements for the Office of Financial Stability ("OFS"). Also included in the materials prepared for the meeting were updates concerning the other programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Using prepared materials, Treasury officials first provided the Members with an update on AIG, which included a review of the operating results and earnings announced by AIG for the third quarter of 2010, the current status of U.S. Government support for AIG, and the status and significant closing conditions of the previously announced comprehensive restructuring plan entered into with Treasury, the Federal Reserve Bank of New York, and the trustees of the AIG Credit Facility Trust that is designed to repay all of the company's obligations to American taxpayers. As part of this discussion, Treasury officials also discussed AIG's process in winding down the company's financial products business unit.

Treasury officials then provided an update on recent transactions under the CPP, including Treasury's progress in selling the common stock of Citigroup, Inc. ("Citigroup") and Treasury's plans for selling additional common stock and securities of Citigroup in the future. Treasury officials also provided an update on recent sales of warrants received under the CPP and exchanges of Treasury's CPP investments in certain institutions. As part of this discussion, Members and officials also discussed the likely pace of future CPP repayment and its influence on the return to taxpayers. Treasury officials also provided an update on the number of CPP institutions that have not paid dividends or interest on their CPP obligations and on Treasury's progress in selecting observers and identifying director-candidates to attend the board of directors of CPP institutions that have missed five or more dividend (or interest) payments. Treasury also reviewed the status of Treasury's CPP investments in two institutions whose subsidiary banks recently failed.

Treasury officials then updated the Members on recent developments involving General Motors, Inc. ("GM") under the AIFP. Treasury officials noted that, on November 17, Treasury sold 358.5 million shares of GM common stock held under the AIFP for approximately $11.7 billion in net proceeds. Officials noted that the offering was priced at the high end of the revised pricing range and the underwriters of the offering have a 30-day option from the date of the original pricing on November 17 to purchase up to an additional 53.8 million shares of GM common stock from Treasury. If fully exercised, the option would result in further net proceeds of $1.9 billion to Treasury. In addition, Treasury officials reported that GM had agreed to repurchase Treasury's preferred shares in the company for approximately $2.1 billion, which transaction was expected to close in December 2010.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives, including the Home

Affordable Modification Program ("HAMP"). Among the matters discussed were: numbers of temporary and permanent modifications made under HAMP and the status of the Second Lien Modification Program, Unemployment Forbearance Program and the Home Affordable Foreclosure Alternatives program. Treasury officials then discussed Treasury's progress in implementing certain legislative changes to HAMP under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), including the development of a web-portal that allows borrowers to run a net-present value ("NPV") analysis, and provides borrowers who are turned down for a HAMP modification with the input data used to evaluate their application. Treasury officials also reviewed the primary reasons why proposed loan modifications under HAMP may fail to meet the NPV test governing modifications.

Using prepared materials, Treasury officials then provided the Members with an update on the HHF initiative. As part of this discussion, officials reviewed the status of the programs approved under each of the Hardest Hit Funds and Treasury's progress in expanding the HHF initiative to support programs sponsored by Housing Finance Agencies ("HFAs") in eligible states that have experienced an unemployment rate at or above the national average over the past 12 months. Treasury officials noted that, as of November 29, 2010, 11 HFAs have drawn more than $95 million from the $7.6 billion allocated to the HHF initiative under the TARP. Secretary Donovan also provided a brief up date of HUD's Emergency Homeowner Loan Program ("EHLP"), which has been authorized by Dodd-Frank Act and is designed to assist unemployed borrowers in states not served by the Treasury's Hardest Hit Initiative. Mr. Donovan noted HUD's goal to have the EHLP operational by early 2011.

Treasury officials then reviewed the OFS Agency Financial Report for Fiscal Year 2010, which describes the activities and financial results for the TARP for the fiscal year beginning October 1, 2009, ending on September 30, 2010 ("Financial Report FY2010"). The Government Accountability Office audited the FY 2010 financial statements prepared by OFS for the TARP and found that the OFS maintained, in all material respects, effective internal control over financial reporting and found no material weaknesses in OFS internal controls. Following this discussion, Mr. Donovan provided an update on the ongoing actuarial review of the Federal Housing Administration's Mutual Mortgage Insurance Fund.

The meeting was adjourned at approximately 3:00 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary

Minutes of the Financial Stability Oversight Board Meeting
December 20, 2010

A meeting of the Financial Stability Oversight Board ("Board") was held at 4:30 p.m. (EST) on Monday, December 20, 2010, at the offices of the Department of the Treasury ("Treasury").

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. Donovan
Ms. Schapiro
Mr. DeMarco

STAFF PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PRESENT:

Mr. Massad, Acting Assistant Secretary for Financial Stability, Department of the Treasury

Ms. Caldwell, Chief of Homeownership Preservation Office, Office of Financial Stability, Department of the Treasury

Mr. Weideman, Acting Chief Counsel, Office of Financial Stability, Department of the Treasury

Ms. Florman, Acting Chief Reporting Officer, Office of Financial Stability, Department of the Treasury

Mr. Clair, Senior Advisor to the Acting Assistant Secretary for Financial Stability, Department of the Treasury

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development

Mr. Wilcox, Deputy Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Jennings, Senior Associate Director, Division of Banking Supervision & Regulation, Board of Governors of the Federal Reserve System

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. Lawler, Chief Economist, Federal Housing Finance Agency

Mr. Ugolleti, Senior Advisor to the Office of the Director, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 4:40 p.m. (EST).

The Board first considered draft minutes for the meeting of the Board on November 29, 2010, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members voted to approve the minutes of the meeting, subject to such technical revisions as may be received from the Members.

Using prepared materials, Treasury officials then provided an update on the programs established by Treasury under the Troubled Asset Relief Program

("TARP"). Discussion during the meeting focused on Treasury's investment in Citigroup, Inc. ("Citigroup") and other investments made under the Capital Purchase Program ("CPP"); the Making Home Affordable ("MHA") program and related initiatives; and the actions taken by Treasury in response to certain recommendations by the Government Accountability Office ("GAO") and the Special Inspector General for the TARP ("SIGTARP"). Also included in the materials prepared for the meeting were updates concerning the other programs established by Treasury under TARP and aggregate information regarding the allocated and disbursed amounts under TARP. During the meeting, Members raised and discussed various matters with respect to the effects of the policies and programs established under TARP.

Treasury officials first reviewed the status of its common stock investment in Citigroup. Treasury officials noted that, on December 10, Treasury completed the sale of the final approximately 2.4 billion common shares of Citigroup held by Treasury for proceeds of approximately $10.5 billion. As of December 10, Treasury had received approximately $57 billion in repayments, interest, dividends and sale proceeds from the investments made or received in Citigroup under the CPP, the Targeted Investment Program and the Asset Guarantee Program, representing a $12 billion realized profit over the $45 billion that Treasury invested in Citigroup under TARP.

Treasury officials then discussed the number of institutions that have not paid dividends or interest on their CPP securities obligations, and reviewed Treasury's response to CPP institutions that have missed five or more dividend (or interest) payments, including Treasury's progress in selecting observers and identifying director-candidates to attend the board of directors' meetings. As part of this discussion, Federal Reserve officials reviewed the supervisory process and criteria for considering requests by CPP institutions to redeem the capital issued to Treasury or increase their dividends or other capital distributions. Members and officials also discussed the likely pace of future CPP repayments and its effect on the return to taxpayers under TARP.

Using prepared materials, Treasury officials then provided an update on MHA and other related housing initiatives. Among the matters discussed were the numbers of temporary and permanent modifications made under HAMP; implementation progress, including public reporting of data for the Second-Lien Modification Program, the Home Affordable Foreclosure Alternatives Program, the Principal Reduction Alternatives Program, the Unemployment Program and the FHA Short Refinance program; and recent developments with respect to the Hardest Hit Fund program. As part of this discussion, Treasury officials also reviewed the timetable for completing additional refinements to the web-portal that would allow borrowers to run a net-present value ("NPV") analysis, and provide borrowers who are turned down for a HAMP modification with the input data used to evaluate their application. Treasury officials also discussed certain privacy considerations with respect to the data used to create the model.

Using prepared materials, Treasury officials then provided an update on Treasury's progress in implementing the recommendations made by GAO and SIGTARP regarding the TARP. In particular, Treasury reviewed the number and nature of such recommendations that Treasury has implemented, is in the process of implementing, or that Treasury did not plan on implementing because Treasury did not believe the recommendation would further the purposes of the TARP or advance the interests of taxpayers.

Members and officials then engaged in a roundtable discussion regarding the current state of the housing markets and the effect of the programs established under TARP in providing support to the housing market and assistance to at-risk mortgage borrowers. As part of this discussion, officials from the Federal Housing Finance Agency ("FHFA") briefed members on developments in the housing and housing finance markets. The data reviewed included data related to mortgage rates and delinquencies, Federal Home Loan Bank advances, mortgage originations, as well as information on housing prices, sales, starts, and supply. During this discussion, FHFA officials also presented data related to the foreclosure prevention actions taken by the Government Sponsored Enterprises.

Members and officials then engaged in a discussion regarding the Board's quarterly report to Congress for the quarter ending December 31, 2010, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential contents of the report.

The meeting was adjourned at approximately 5:30 p.m. (EST).

[Signed Electronically]

Jason A. Gonzalez
Secretary

APPENDIX B

TARP/Financial Stability Plan Budget Table
(Status as of 01/03/11)
Figures reflected are as of COB 12/31/10

**All dollars in billions* All figures are as of COB the prior business day and are subject to adjustment(s) after final reconciliation.*	Planned Allocation	Face Value Obligations	Face Value Disbursed/ Outlays[1]
Capital Purchase Program (CPP)[2]	***204.89***	***204.89***	***204.89***
Targeted Investment Program (TIP)[3]	***40.00***	***40.00***	***40.00***
Asset Guarantee Program (Citigroup loss share agreement)[4]	***5.00***	***5.00***	***0.00***
Capital Assistance Program (CAP)[5]	***0.00***	***0.00***	***0.00***
Consumer & Business Lending Initiative (CBLI)[6, 7]	***5.48***	***5.24***	***0.67***
Legacy Securities Public-Private Investment Program (S-PPIP)[8]	***22.41***	***22.41***	***15.56***
AIG Investment	***69.84***	***69.84***	***47.54***
Automotive Industry Financing Program (AIFP)	***81.76***	***81.76***	***79.69***
Treasury Housing Programs Under TARP	***45.63***	***45.62***	***1.00***
PROGRAM TOTALS[9]:	475.00	474.76	389.36
Remainder of Available Funds ($475 billion):	*0.00*	*0.24*	*85.64*
Percentage of Available Funds ($475 billion):	*0%*	*0%*	*18%*
Actual Redemptions / Repayments [10]:	*223.21*	*223.21*	*223.21*
Principal Repaid:	*11.77*	*11.77*	*11.77*
Dividends and Other Income Received To Date:	*19.02*		
Interest and Other Income Received To Date:	*1.20*		
Proceeds from the Sale of Warrants (received as a result of Exercised Warrants) and Stock [10]:	*15.01*		
Proceeds from Additional Notes [11]:	*0.12*		

[1] Represents TARP cash that has left Treasury.

[2] No additional funding transactions exist. Monies repaid are reflected on the "Actual Redemptions/Repayments" line.

[3] No additional funding transactions exist and all $40 billion has been repaid. Treasury still holds warrants that will result in additional proceeds to the UST at the time of settlement. Monies repaid are reflected on the "Actual Redemptions/Repayments" line.

[4] Termination of the Asset Guarantee Program (AGP) Master Agreement occurred on December 23, 2009. Treasury still holds warrants that will result in additional proceeds to the UST at the time of settlement.

[5] The Capital Assistance Program (CAP) closed on November 9, 2009 with no investments having been made. Per the Federal Reserve, 18 of the 19 banks participating in the SCAP or “stress tests” were shown to have no additional need for capital or have now fulfilled their need in the private market.

[6] $5.48 billion has been reserved for the Consumer and Business Lending Initiative, of which $4.3 billion has been allocated to TALF. $400 million is planned for SBA 7(a) purchases and $780 million is planned for the Community Development Capital Initiative (CDCI). While $30 billion had been previously reserved for small business initiatives, the Treasury has eliminated this in light of the proposal to create a $30 billion Small Business Lending Fund outside of TARP through legislation.

[7] Total Face Value obligations, to date, for the Small Business Administration 7(a) includes an additional 20 percent value added to the net monies projected for each TBA trade that has yet to settle. This amount is added to compensate for the UPB and price variances in order to ensure that the obligation recorded on the trade date will cover the final obligation at settlement. Obligations for TBAs are adjusted accordingly on the settlement date.

[8] TARP funds obligated represents final commitments following the close of the investment period with the eight (8) S-PPIP fund managers effective June 30, 2010, in the amount of $22.4 billion.

[9] Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, TARP authority has been reduced to a maximum of $475 billion in troubled asset purchases.

[10] Between April 26 and December 10, 2010, Morgan Stanley & Co. Incorporated (Morgan Stanley), on behalf of Treasury, sold 7,692,307,692 shares of Treasury's holding of Citi common stock.

[11] Proceeds from Additional Notes reflect profits from additional loans repaid.