SIGTARP

Office of the Special Inspector General for the Troubled Asset Relief Program

Advancing Economic Stability Through Transparency, Coordinated Oversight and Robust Enforcement

Quarterly Report to Congress
July 21, 2010

MISSION

SIGTARP's mission is to advance economic stability by promoting the efficiency and effectiveness of TARP management, through transparency, through coordinated oversight, and through robust enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.

STATUTORY AUTHORITY

SIGTARP was established by Section 121 of the Emergency Economic Stabilization Act of 2008 ("EESA") and amended by the Special Inspector General for the Troubled Asset Relief Program Act of 2009 ("SIGTARP Act"). Under EESA and the SIGTARP Act, the Special Inspector General has the duty, among other things, to conduct, supervise and coordinate audits and investigations of any actions taken under the Troubled Asset Relief Program ("TARP") or as deemed appropriate by the Special Inspector General. In carrying out those duties, SIGTARP has the authority set forth in Section 6 of the Inspector General Act of 1978, including the power to issue subpoenas.

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EXECUTIVE SUMMARY

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It has been a remarkable quarter for the Troubled Asset Relief Program ("TARP"). An investigation conducted by the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") resulted in criminal charges — in one of the most significant criminal cases to arise from the financial crisis thus far — against the former chairman of one of the largest mortgage lenders in the country for his alleged involvement in a multi-billion dollar fraud that included an attempt to steal more than $550 million of TARP funds, a scheme that was stopped by SIGTARP with no loss to TARP. And the signs of the gradual winding down of TARP are unmistakable: seven of the 13 TARP programs are effectively closed or are closing; this quarter marked an important milestone, with more TARP money having been repaid than is currently outstanding; and pending legislation would both reduce the upper limit of TARP and prevent any new spending except on programs already initiated prior to June 25, 2010.

Notwithstanding this scaling back of TARP, an examination of the broader context demonstrates that the overall Governmental efforts to stabilize the economy have not diminished. Indeed, the current outstanding balance of overall Federal support for the nation's financial system, in actual expenditures and guarantees, including ongoing initiatives run by the Federal Reserve System ("Federal Reserve"), the Federal Deposit Insurance Corporation ("FDIC"), the Department of Treasury ("Treasury"), the U.S. Department of Housing and Urban Development ("HUD"), and other Federal agencies, has actually *increased* more than 23% over the past year, from approximately $3.0 trillion to $3.7 trillion — the equivalent of a fully deployed TARP program, largely without additional Congressional action — even as the banking crisis has, by most measures, abated from its most acute phases.[i] This increase has focused primarily on additional Government support of the still-distressed housing market and the financial institutions whose fate has been so closely tied to it throughout this crisis, with additional support of asset prices and low interest rates (predominantly via the Government's expanded role in the mortgage market through increases in HUD programs and support of Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac")) more than offsetting the decline in amounts outstanding under TARP and in the winding down of several Federal Reserve liquidity programs. Updating work from SIGTARP's July 2009 Quarterly Report, and at the request of Senator Max Baucus, Section 3 of this report provides this broader perspective and analyzes how the Government's overall financial support efforts have changed over the past year.

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[i] As explained in further detail in Section 3 of this Report, this number is not intended to indicate the total amount of risk of loss to the Government because, among other things, many of the outstanding expenditures and guarantees are collateralized and there are areas of overlap among the various federal programs described. Please see Section 3, "TARP in Context: Financial Institutions Support and Policies Outside of TARP — 2010 Update" for a complete description of the methodology for calculating this figure.

INCREMENTAL FINANCIAL SYSTEM SUPPORT, BY FEDERAL AGENCY SINCE 2007 ($ TRILLIONS)

	Balance as of 6/30/2009	Current Balance as of 6/30/2010
Federal Reserve	$1.5[a]	$1.7
FDIC	0.3	0.3
Treasury — TARP (including Federal Reserve, FDIC components)	0.6	0.3
Treasury — Non-TARP	0.3	0.5
Other: FHFA, NCUA, GNMA, FHA, VA	0.3	0.8
Total	**$3.0**	**$ 3.7**

Notes: Numbers affected by rounding. Amounts may include overlapping agency liabilities, and does not account for collateral pledged. See the "Methodology for Estimating Government Financial Commitments" discussion in Section 3: "TARP in Context: Financial Institutions Support and Public Policies Outside of TARP — 2010 Update" of this report for details on the methodology of this chart. Other agencies include: FHFA, National Credit Union Administration ("NCUA"), Government National Mortgage Association ("GNMA"), Federal Housing Administration ("FHA"), and U.S. Department of Veterans Affairs ("VA").
[a] This amount has changed from last year's report due to a change in methodology in accounting for the Federal Reserve's Maiden Lane facilities. See notes to Table 3.2 in this report for further explanation.

Over time, the shift in emphasis away from bank liquidity and toward housing support has been reflected in TARP as well, with the bank–related programs winding down and TARP funds being repaid. Many of Treasury's recent efforts have focused on the Home Affordable Modification Program ("HAMP") and related foreclosure prevention initiatives. Unfortunately, HAMP continues to struggle to achieve its original stated objective, to help millions of homeowners avoid foreclosure "by reducing monthly payments to sustainable levels." Despite a seemingly ever increasing array of HAMP-related initiatives designed to encourage participation in the program, the number of homeowners being helped through permanent modifications remains anemic, with fewer than 400,000 ongoing permanent modifications (only approximately 165,000 of which are in connection with the TARP-funded portion of HAMP), and HAMP has not put an appreciable dent in foreclosure filings. Indeed, the number of trial and permanent modifications that have been cancelled substantially exceeds the number of homeowners helped through permanent modifications. One continuing source of frustration is that Treasury has rejected calls to announce publicly any goals or performance benchmarks for HAMP or its related initiatives concerning how many homeowners it actually expects to help stay in their homes, despite repeated recommendations that it do so from SIGTARP, the Congressional Oversight Panel and the Government Accountability Office ("GAO"). Instead, Treasury clings to its prior statements that it plans to offer trial modifications to three to four million homeowners, a measure that SIGTARP has previously shown to be essentially meaningless. Treasury's refusal to provide meaningful goals for this important program is a fundamental failure of transparency and accountability that makes it far more difficult for the American people and their representatives in Congress to assess whether the program's benefits are worth its very substantial cost. The American people are essentially being asked to shoulder an additional $50 billion of national debt without being told, more than 16 months after the program's announcement, how many people Treasury hopes to actually help stay in their homes as a result of these expenditures, how many people are intended to be helped through other subprograms, and how the program is performing against those expectations and goals. Without such clearly defined standards, positive comments regarding the progress or success of HAMP are simply not credible, and the growing public suspicion that the program is an outright failure will continue to spread. Among other things, Section 2 of this report details HAMP and its related programs, and Section 5 describes the status of the numerous SIGTARP recommendations concerning HAMP that remain outstanding. Section 5 also discusses the recommendations made in two SIGTARP audits released this quarter, discussed further below, that also raised important transparency and accountability issues.

As noted above, this quarter has also definitively demonstrated that proactive law enforcement efforts can play a vital role in protecting taxpayer's interests. On June 15, 2010, SIGTARP agents, along with law enforcement partners from several other Federal agencies, executed an arrest warrant for Lee Bentley Farkas, the chairman of Taylor, Bean & Whitaker, formerly one of the largest private mortgage lending companies in the United States, in connection with a scheme involving Colonial Bancgroup ("Colonial"), a large regional bank that was, until its demise in the fall of 2009, TBW's largest lender. Through an application submitted in the fall of 2008 to TARP's Capital Purchase Program ("CPP"), Colonial had been conditionally approved for $553 million in TARP assistance, contingent upon, among other things, raising $300 million in private capital. In April 2009, Colonial announced that it had met this final condition based on Farkas' representation that he led an investment group that had raised the necessary capital. Within days of this public announcement, SIGTARP issued subpoenas to both Colonial and TBW concerning the capital raise, and, over the course of the next several months, SIGTARP and its partners uncovered massive alleged frauds at both Colonial and TBW, notwithstanding apparent attempts by members of the conspiracy to destroy documents called for by SIGTARP's subpoena. SIGTARP alerted Treasury of its investigation, and Colonial did not receive TARP funds.

Farkas was charged in the Eastern District of Virginia in a 16-count indictment, including charges related to his attempt to steal $553 million from TARP through Colonial's fraudulent CPP application. Farkas allegedly participated, with co-conspirators at Colonial and TBW, in a massive accounting fraud that resulted in an undisclosed hole in Colonial's books and records and then later caused a false filing by Colonial with the Securities and Exchange Commission ("SEC") that falsely represented that Farkas had raised the $300 million in private financing for Colonial required for Colonial's TARP funding. He was also charged in an alleged fraud scheme involving more than $1.9 billion that contributed to the failures of Colonial Bank and TBW in 2009 and that victimized numerous other public and private institutions. Farkas was also charged by the SEC in a civil complaint with violations of the antifraud, reporting, internal controls, and books and records provisions of the Federal securities laws in connection with, among other things, the false claims intended to cause Treasury to disburse $553 million in TARP funds to Colonial. The Office of the Inspector General for the Department of Housing and Urban Development ("HUD OIG") estimated that HUD losses from the scheme (including payments that had to be made based on Federal Housing Agency guarantees) may be in excess of $3 billion; the FDIC estimated that depositor insurance fund losses from Colonial's failure, to which the scheme contributed, will be approximately $2.84 billion. Because SIGTARP ensured that Treasury disbursed no TARP funds to Colonial, however, TARP suffered no loss.

PROGRAM UPDATES AND FINANCIAL OVERVIEW

TARP consists of 13 implemented programs, seven of which are already closed or are winding down. As of June 30, 2010, Treasury had expended or committed to expend approximately $498.3 billion through the 13 implemented programs to provide support for U.S. financial institutions, the automobile industry, the markets in certain types of ABS, and homeowners. Of this amount, $386.2 has actually been expended. As of June 30, 2010, 87 TARP recipients had paid back all or a portion of their principal or repurchased shares for an aggregate total of $201.5 billion of repayments and a $5.0 billion reduction in exposure to possible further liabilities, leaving $407 billion, or 58.3%, of TARP's current total (subject to the pending legislation) of $698.8 billion available for allocation.

In addition to the principal repayments, Treasury has received interest and dividend payments on its investments, as well as revenue from the sale of its warrants. As of June 30, 2010, the Government had received $15.7 billion in interest, dividends, and other income, and $7.0 billion in sales proceeds had been received from the sale of warrants and preferred stock received as a result of exercised warrants. At the same time, some TARP participants have missed dividend payments: among CPP participants, 105 have missed dividend payments to the Government, although some of them made the payments on a later date. As of June 30, 2010, there was $157.7 million in outstanding unpaid CPP dividends.

TARP IN CONTEXT: FINANCIAL INSTITUTION SUPPORT AND POLICIES OUTSIDE OF TARP – 2010 UPDATE

As noted above, Section 3 of this report updates a summary of the financial institutions assistance programs created or expanded because of the financial crisis was initially presented in SIGTARP's Quarterly Report to Congress dated July 21, 2009 (the "July 2009 Quarterly Report"). TARP was but one component of the Government's broad response to the financial crisis, and, in many instances, TARP worked in concert with other Federal initiatives — either as a direct partner or as another option for the banking sector. Section 3 attempts to place TARP in the broader context of the Government's overall response to the financial crisis. As in the July 2009 Quarterly Report, SIGTARP includes three estimates for each separate Federal Government program that was either initiated or expanded in response to the financial crisis: the program's maximum potential commitment since the onset of the crisis, its high-water mark (the maximum amount expended or guaranteed under the program at any one time), and the current outstanding balance of actual expenditure or guarantees.

OVERSIGHT ACTIVITIES OF SIGTARP

Since the April 2010 Quarterly Report, SIGTARP has actively sought to fulfill its audit and investigative functions. Over the past quarter, SIGTARP released two audit reports plus an audit letter to Treasury, and another audit report will be released almost concurrently with this Quarterly Report. A new audit project has been announced during the past quarter, and eight other previously announced audits are in process and will be released in the coming months.

- **Assessing Treasury's Process to Sell Warrants Received from TARP Recipients:** This audit report, developed in coordination with a parallel effort by the Congressional Oversight Panel, sought to determine, first, the processes and procedures Treasury has established to ensure that the Government receives fair market value for the warrants; and second, the extent to which Treasury follows a consistent and well-documented process in reaching its decision to sell warrants back to TARP recipients. Released on May 11, 2010, the audit found that Treasury generally succeeded in negotiating prices for the warrants at or above its estimated value but identified two broad areas in which Treasury's process for selling warrants directly to financial institutions is lacking in ways that impair transparency and have led to inconsistencies in the process. First, Treasury does not sufficiently document important parts of the negotiation process. Second, Treasury does not have established guidelines or internal controls over how the negotiations proceed, and in particular how much information is shared with recipient institutions about price. Without taking steps to address these issues, Treasury may open itself to criticism that, through TARP, it favors some institutions over others – picking winners and losers – irrespective of whether it had legitimate reasons to take the positions it did.

- **Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance:** Released on June 29, 2010, this audit examined the extent to which Treasury follows a clear, consistent and effective process to ensure that companies receiving exceptional TARP assistance adhere to the compliance requirements of their TARP agreements. It complemented other reports previously released as part of an ongoing joint effort between SIGTARP and GAO that touches on various aspects of the Government's involvement in companies receiving exceptional assistance. SIGTARP reviewed Treasury's efforts to ensure that recipients of exceptional TARP assistance comply with the conditions for receiving such assistance and Treasury's progress toward developing and implementing a compliance strategy. SIGTARP found that, although there was some progress, Treasury's implementation of its compliance strategy has been slow and incomplete. As the taxpayer's primary representative with respect to TARP, Treasury bears the responsibility of ensuring that each participant adheres faithfully to its obligations. To date, Treasury has not adequately carried out its responsibility in a number of key respects. First, Treasury's compliance implementation has been too slow. Second, Treasury's compliance procedures rely too heavily on the recipients themselves to abide by their various requirements in a diligent and well-judged manner. Third, Treasury's compliance staffing levels continue to be inadequate. In sum, the audit found that Treasury has not adopted the rigorous approach or developed the professional team necessary to ensure that companies receiving exceptional TARP assistance adhere to the special restrictions that were imposed to protect taxpayer interests.
- **Treasury's Compliance and Internal Controls Program for PPIP:** On July 8, 2010, SIGTARP delivered a letter to Treasury on the topic of compliance and internal controls for the Public-Private Investment Program ("PPIP"). Despite Treasury's assurance that it would adopt SIGTARP's previous compliance recommendation that it define appropriate metrics and implement an evaluation system to monitor PPIP managers' effectiveness. And that it was developing such metrics and internal controls, essentially nothing was issued in the nearly one year since. Although Treasury informed SIGTARP in February 2010 that PPIP compliance policies and procedures would be developed within six weeks, in June it indicated that it will not complete these procedures until August. Consequently, SIGTARP has not seen the guidelines. However, SIGTARP made a series of suggestions for Treasury to adopt as it designs its compliance policies and procedures, as specified in the discussion in Section 1 of this report.

Section 1 describes each of these audits in further detail, and Section 5 provides updates on the recommendations made in the audits. Section 1 also discusses continuing and recently announced SIGTARP audits.

SIGTARP's Investigations Division has developed into a sophisticated white-collar investigative agency. Through June 30, 2010, SIGTARP had 104 ongoing criminal and civil investigations. Although much of SIGTARP's investigative activity remains confidential, over the past quarter, in addition to the Colonial/TBW indictment discussed above, there have been significant public developments in several of SIGTARP's other investigations:

- **American Home Recovery**
  As part of the Department of Justice's nationwide "Operation Stolen Dreams" mortgage fraud sweep, on June 17, 2010, the U.S. Attorney for the Southern District of New York charged Jaime Cassuto, David Cassuto, and Isaak Khafizov, principals of American Home Recovery ("AHR"), a mortgage modification company located in New York City, in a complaint with one count of conspiracy to commit mail and wire fraud related to a mortgage modification scam. They were arrested by Special Agents from SIGTARP and the Federal Bureau of Investigation. According to the complaint, salespeople employed by AHR sent unsolicited letters and e-mails offering assistance in securing loan modifications to homeowners who were having difficulty making their mortgage payments. For a fee, AHR offered to renegotiate the terms of the homeowners' mortgages and obtain more favorable interest rates. AHR boasted a 98% success rate in loan modifications and promised homeowners their money back if it was unable to renegotiate their mortgages successfully. The complaint further alleges that, after collecting hundreds of thousands of dollars in fees, AHR in fact did virtually nothing for homeowners and refused to refund the fees, as promised. In June 2009, AHR transferred its hundreds of unfulfilled mortgage modification orders to another individual, indicating that he could attempt to collect additional fees from the homeowners. The complaint concludes that, in this manner, the defendants and AHR defrauded at least 240 victims. The case is pending.
- **Nations Housing Modification Center**
  On June 1, 2010, Glenn Steven Rosofsky pled guilty to a superseding information charging him with one count of conspiracy to commit wire fraud and money laundering, one count of money laundering, and one count of filing a false tax return. As reported in SIGTARP's April 2010 Quarterly Report to Congress, on March 19, 2010, Rosofsky was arrested by special agents from SIGTARP and the Internal Revenue Service, Criminal Investigations Division and charged by the U.S. Attorney's Office for the Southern District of California with one count of conspiracy to commit wire fraud and money laundering and one count of money laundering. According to the indictment, Rosofsky

and others operated a telemarketing firm ostensibly to assist delinquent homeowners with loan modification services. Operating under the names "Nations Housing Modification Center" and "Federal Housing Modification Department" they took criminal advantage of the publicity surrounding the Administration's mortgage modification efforts under the TARP-related Making Home Affordable program using fraudulent statements to induce customers to pay $2,500-3,000 each to purchase loan modification services. For example, the indictment alleges that they mailed solicitation letters in envelopes that deceptively bore a Capitol Hill return address (in fact merely a post office box) and that were designed to mimic official Federal correspondence. It is alleged in court documents that the fraud grossed more than $1 million. Rosofsky's sentencing is scheduled for September 20, 2010.

- **Omni National Bank**
  Omni National Bank ("Omni") was a national bank headquartered in Atlanta. It failed and was taken over by the FDIC on March 27, 2009. Prior to its failure, Omni applied for, but did not receive, TARP funding. As part of a mortgage fraud task force involving several Federal agencies, SIGTARP participated in several investigations concerning Omni that led to criminal charges. SIGTARP's involvement, including an examination into whether the various frauds had an impact on Omni's CPP application, is ongoing. As a result of the Omni investigation, Mark Anthony McBride pled guilty to mortgage fraud on April 4, 2010, and was sentenced to 16 years in Federal prison. On June 24, 2010, Christopher Loving pled guilty to making false statements to SIGTARP Special Agents about his knowledge of kickbacks to bank officials. This marks the first time that a defendant has been charged and convicted of making false statements to SIGTARP. These results follow up on three previous convictions related to Omni National Bank.

Section 1: "The Office of the Special Inspector General for the Troubled Asset Relief Program" of this report describes each of these investigations in further detail.

SIGTARP RECOMMENDATIONS ON THE OPERATION OF TARP

One of SIGTARP's oversight responsibilities is to provide recommendations to Treasury so that TARP programs can be designed or modified to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. Section 5 provides updates on existing recommendations and summarizes implementation measures for previous recommendations.

This quarter, Section 5 features discussion about Treasury's transparency measures and process controls as they relate to two matters: the Government's repurchases of warrants it received from TARP recipients and its responsibility to monitor compliance with TARP requirements by companies receiving exceptional assistance under TARP. On the topic of warrants sales, SIGTARP reviews both its original recommendations and Treasury's subsequent response. Although Treasury has indicated that it will adopt SIGTARP's recommendation that its Warrants Committee meeting minutes capture more detail, it has not committed to detailed documentation of the substance of all communications with recipients concerning warrant repurchases, or to developing and following guidelines and internal controls concerning how negotiations will be pursued. SIGTARP's recommendations on Treasury's monitoring of exceptional assistance recipients' compliance with TARP requirements also highlight the importance of internal controls. Although Treasury has not responded in full, it has indicated that it will reject SIGTARP's recommendations that it swiftly take steps to verify independently these companies' compliance with the conditions contained in their agreements with Treasury and that it at least establish firm guidelines so that the companies do not have such broad discretion in deciding whether to report a violation or not.

Additionally, Section 5 examines key points of Treasury's response to SIGTARP's recommendations regarding HAMP. SIGTARP reiterates the need for meaningful benchmarks to judge HAMP's effectiveness, particularly in light of the major public expenditure it represents. SIGTARP also examines Treasury's unsatisfactory arguments for its current policy of leaving the availability to borrowers of the recently announced Principal Reduction Alternative ("PRA") to servicers' discretion and its equally unconvincing explanation regarding its policies regarding the length of the minimum term for HAMP's unemployment forbearance program. Finally, SIGTARP reemphasizes the need for a rigorous appraisal process in HAMP, particularly for those aspects of the program most vulnerable to valuation fraud.

REPORT ORGANIZATION

The report is organized as follows:

- Section 1 discusses the activities of SIGTARP.
- Section 2 details how Treasury has spent TARP funds thus far and contains an explanation or update of each program, both implemented and announced.
- Section 3 provides an update of July 2009's overview of financial institution support and policies outside of TARP.
- Section 4 describes the operations and administration of the Office of Financial Stability, the office within Treasury that manages TARP.
- Section 5 discusses SIGTARP's recommendations to Treasury with respect to the operation of TARP.

The report also includes numerous appendices containing, among other things, figures and tables detailing all TARP investments through June 30, 2010.

The goal is to make this report a ready reference on what TARP is and how it has been used to date. In the interest of making this report as understandable as possible, and thereby furthering general transparency of the program itself, certain technical terms are highlighted in the text and defined in the adjacent margin. In addition, a portion of Section 3 is devoted to a tutorial explaining the effect of low interest rates on bank profitability.

SECTION 1

THE OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

SIGTARP CREATION AND STATUTORY AUTHORITY

The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") was created by Section 121 of the Emergency Economic Stabilization Act of 2008 ("EESA"). Under EESA, SIGTARP has the responsibility, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets under the Troubled Asset Relief Program ("TARP") and, with certain limitations, any other action taken under EESA. SIGTARP is required to report quarterly to Congress to describe SIGTARP's activities and to provide certain information about TARP over that preceding quarter. EESA gives SIGTARP the authorities listed in Section 6 of the Inspector General Act of 1978, including the power to obtain documents and other information from Federal agencies and to subpoena reports, documents, and other information from persons or entities outside the Government.

The Special Inspector General, Neil M. Barofsky, was confirmed by the Senate on December 8, 2008, and sworn into office on December 15, 2008.

SIGTARP OVERSIGHT ACTIVITIES SINCE THE APRIL 2010 QUARTERLY REPORT

SIGTARP has continued to fulfill its oversight role on multiple parallel tracks: investigating allegations of fraud, waste, and abuse in TARP programs; auditing various aspects of TARP and TARP-related programs and activities; coordinating closely with other oversight bodies; and striving to promote transparency in TARP programs.

SIGTARP's Investigations Activity

SIGTARP's Investigations Division has developed into a sophisticated white-collar investigative agency. Through June 30, 2010, SIGTARP had 104 ongoing criminal and civil investigations. These investigations concern suspected TARP fraud, accounting fraud, securities fraud, insider trading, bank fraud, mortgage fraud, mortgage-servicer misconduct, fraudulent advance-fee schemes, public corruption, false statements, obstruction of justice, trade secrets theft, money laundering, and tax-related investigations. Although the majority of SIGTARP's investigative activity remains confidential, over the past quarter there have been significant public developments in several of SIGTARP's investigations.

Colonial Bancgroup/Taylor, Bean & Whitaker

On June 15, 2010, SIGTARP agents, along with their law enforcement partners from the Federal Bureau of Investigation ("FBI"), the Office of the Inspector General of the Federal Deposit Insurance Corporation ("FDIC OIG"), the Office of the Inspector General of the Department of Housing and Urban Development

("HUD OIG"), and the Internal Revenue Service Criminal Investigations Division ("IRS-CI"), executed an arrest warrant for Lee Bentley Farkas, the chairman of Taylor, Bean & Whitaker ("TBW"), formerly one of the largest private mortgage lending companies in the United States, in connection with a scheme involving Colonial Bancgroup ("Colonial"), a large regional bank that was, until its demise in the fall of 2009, TBW's largest lender.

In the fall of 2008, Colonial applied for $570 million in taxpayer funding through TARP's Capital Purchase Program ("CPP"). As with all CPP applications, Colonial submitted financial data and filings to Federal bank regulators. Based on these representations, the Treasury Department ("Treasury") conditionally approved Colonial for $553 million in TARP funds, contingent upon, among other things, Colonial raising $300 million in private capital. A review of the circumstances of Colonial's application and its announcement that it had received TARP approval led SIGTARP to open an investigation in concert with the Securities and Exchange Commission ("SEC"). In April 2009, in a filing with the SEC, Colonial announced that it had met its final condition to receive TARP funding based on Farkas' representation that he led an investment group that had raised $300 million to invest in Colonial.

Within days of this public announcement, SIGTARP issued subpoenas to both Colonial and TBW, and, over the course of the next several months, SIGTARP and its partners uncovered massive alleged frauds at both Colonial and TBW, despite apparent attempts by members of the conspiracy to destroy documents called for by SIGTARP's subpoena. SIGTARP alerted Treasury of its investigation to ensure that no TARP funds would be disbursed to Colonial and referred the case to the Department of Justice ("DOJ") for prosecution. In August 2009, DOJ secured a search warrant for the offices of TBW and Colonial in Florida that was executed by SIGTARP, FBI, FDIC OIG, and HUD OIG, and supported by the Financial Crimes Enforcement Network. Ultimately, Colonial did not receive any TARP funds.

Farkas was charged in the Eastern District of Virginia in a 16-count indictment that included charges of conspiracy to commit bank, wire, and securities fraud; and substantive bank fraud, wire fraud, and securities fraud. Among other things, Farkas was charged for his role in attempting to steal $553 million from TARP through Colonial's fraudulent CPP application, as part of his alleged participation in a massive accounting fraud that resulted in an undisclosed hole in Colonial's books and records, and for later causing a false filing by Colonial with the SEC that falsely represented that Farkas had raised $300 million in private financing for Colonial, a requirement for Colonial to obtain TARP funding. He was also charged in an alleged fraud scheme involving more than $1.9 billion that contributed to the failures of Colonial Bank and TBW in 2009 and that victimized numerous other public and private institutions. On the same day, Farkas was charged by the SEC in a civil complaint with violations of the antifraud, reporting, internal controls, and books and records provisions of the Federal securities laws in connection with, among other things, the allegedly false claims that nearly led Treasury to disburse $553 million in TARP funds to Colonial.

Specifically, as alleged in the indictment, Farkas and his co-conspirators (including Colonial executives) caused Colonial to purchase from TBW more than $400 million in what amounted to fake mortgage loan assets, including loans that TBW had already sold to other investors, and fake interests in pools of loans. Farkas and his co-conspirators allegedly caused Colonial Bank to hold these purported assets on its books at face value when in fact the mortgage loan assets were often worthless. According to court documents, Farkas and his co-conspirators at TBW also misappropriated hundreds of millions of dollars from Ocala Funding, LLC ("Ocala Funding"), a TBW-related entity controlled by Farkas. Ocala Funding sold asset-backed commercial paper to financial institution investors and was required to maintain collateral in the form of cash and/or mortgage loans that were at least equal to the value of the outstanding commercial paper. Farkas and his co-conspirators allegedly diverted cash from Ocala Funding to TBW to cover TBW's operating losses, and, as a result, created significant deficits in the amount of collateral Ocala Funding possessed to back the outstanding commercial paper. To cover up the diversions, the conspirators allegedly sent false information to Ocala Funding's investors, misleading them into believing that they had sufficient collateral backing their commercial paper. According to court documents, by in or about August 2009, when TBW failed, two of these investors held approximately $1.68 billion in Ocala Funding commercial paper that, in reality, was only collateralized by approximately $150 million in cash and mortgage loans. These investor banks were unable to redeem their commercial paper for full value.

HUD IG estimated that HUD losses from the scheme — from payments that had to be made based on FHA guarantees — may be in excess of $3 billion; the FDIC estimated that depositor insurance fund losses from Colonial's failure, to which the scheme contributed, will be approximately $2.8 billion. Fortunately, because SIGTARP ensured that Treasury disbursed no TARP funds to Colonial, TARP suffered no loss.

Farkas's trial is scheduled to commence on November 1, 2010. The investigation is ongoing.

Nations Housing Modification Center

On June 1, 2010, Glenn Steven Rosofsky pled guilty to a superseding information charging him with one count of conspiracy to commit wire fraud and money laundering, one count of money laundering, and one count of filing a false tax return. As reported in SIGTARP's Quarterly Report to Congress, dated April 10, 2010 (the "April 2010 Quarterly Report"), on March 19, 2010, Rosofsky was arrested by special agents from SIGTARP and IRS-CI and charged by the U.S. Attorney's Office for the Southern District of California with one count of conspiracy to commit wire fraud and money laundering, and one count of money laundering. According to the indictment against him, Rosofsky and others operated a telemarketing firm, ostensibly to assist delinquent homeowners with loan modification services. Operating under the names "Nations Housing Modification Center" and "Federal Housing Modification Department," they took criminal advantage of the publicity surrounding the Administration's mortgage modification efforts under the TARP-related Making Home Affordable program, using fraudulent statements to induce customers to pay $2,500–$3,000 each to purchase loan modification services that were never delivered. For example, the indictment alleges that they mailed solicitation letters in envelopes that deceptively bore a Capitol Hill return address (in fact merely a post office box) and that were designed to mimic official Federal correspondence. It is alleged in court documents that the fraud grossed more than $1 million.

Rosofsky's sentencing is scheduled for September 20, 2010.

American Home Recovery

As part of DOJ's nationwide "Operation Stolen Dreams" mortgage fraud sweep, on June 17, 2010, the U.S. Attorney for the Southern District of New York charged three people — Jaime Cassuto, David Cassuto, and Isaak Khafizov, principals of American Home Recovery ("AHR"), a mortgage modification company located in New York City — in a complaint with one count of conspiracy to commit mail and wire fraud related to a mortgage modification scam. They were arrested by Special Agents from SIGTARP and the FBI.

According to the complaint, salespeople employed by AHR sent unsolicited letters and emails offering assistance in securing loan modifications to homeowners who were having difficulty making their mortgage payments. For a fee, AHR offered to renegotiate the terms of the homeowners' mortgages and obtain more favorable interest rates. AHR boasted a 98% success rate in loan modifications and promised homeowners their money back if it was unable to renegotiate their mortgages successfully. The complaint further alleges that, after collecting hundreds of thousands of dollars in fees, AHR in fact did virtually nothing for homeowners and refused to refund the fees, as promised. In June 2009, AHR allegedly transferred its hundreds of unfulfilled mortgage modification orders to another individual, indicating that he could attempt to collect additional fees from the homeowners. The complaint charges that, in this manner, the defendants and AHR defrauded at least 240 victims. The case is pending.

Omni National Bank

Omni National Bank ("Omni") was a national bank headquartered in Atlanta with branch offices in Birmingham, Alabama; Tampa, Florida; Fayetteville, North Carolina; Houston and Dallas, Texas; Chicago, Illinois; and Philadelphia, Pennsylvania. Omni failed and was taken over by the FDIC on March 27, 2009. Prior to its failure, Omni applied for, but did not receive, TARP funding under CPP. SIGTARP participated in several investigations concerning Omni that led to criminal charges as part of a mortgage fraud task force that includes SIGTARP, the U.S. Attorney's Office for the Northern District of Georgia, FDIC OIG, HUD OIG, the U.S. Postal Inspection Service ("USPIS"), and the FBI. SIGTARP's involvement, including an examination into whether the various frauds had an impact on Omni's CPP application, is ongoing.

As a result of the Omni investigation, Mark Anthony McBride pled guilty to mortgage fraud on April 4, 2010, and was sentenced to 16 years in Federal prison. On June 24, 2010, Christopher Loving pled guilty to making false statements to SIGTARP Special Agents about his knowledge of kickbacks to bank officials. This marks the first time that a defendant has been charged with making false statements to SIGTARP. These results follow up on three previous convictions related to Omni National Bank. In March, Brent Merriell pled guilty in Federal District Court to charges of making false statements to the FDIC and six counts of aggravated identity theft in connection with a scheme to prompt Omni to forgive $2.2 million in loans. In January, Jeffrey Levine, Omni's former executive vice president, pled guilty to charges of causing material overvaluations of bank assets in the books, reports, and statements that were later presented as part of Omni's TARP application. In December 2009, Delroy Davy pled guilty to bank fraud and conspiracy charges. Sentencing for Merriell, Davy, and Levine is scheduled for August 2010.

Rescue Fraud Working Group of the President's Financial Fraud Enforcement Task Force

As previously reported, President Obama established the Financial Fraud Enforcement Task Force ("FFETF"), which is designed "to investigate and prosecute significant financial crimes and other violations relating to the current financial crisis and economic recovery efforts, recover the proceeds of such crimes and violations, and ensure just and effective punishment of those who perpetrate financial crimes and violations." A component of FFETF is the Rescue Fraud Working Group, which SIGTARP co-chairs with Treasury and DOJ's Criminal Division. On June 24, 2010, Special Inspector General Barofsky briefed the FFETF on the Rescue Fraud Working Group's activities.

SIGTARP Hotline

One of SIGTARP's primary investigative priorities is to operate the SIGTARP Hotline and thus provide a simple, accessible way for the American public to report concerns, allegations, information, and evidence of violations of criminal and civil laws in connection with TARP. From its inception in February 2009 through

June 30, 2010, the SIGTARP Hotline received and analyzed more than 14,000 contacts. These contacts run the gamut from expressions of concern over the economy to serious allegations of fraud involving TARP, and a substantial number of SIGTARP's investigations were generated in connection with Hotline tips. The SIGTARP Hotline can receive information anonymously. SIGTARP honors all applicable whistleblower protections and will provide confidentiality to the fullest extent possible. SIGTARP urges anyone aware of waste, fraud or abuse involving TARP programs or funds, whether it involves the Federal Government, state and local entities, private firms or individuals, to contact its representatives at 877-SIG-2009 or www.sigtarp.gov.

SIGTARP Audit Activity

SIGTARP has initiated a total of 22 audits since its inception. Over the past quarter, SIGTARP released two audit reports, issued one audit letter to Treasury containing suggestions about designing a compliance protocol for the Public-Private Investment Program ("PPIP"), and announced a new audit project. Eight other previously announced audits are in process, and SIGTARP anticipates releasing reports on those audits in the coming months.

Assessing Treasury's Process to Sell Warrants Received from TARP Recipients

On May 11, 2010, SIGTARP released its audit report, "Assessing Treasury's Process to Sell Warrants Received from TARP Recipients." Most banks participating in TARP issued warrants providing Treasury, for publicly traded banks, the right to purchase the banks' common stock at a predetermined price. These warrants have an economic value and may be sold before expiration to add to the return Treasury realizes on its TARP investments.

Once a publicly traded bank pays back its TARP investment, Treasury undertakes a process for the sale of the bank's warrants, either directly back to the bank through negotiation or to third parties through an auction. If a bank decides to repurchase its warrants, Treasury assesses the bank's bid for the warrants to determine whether it reflects fair market value. Treasury conducts this assessment by arriving at an internal estimated value for the warrants that references market quotes, financial modeling valuations, and third-party estimates. Treasury's Warrant Committee recommends whether to accept the offer, and the Assistant Secretary for Financial Stability makes the final decision. If a price cannot be negotiated, or if the bank elects to forgo the process of buying the warrants directly, the warrants are auctioned publicly.

Conducted in response to requests from Senator Jack Reed and Representative Maurice Hinchey, this audit, which was done in coordination with a parallel effort by the Congressional Oversight Panel, sought to determine, first, the processes and procedures Treasury has established to ensure that the Government receives fair market value for the warrants; and second, the extent to which Treasury follows a consistent and well-documented process in reaching its decision to sell warrants back to TARP recipients. The audit found that Treasury generally succeeded in negotiating prices for the warrants at or above its estimated value: of the 33 public company warrant repurchases analyzed, 20 of the final negotiated prices were at or above Treasury's estimated value, and nine of the final negotiated prices were just below the estimated value.

The audit, however, identified two broad areas in which Treasury's process for selling warrants directly to financial institutions is lacking in ways that impair transparency and have led to inconsistencies in the process. The first is that Treasury does not sufficiently document important parts of the negotiation process: the substantive reasons for Warrant Committee decisions are not reflected in its meeting minutes, and negotiations between Treasury and recipient institutions are not documented. This lack of documentation makes it impossible to test whether Treasury is fairly and consistently making decisions that could mean a difference of tens of millions of dollars for taxpayers.

Second, Treasury does not have established guidelines or internal controls over how the negotiations proceed and, in particular, as to how much information is shared with recipient institutions about the price Treasury will likely accept for the warrants. Descriptions provided to SIGTARP by several of the banks that engaged in negotiations with Treasury confirmed that Treasury was willing to provide detailed information about its estimates to certain banks but was unwilling to share similar details with others. Moreover, although Treasury indicated that it generally would not provide an indication of its valuation until the institution's bid was close and the Assistant Secretary stated that Treasury generally engaged in a strategy not to provide specific valuation numbers because it would give away key negotiating leverage, the cases examined in detail in the audit simply do not bear this out. Indeed, the amount of information provided, the circumstances of when information would be provided, and the results of the negotiation varied widely.

Without taking steps to address these issues, Treasury may open itself to criticism that, through TARP, it favors some institutions over others — picking winners and losers — irrespective of whether it had legitimate reasons to take the negotiating positions that it did. SIGTARP acknowledges that every case is different and that Treasury needs to have some flexibility to address each particular situation. However, without some objective guidelines and internal controls to ensure those guidelines are followed, Treasury may find it difficult to defend itself convincingly against charges of arbitrariness or favoritism. In light of these conclusions, SIGTARP made the following recommendations, which are discussed in more detail in Section 5: "SIGTARP Recommendations" in this report:

- Treasury should ensure that more detail is captured by the Warrant Committee meeting minutes. At a minimum, the minutes should include the members' qualitative considerations regarding the reasons bids were accepted or rejected within fair market value ranges.
- Treasury should document, in detail, the substance of all communications with recipients concerning warrant repurchases.
- Treasury should develop and follow guidelines and internal controls concerning how negotiations will be pursued, including the degree and nature of information to be shared with repurchasing institutions concerning Treasury's valuation of the warrants.

Treasury's response to these recommendations, dated June 11, 2010, is discussed in detail in Section 5 and is reproduced in full in Appendix G: "Correspondence."

Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance

Conducted as part of a broader audit project examining corporate governance issues, as requested by Senate Finance Committee Chairman Max Baucus, this audit, released on June 29, 2010, examined the extent to which Treasury follows a clear, consistent, and effective process to ensure that companies receiving exceptional TARP assistance adhere to the requirements of their TARP agreements, including those regarding internal controls and compliance reporting, executive compensation, expense policies, and lobbying. The audit complemented other reports previously released as part of an ongoing joint effort by SIGTARP and the Government Accountability Office ("GAO") that touches on various aspects of the Government's involvement in companies receiving exceptional assistance.

Pursuant to prior SIGTARP recommendations, Treasury required each company receiving exceptional TARP assistance (including American International Group, Inc. ("AIG"); Citigroup Inc.; Bank of America Corp.; General Motors Co. ("GM"); GMAC Inc.; and Chrysler Holding LLC ("Chrysler") to establish internal controls to ensure compliance with key TARP requirements and to provide Treasury with certifications verifying compliance on a quarterly basis. In this audit, SIGTARP reviewed Treasury's efforts to ensure that these companies comply with the conditions for receiving such assistance and Treasury's progress toward developing and implementing a compliance strategy. SIGTARP found that, although there was some progress, Treasury's implementation of its compliance strategy has been slow and incomplete. As the taxpayer's primary representative with respect to TARP, Treasury bears the responsibility of ensuring that each participant adheres faithfully to its obligations. To date, Treasury has not adequately carried out this responsibility in a number of key respects.

First, Treasury's compliance implementation has been too slow, requiring from 6 to 14 months after the companies' obligations commenced to even request the companies' compliance frameworks, and 7 to 15 months to meet initially with the companies' compliance officials. Treasury has only begun its review of three of the six companies' audit documentation and does not expect to complete this final step for the remaining three firms until well over a year after their entry into TARP. In the context of companies that might not have survived absent TARP's infusion of tens of billions of taxpayer dollars, the risks (both financial and to the credibility of the Government's stabilization efforts) posed by such companies' non-compliance with these important conditions are too great to countenance such delays.

Second, Treasury's compliance procedures rely too heavily on the recipients themselves. To date, decisions on whether a violation is serious enough to report have effectively been left to the companies, and thus Treasury has relied upon TARP participants (and sometimes upon the same managers who presided over a company as it reached the brink of failure) to abide by their various requirements in a diligent and well-judged manner. Treasury has not provided basic guidance on materiality standards for compliance breaches, for example, and has no plans to conduct its own audits or otherwise test these companies' compliance independently. Under these circumstances, only one extraordinary assistance recipient (AIG) has reported violations to Treasury, and, even then, AIG's reporting was made months after the events in question and included an unconvincing explanation of one of the violations (regarding the chief executive officer's personal use of the corporate jet) in its report.

Third, Treasury's compliance staffing levels continue to be inadequate. Although the compliance unit of Treasury's Office of Financial Stability ("OFS") has added staff over time, a shortage of qualified compliance personnel persists. Indeed, Treasury officials stated they would like to add 15 compliance staff members but have been unable to do so. Twenty months into its administration of TARP, Treasury simply has no legitimate excuses as to why it has failed to accomplish the critically important task of assembling a robust compliance staff.

In sum, Treasury has not adopted the rigorous approach or developed the professional team necessary to ensure that companies receiving exceptional TARP assistance adhere to the special restrictions that were imposed to protect taxpayer interests. In light of these conclusions, SIGTARP made the following recommendations, which are discussed in more detail in Section 5: "SIGTARP Recommendations" in this report:

- First, Treasury should promptly take steps to verify TARP participants' conformance to their obligations, not only by ensuring that they have adequate compliance procedures but also by independently testing participants' compliance.
- Second, Treasury should develop guidelines that apply consistently across

TARP participants for when a violation is sufficiently material to merit reporting, or, in the alternative, require that all violations be reported.

- Third, SIGTARP reiterates its previous recommendation concerning the need to add enough infrastructure and staff at OFS-Compliance to ensure TARP recipients' adherence to their compliance obligations.

While Treasury deferred responding in detail to the recommendations for 30 days, it informed SIGTARP that it strongly disagreed with the first 2 recommendations and only partially agreed with the third.

Both SIGTARP and GAO have ongoing work that will provide additional insights into the role the Government has played in these companies, and SIGTARP anticipates announcing additional audit work in the coming months building on the joint GAO/SIGTARP effort represented by these reports.

Treasury's Compliance and Internal Controls Program for PPIP

On July 8, 2010, SIGTARP delivered a letter to Treasury on the topic of compliance and internal controls for PPIP. In it, SIGTARP reviewed its previous PPIP compliance recommendation from its Quarterly Report to Congress dated July 21, 2009 (the "July 2009 Quarterly Report"), that Treasury define appropriate metrics and implement an evaluation system to monitor PPIP managers' effectiveness, both to ensure that they are fulfilling the terms of their agreements and to measure their performance. The July 2009 Quarterly Report further noted that, without standardized policies and procedures, including written guidance as to how Treasury would evaluate and test the compliance with program rules of each Public-Private Investment Fund ("PPIF") manager, it is unclear how Treasury can consistently and properly identify and act on any potential risk to the program. The report went on to caution that expecting PPIF managers to design adequate policies without detailed guidance would not be appropriate in light of the risk of conflicts of interest inherent in PPIP's design.

Despite Treasury's assurance that it would adopt this recommendation and was developing such metrics and internal controls, essentially nothing was issued in the nearly one year since. Although Treasury informed SIGTARP in February 2010 that PPIP compliance policies and procedures would be developed within six weeks, in June it indicated that it will not complete these procedures until August. Consequently, SIGTARP has not seen the guidelines. However, SIGTARP suggested that, as Treasury designs its compliance policies and procedures, Treasury should take the following steps:

- promulgate guidelines to evaluate and test for conflicts of interest among PPIF managers

- develop plans to review PPIF managers' conformance to other key provisions of the governing documentation, such as the recordkeeping and trade and fee restrictions
- develop a framework addressing how Treasury will detect and report potential fraud or other possible securities law violations, including clear guidance on how to test for them, how to address any that are found, and who is responsible for supervision of this process

In addition, SIGTARP suggested that Treasury follow up on its evaluation of each PPIF manager's internal controls during the initial selection process with an operational review, perhaps assisted by The Bank of New York Mellon as the PPIFs' third-party administrator, custodian, and valuation agent, in order to analyze and determine each PPIF manager's adherence to its own internal control requirements and those of the governing documentation. These reviews would supplement PPIF managers' self-certification, which SIGTARP considers an important but not sufficient part of a robust compliance framework. Treasury should focus on the following areas:

- Compliance Program: reviewing the PPIF managers' policies and procedures for effectiveness
- Portfolio Management: evaluating how the PPIF managers select securities and conduct their risk management
- Valuation: assessing the reasonableness and accuracy of the valuation process
- Reporting: evaluating whether monthly reporting is accurate and meets requirements
- Conflicts: assessing potential misappropriation of Government funds, insider trading, and other conflicts of interest
- Asset Verification: verifying the existence of securities by reviewing settlement of trades and how the PPIF managers account for errors
- Monitoring: implementing systems for real-time trade monitoring, or, at the least, a review of each weekly trade data report submitted to Treasury by PPIF managers

A copy of SIGTARP's letter to Treasury is included in Appendix G: "Correspondence."

Audits Underway

SIGTARP has ongoing audits on eight previously announced topics and expects to issue those audit reports in the coming months.

Automobile Dealership Closures

This audit, undertaken at the request of Senate Commerce Committee Chairman Jay Rockefeller and House Appropriations Committee Chairman David Obey, examines the process used by GM and Chrysler to identify the more than 2,000 automobile dealerships that were slated for termination in connection with the automakers' bankruptcies. Its objectives are to determine whether GM and Chrysler developed and followed a fair, consistent, and reasonable documented approach; to understand the role of the Federal Government in these decisions; and to review to what extent the terminations will lead to cost savings or other benefits to GM and Chrysler. SIGTARP expects to publish the audit at approximately the same time as this Quarterly Report.

Status of the Federal Government's Asset Guarantee Program with Citigroup

This review, requested by Representative Alan Grayson, addresses a series of questions about the Government's guarantee of certain Citigroup assets through the Asset Guarantee Program such as: (i) the basis on which the decision was made to provide asset guarantees to Citigroup and the process for selecting the loans and securities to be guaranteed; (ii) the characteristics of the assets deemed acceptable for inclusion in the program and how those assets differed from other Citigroup assets; (iii) whether adequate risk management controls were in place to mitigate the risks to the taxpayer; and (iv) what safeguards existed to protect taxpayer interests and what the losses were on the portfolio.

CPP Applications Receiving Conditional Approval

This audit examines those CPP applications that received preliminary approval from Treasury's Investment Committee conditioned upon the institutions meeting certain requirements before funds were disbursed. One example, as discussed earlier, was Colonial, which received CPP approval conditioned on Colonial raising \$300 million in private capital. The audit assesses the basis for the decision to grant such conditional approvals and the bank regulators' role in such decisions; whether and how timeframes were established for meeting such conditions; and whether internal controls were in place to ensure that the conditions were met before funds were disbursed.

Selection of Asset Managers for the Legacy Securities Program

This audit examines the process Treasury followed to select fund managers to raise private capital for joint investment programs with Treasury through PPIP. It examines the criteria used by Treasury to select PPIF managers and minority partners, and the extent to which Treasury consistently applied established criteria when selecting fund managers and small, veteran- , minority- , and women-owned businesses.

Term Asset-Backed Securities Loan Facility ("TALF") Collateral Monitors' Valuation

This audit examines the Federal Reserve's valuation determinations used to issue loans under TALF. It assesses how the Federal Reserve made valuation determinations, including the role of the collateral monitors, when making decisions regarding the eligibility of the collateral and the appropriateness of the requested loan amounts.

Office of the Special Master Decisions on Executive Compensation

This audit examines the Office of the Special Master for TARP Executive Compensation's ("Special Master") decisions on executive compensation at firms receiving exceptional TARP assistance. This audit assesses the criteria used by the Special Master to evaluate executive compensation and whether the criteria were applied consistently.

CPP Exit Strategy

This audit examines the process that Treasury and the Federal banking regulators established for banks to repay Treasury and exit CPP.

Application of the HAMP Net Present Value ("NPV") Test

This audit, conducted in response to a request from Senator Jeff Merkley and eight other Senators, assesses the following issues:

- whether participating loan servicers are correctly applying the NPV test under the program
- the extent to which Treasury ensures that servicers are appropriately applying the NPV test per Home Affordabe Modification Program guidelines when assessing borrowers for program eligibility
- the procedures servicers follow to communicate to borrowers the reasons for NPV test failure, as well as to identify the full range of loss mitigation options available to such borrowers

New Audit Underway

Over the past quarter, SIGTARP announced one new audit on which work has begun:

OFS Contracting for Professional Services

Undertaken at the request of Senator Tom Coburn, this audit will examine the processes Treasury uses to procure professional services in support of its management of TARP, specifically those to ensure that contract prices are fair and reasonable and that vendors' invoices accurately reflect the work performed.

Communications with Congress

One of the primary functions of SIGTARP is to ensure that members of Congress are kept adequately and promptly informed of developments in TARP initiatives and of SIGTARP's oversight activities. To fulfill that role, Special Inspector General Barofsky and his staff regularly meet with and brief members of Congress and their staff. The following meetings took place in the second quarter of 2010:

- On April 16 and 19, 2010, SIGTARP Chief of Staff Christy Romero presented open briefings for Senate and House staff, respectively. The focus was SIGTARP's April 2010 Quarterly Report.
- On April 20, 2010, Special Inspector General Barofsky testified at a hearing before the Senate Finance Committee. The title of the hearing was "The President's Proposed Fee on Financial Institutions Regarding TARP: Part 1." Special Inspector General Barofsky's testimony included an overview of SIGTARP's April 2010 Quarterly Report, which was released at the hearing, as well as a discussion of a potential fee that may be imposed on certain TARP recipients.
- On April 22, 2010, Special Inspector General Barofsky testified before the House Appropriations Committee during a hearing entitled "Financial Crisis and TARP." Special Inspector General Barofsky's testimony included a discussion of SIGTARP's fiscal year 2011 budget request, which is discussed more fully later in this section.
- On April 29, 2010, Deputy Special Inspector General Kevin Puvalowski testified at a hearing before the Senate Financial Services and General Government Subcommittee. The hearing title was "Holding Banks Accountable: Are Treasury and Banks Doing Enough to Help Families Save Their Homes?" Deputy Special Inspector General Puvalowski's testimony covered recent developments in the Making Home Affordable program and SIGTARP's fiscal year 2011 budget request.
- On May 11, 2010, Deputy Special Inspector General Puvalowski testified before the Oversight and Investigations Subcommittee of the House Financial Services Committee, during a hearing entitled "TARP Oversight: An Update on Warrant Repurchases and Benefits to Taxpayers." Deputy Special Inspector General Puvalowski's testimony covered the findings and recommendations in SIGTARP's audit concerning Treasury's process to sell warrants it received from TARP recipients, which was discussed more fully above in this section.

On or about May 7, 2010, Treasury submitted to Congress a legislative proposal to create a Small Business Loan Fund ("SBLF"). Under its proposal, Treasury would attempt to stimulate lending to small businesses by providing up to $30 billion of preferred share investments in banks with total assets of $10 billion or less. On May 17, 2010, SIGTARP wrote to its Congressional oversight committees to express concerns regarding SBLF oversight and stress the importance that SIGTARP maintain oversight of the SBLF program. Among other things, SIGTARP's letter points out that, although SBLF is designed to be a separate program from TARP, its basic framework is very similar to CPP, as both involve Treasury making capital investments in the form of preferred shares; the maximum investment under SBLF would be, like CPP, a percentage of a bank's risk-weighted assets; and the initial dividend rate is or would be the same under each program. Furthermore, the SBLF application and approval process would be similar to CPP's and involve the same primary regulators, and it is anticipated that the overwhelming majority of CPP recipients will convert their CPP preferred shares to SBLF preferred shares. Because SIGTARP has developed considerable experience and expertise in its oversight of CPP, particularly in reporting, monitoring, deterring, and investigating fraud, SIGTARP urged Congress to assign SBLF oversight responsibilities to SIGTARP. As detailed above, SIGTARP's expertise in policing the similarly constructed CPP was instrumental in saving the taxpayers more than $550 million in the Colonial/TBW investigation. A copy of one of the identical letters SIGTARP sent to Congress is found in Appendix G: "Correspondence."

Copies of the written testimony, hearing transcripts, and a variety of other materials associated with Congressional hearings since SIGTARP's inception are posted at www.sigtarp.gov/reports.

THE SIGTARP ORGANIZATION

From the day that Special Inspector General Barofsky was confirmed by the Senate, SIGTARP has worked to build its organization through various complementary strategies, including hiring experienced senior executives who can play multiple roles during the early stages of the organization, leveraging the resources of other agencies, and, where appropriate and cost-effective, obtaining services through SIGTARP's authority to contract. Since the January 2010 Quarterly Report, SIGTARP has continued to make substantial progress in building its operation.

Hiring

Each of SIGTARP's divisions continues the process of filling out its ranks. As of June 30, 2010, SIGTARP had 128 full-time personnel, including one detailee from the FBI and one from the SEC.

SIGTARP's employees hail from many Federal agencies, including DOJ, FBI, IRS-CI, Air Force Office of Special Investigations, GAO, Department of Transportation, Department of Energy, the SEC, U.S. Secret Service, U.S. Postal

Service, U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, Treasury-Office of the Inspector General, Department of Energy-Office of the Inspector General, Department of Transportation-Office of the Inspector General, Department of Homeland Security-Office of the Inspector General, FDIC OIG, Office of the Special Inspector General for Iraq Reconstruction, and HUD OIG.

SIGTARP employees also hail from various private-sector businesses and law firms. Hiring is ongoing, building to SIGTARP's goal of approximately 160 full-time employees. The SIGTARP organizational chart, as of June 30, 2010, is included in Appendix H: "Organizational Chart."

Budget

SIGTARP was established pursuant to Section 121 of EESA. SIGTARP commenced operations on December 15, 2008, with the swearing in of the Special Inspector General. Section 121(j) of EESA provided SIGTARP with $50 million in initial operating funds. In the late spring of 2009, SIGTARP determined that its initial operating funds would be expended during the second quarter of fiscal year 2010 and that additional resources would be needed to fully fund operations. Accordingly, on June 3, 2009, SIGTARP submitted to Treasury — which forwarded to the Office of Management and Budget ("OMB") — a request for an amendment of Treasury's 2010 budget request in the amount of $23.3 million. The Consolidated Appropriations Act for 2010, Public Law 111-117, at Division C, Title 1, provided SIGTARP with the requested $23.3 million.

On February 1, 2010, the Administration submitted to Congress Treasury's fiscal year 2011 budget request, which includes SIGTARP's full request for $49.6 million.

Physical and Technical SIGTARP Infrastructure

SIGTARP occupies office space at 1801 L Street, NW, in Washington, D.C., the same office building in which most Treasury officials managing TARP are located. SIGTARP has begun to occupy a portion of its permanent quarters in that building while the renovation process is completed in the remainder. Primarily to facilitate investigative activities in those cities, SIGTARP has also opened branch offices specializing in investigations in New York City, Los Angeles, and San Francisco and is in the process of opening another satellite office in Atlanta.

SIGTARP has a website, www.SIGTARP.gov, on which it posts all of its reports, testimony, audits, contracts, and more. Since its inception, SIGTARP's website has had more than 47 million web "hits," and there have been more than 2.7 million downloads of SIGTARP's quarterly reports, which are available on the site.[1]

The website prominently features SIGTARP's Hotline, which can also be accessed by phone at 877-SIG-2009 (877-744-2009).

SECTION 2

TARP OVERVIEW

This section summarizes the activities of the U.S. Department of the Treasury ("Treasury") in its management of the Troubled Asset Relief Program ("TARP"). This section also reviews TARP's overall finances, provides updates on established TARP component programs, and gives the status of TARP executive compensation restrictions.

TARP FUNDS UPDATE

The Emergency Economic Stabilization Act of 2008 ("EESA"), was signed into law on October 3, 2008, and appropriated $700 billion to "restore liquidity and stability to the financial system of the United States." On December 9, 2008, the Treasury Secretary exercised the powers granted to him under Section 120(b) of EESA and extended TARP through October 3, 2010. In the certification, the Treasury Secretary asserted that the extension would, "among other things, enable [Treasury] to continue to implement programs that address housing markets and the needs of small businesses, and to maintain the capacity to respond to unforeseen threats," thereby assisting American families and stabilizing financial markets.[2]

In August 2009, as part of the mid-session review of the Federal budget, the Office of Management and Budget ("OMB") estimated that TARP would ultimately cost the American taxpayer $341 billion.[3] During the past 11 months, the estimated ultimate cost of TARP has been adjusted downward several times. As of February 1, 2010, OMB estimated that TARP would cost $116.8 billion. Most recently, in a May 2010 report to Congress, Treasury revised its estimated cost of TARP to $105.4 billion.[4] The losses are expected to be concentrated in the programs intended to assist American International Group, Inc. ("AIG"), the automotive industry, and struggling homeowners.[5] These figures are listed in Table 2.1.

TABLE 2.1

COST/GAIN OF TARP PROGRAMS ($ BILLIONS)

Program Name	CBO Estimate	OMB Estimate[a]	Treasury Estimate
Systemically Significant Failing Institutions	$36	$50	$45
Automotive Industry Financing Program	34	31	25
Home Affordable Modification Program	22	49	49
Remaining TARP Funds	23	3	—
Cumulative Other	(6)	(6)	(14)
Total	**$109**	**$127**	**$105**

Notes: Numbers affected by rounding.
[a] Includes administrative costs and interest effects of $9.9 billion.

Sources: CBO Estimate and OMB Estimate: Congressional Budget Office, "Report on the Troubled Asset Relief Program—March 2010," March 2010, www.cbo.gov/ftpdocs/112xx/doc11227/03-17-TARP.pdf, accessed 6/24/2010. Treasury Estimate: Treasury, "Summary Tables of Troubled Asset Relief Program (TARP) Investments as of March 31, 2010," no date, www.financialstability.gov/docs/TARP%20Cost%20Estimates%20-%20March%2031%202010.pdf, accessed 6/24/2010; Office of Management and Budget, "Budget of the U.S. Government – Fiscal Year 2011," 2/1/2010, www.whitehouse.gov/omb/budget/fy2011/assets/budget.pdf, accessed 7/10/2010.

At the time of the drafting of this report, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Bill") is pending. One part of the Bill, with the stated purpose of paying costs associated with the implementation of this legislation, proposes to amend the timing and amount of the Secretary's authority to purchase and guarantee assets under TARP.

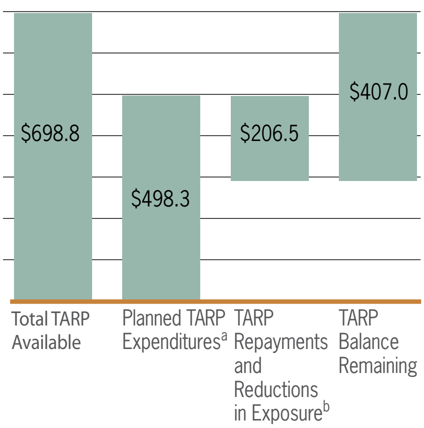
Section 1302 of the "Pay it Back Act," which is included as part of the Bill, would amend Section 115(a)(3) of EESA to reduce to $475 billion the upper limit of the Secretary's authority to purchase and guarantee assets under TARP. The section further provides that Treasury may not reinvest TARP funds that are paid back and that "[n]o authority under [EESA] may be used to incur any obligation for a program or initiative that was not initiated prior to June 25, 2010."

Although Section 1302 would reduce the upper limit of the day-to-day value of the Secretary's actions under TARP and preclude him from obligating new funds for programs and initiatives that were not initiated by June 25, existing investments and commitments made under TARP's existing programs may continue, as long as the overall cost does not exceed $475 billion. According to Treasury, under this formulation, TARP funds that have already been committed but not expended for a TARP program (such as the unspent amounts outstanding in the Home Affordable Modification Program) may be expended into the future as before and new commitments on any initiated programs (such as the announced Community Development Capital Initiative) can be made, up to the new overall $475 billion limit, until the expiration of Treasury's ability to expend TARP funds on October 3, 2010.

FIGURE 2.1

CUMULATIVE PLANNED TARP EXPENDITURES, REPAYMENTS, AND REDUCTIONS IN EXPOSURE AS OF 6/30/2010

$ BILLIONS



Notes: Numbers affected by rounding. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).

[a] Treasury experienced a $2.3 billion loss on some investments under the Capital Purchase Program ("CPP"). The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30.0 billion in TARP funds allocated to the program.

[b] Repayments include $146.9 billion for CPP, $40.0 billion for the Targeted Investment Program, $14.3 billion for auto programs, and a $5.0 billion reduction in exposure under the Asset Guarantee Program.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

FINANCIAL OVERVIEW OF TARP

As of June 30, 2010, Treasury planned to allocate $536.6 billion of its currently applicable $698.8 billion TARP maximum to buy troubled assets as authorized by Congress under EESA.[6] Of this amount, Treasury has announced planned TARP expenditures of approximately $498.3 billion (of which $386.2 billion was disbursed) through 13 implemented programs to support U.S. financial institutions, companies, and individual mortgage borrowers.[7]

As of June 30, 2010, 87 TARP recipients had repaid all or a portion of their principal or repurchased shares, for a total of $201.5 billion returned to Treasury and a $5 billion reduction in Government exposure, leaving $407 billion, or 58.3%, available for distribution, subject to the pending legislation.[8] Figure 2.1 provides a snapshot of the cumulative expenditures, repayments, and exposure reductions as of June 30, 2010.

Treasury has also collected interest and dividends on its investments, as well as revenue from the sale of its warrants, all of which goes toward deficit reduction and cannot be re-issued by Treasury.[9] As of June 30, 2010, the Government had received $15.7 billion in interest, dividends, and other income and $7.0 billion in proceeds from the sale of warrants and stock received as a result of exercised warrants.[10]

As of June 30, 2010, $179.7 billion of the $386.2 billion actually disbursed and $291.7 billion of the $498.3 billion planned TARP expenditures were outstanding (*i.e.*, had not been repaid or repurchased).[11]

Most outstanding TARP funds are in the form of equity ownership in troubled, or previously troubled, companies. Treasury (and therefore the taxpayer) remains a shareholder in companies that have not paid back the Government. Treasury's equity ownership is largely in two forms — common and preferred stock; it also has received debt in the form of senior subordinated debentures.

TARP consists of 13 implemented programs, 7 of which are already closed or winding down:

- the Capital Purchase Program ("CPP")
- the Capital Assistance Program ("CAP")
- the Targeted Investment Program ("TIP")
- the Asset Guarantee Program ("AGP")
- the Term Asset-Backed Securities Loan Facility ("TALF")
- the Auto Supplier Support Program ("ASSP")
- the Auto Warranty Commitment Program ("AWCP")

The programs fall into four categories, depending on the type of assistance offered:

- **Homeowner Support Programs** — These programs are intended to help homeowners having trouble paying their mortgages by subsidizing loan modifications, loan servicer costs, and potential equity declines, and providing for incentives for foreclosure alternatives.
- **Financial Institution Support Programs** — These programs share a common, stated goal of stabilizing financial markets and improving the economy.
- **Asset Support Programs** — These programs attempt to support asset values and liquidity in the market by providing funding to certain holders or purchasers of assets.
- **Automotive Industry Support Programs** — These programs were intended to stabilize the American automotive industry and promote market stability.

Warrant: Right, but not an obligation, to purchase a certain number of shares of common stock at a fixed price. Because warrants rise in value as the company's share price rises, Treasury (and the taxpayer) can benefit from a firm's potential recovery.

Common Stock: Equity ownership entitling an individual to share in corporate earnings and voting rights.

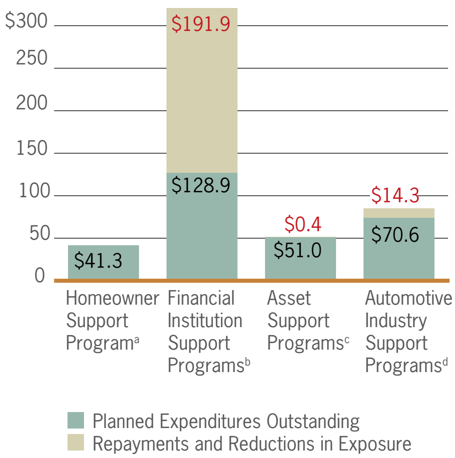
Preferred Stock: Equity ownership that usually pays a fixed dividend prior to distributions for common stock owners but only after payments due to holders of debt and depositors. It typically confers no voting rights. Preferred stock also has priority over common stock in the distribution of assets when a bankrupt company is liquidated.

Senior Subordinated Debenture: Debt instrument ranking below senior debt but above equity with regard to investors' claims on company assets or earnings. Senior debt holders are paid in full before subordinated debt holders are paid. There may be additional distinctions of priority among subordinated debt holders.

FIGURE 2.2

PLANNED TARP EXPENDITURES OUTSTANDING, REPAYMENTS, AND REDUCTIONS IN EXPOSURE BY SUPPORT CATEGORY, AS OF 6/30/2010

$ BILLIONS



Notes: Numbers affected by rounding. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program, and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).

[a] Includes MHA.

[b] Includes CPP, CDCI, SSFI, TIP, and AGP. Repayments include $146.9 billion for CPP, $40 billion for TIP, and a $5 billion reduction in exposure under AGP.

[c] Includes TALF, PPIP, and UCSB. The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30 billion in TARP funds allocated to the program.

[d] Includes AIFP, ASSP, and AWCP. Repayments include $10.1 billion for AIFP, $642 million for AWCP, and all loans under ASSP.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

Figure 2.2 provides a breakdown showing how TARP funding is distributed among the four program categories.

Homeowner Support Programs

TARP's homeowner support programs strive to help homeowners and financial institutions holding troubled housing-related assets.

- **Making Home Affordable ("MHA") Program** — According to Treasury, this foreclosure mitigation effort should "help bring relief to responsible homeowners struggling to make their mortgage payments while preventing neighborhoods and communities from suffering the negative spillover effects of foreclosure, such as lower housing prices, increased crime, and higher taxes."[12] MHA has many components, including several funded through TARP: the Home Affordable Modification Program ("HAMP"), Home Affordable Foreclosure Alternatives ("HAFA") program, and the Second Lien Modification Program ("2MP"). HAMP in turn encompasses various initiatives in addition to the modification of first-lien mortgages, including: Home Price Decline Protection ("HPDP"), Treasury Federal Housing Administration ("FHA") HAMP, the Home Affordable Unemployment Program ("UP"), and the Principal Reduction Alternative ("PRA"). HAMP helps homeowners with mortgage modifications and foreclosure-prevention efforts. Treasury has allocated up to $50 billion of TARP money for this $75 billion program.[13] As of June 30, 2010, HAMP had committed $39.8 billion in TARP money and disbursed $247.5 million in incentives for HAFA and payments related to permanent modifications offered by servicers (164,628 of which remain active).[14] In addition, 224,570 modifications have been provided by the Government-sponsored enterprises ("GSEs") using non-TARP funds. See the "Making Home Affordable" discussion in this section for more detailed information.
- **Housing Finance Agency ("HFA") Innovation Fund for the Hardest-Hit Housing Markets ("Hardest Hit Program")** — This program will utilize $2.1 billion of TARP funds to create innovative measures to help families in the states identified by Treasury as being hit the hardest by the aftermath of the housing crisis.[15] As of June 30, 2010, Treasury had allocated $1.5 billion in TARP funds for approved programs submitted by the HFAs from California, Arizona, Nevada, Michigan, and Florida. Treasury announced it will allocate an additional $600 million of TARP funds for programs designed by the HFAs of North Carolina, Ohio, Oregon, Rhode Island, and South Carolina. See the "Making Home Affordable" discussion in this section for more detailed information.
- **Treasury FHA Refinance** — This program will utilize up to $14 billion of TARP funds to provide incentives for FHA refinancing of existing underwater

first-lien mortgage loans as well as incentives to extinguish second lien loans and a portion of loss coverage on the newly originated FHA first lien loan. See the "Making Home Affordable" discussion in this section for more detailed information.

Financial Institution Support Programs

Treasury primarily invests capital directly into the financial institutions it aids. Financial institutions, for TARP purposes, include banks, bank holding companies, and, if deemed critical to the financial system, some systemically significant institutions.

- **Capital Purchase Program ("CPP")** — Under CPP, Treasury directly purchased preferred stock or subordinated debentures directly in qualifying financial institutions ("QFIs"). CPP was intended to provide funds to "stabilize and strengthen the U.S. financial system by increasing the capital base of an array of healthy, viable institutions, enabling them [to] lend to consumers and business[es]."[16] Treasury invested $204.9 billion in 707 institutions through CPP; $146.9 billion had been repaid as of June 30, 2010.[17] CPP closed December 29, 2009, and Treasury will make no further disbursements under the program. Treasury continues to manage its portfolio of CPP investments, including, for certain struggling institutions, converting its preferred equity ownership into common stock, often at a discount to par value (which may result in a loss) in an attempt to preserve some value that might otherwise be lost if these institutions were to fail. See the "Capital Purchase Program" discussion in this section for more detailed information.
- **Community Development Capital Initiative ("CDCI")** — Under CDCI, Treasury will use TARP money to buy preferred stock or subordinated debt in Community Development Financial Institutions ("CDFIs"). Treasury created CDCI to "improve access to credit for small businesses."[18] Treasury received 93 applications for the program, but as of June 30, 2010, no CDCI investments have been made.[19]
- **Small Business Lending Fund ("SBLF")** — On June 17, 2010, the House of Representatives passed the Small Business Lending Fund Act which, if enacted into law, would create a new program outside of TARP to stimulate small-business lending.[20] Under SBLF, Treasury would invest capital in eligible institutions in return for preferred shares or debt in a manner similar to CPP and CDCI. Under the legislation, the Secretary of the Treasury would be required to issue regulations and other guidance "to permit eligible institutions to refinance securities issued to Treasury under the CDCI and the CPP for securities to be issued under the Program."[21] See the "Small Business Lending Fund" discussion in this section for more detailed information.

Systemically Significant: Term referring to any financial institution whose failure would impose significant losses on creditors and counterparties, call into question the financial strength of similar institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth (also commonly used to describe institutions "too big to fail").

Community Development Financial Institutions ("CDFIs"): Financial institutions eligible for Treasury funding to serve a targeted demographic under the CDFI Fund. CDFIs were created in 1994 by the Riegle Community Development and Regulatory Improvement Act.

Senior Preferred Stock: Shares that give the stockholder priority dividend and liquidation claims over junior preferred and common stockholders.

Illiquid Assets: Assets that cannot be quickly converted to cash.

Trust Preferred Securities: Securities that have both equity and debt characteristics, created by establishing a trust and issuing debt to it.

- **Systemically Significant Failing Institutions ("SSFI") Program/AIG Investment Program** — The SSFI program allowed Treasury to invest in systemically significant institutions to prevent them from failing.[22] Through June 30, 2010, only one firm had received SSFI assistance: AIG. There were two TARP-AIG transactions: on November 25, 2008, Treasury bought $40 billion of AIG's preferred stock, the proceeds of which were used to repay a portion of AIG's debt to the Federal Reserve; and, on April 17, 2009, Treasury committed approximately $29.8 billion to an equity capital facility on which AIG can draw, as needed.[23] As of June 30, 2010, AIG had drawn down $7.5 billion of the facility and had not repaid any TARP funds, leading to total outstanding TARP assistance of $47.5 billion.[24] In addition, to date, AIG has elected not to pay $5.5 billion in scheduled dividends. See the "Systemically Significant Failing Institutions" portion of this section for a detailed discussion of the AIG transactions.
- **Targeted Investment Program ("TIP")** — Through TIP, Treasury invested in financial institutions it deemed critical to the financial system.[25] There were two expenditures under this program, totaling $40 billion — the purchase of $20 billion each of senior preferred stock in Citigroup, Inc. ("Citigroup") and Bank of America Corporation ("Bank of America").[26] Treasury also accepted common stock warrants from each, as required by EESA. Because both banks fully repaid Treasury for their respective TIP investments, TIP is effectively closed. Treasury auctioned its Bank of America warrants on March 3, 2010, but still holds its Citigroup warrants. See the "Targeted Investment Program and Asset Guarantee Program" portion of this section for more information on these two transactions.
- **Asset Guarantee Program ("AGP")** — AGP was designed to provide insurance-like protection on a select pool of mortgage-related or similar assets held by participants whose portfolios of distressed or illiquid assets threatened market confidence.[27] Treasury, the Federal Deposit Insurance Corporation ("FDIC"), and the Federal Reserve offered certain loss protections with respect to $301 billion in troubled Citigroup assets.[28] Treasury received $4 billion and the FDIC $3 billion of preferred stock that was converted to trust preferred securities on a dollar-for-dollar basis.[29] On December 23, 2009, in connection with Citigroup's TIP repayment, the bank and the Government terminated the AGP agreement. According to Treasury, under the agreement, "Treasury's guarantee commitment was terminated. Furthermore, Treasury agreed to cancel $1.8 billion of the trust preferred securities issued by Citigroup reducing the premium from $4.0 billion to $2.2 billion in exchange for early termination of the guarantee. Additionally, the FDIC and Treasury agreed that the FDIC may transfer $800 million of trust preferred securities to Treasury at the close of Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program."[30] See the "Targeted Investment Program and Asset Guarantee Program" discussion in this section for more information on this program.

Asset Support Programs

The stated purpose of these programs is to support the liquidity and market value of assets owned by financial institutions. These assets may include various classes of asset-backed securities ("ABS") and several types of loans. Treasury's asset support programs seek to bolster the balance sheets of financial firms and help free capital so that these firms can extend more credit to support the economy.

- **Term Asset-Backed Securities Loan Facility** ("TALF") — TALF was originally designed to increase credit availability for consumers and small businesses through a TARP-backed Federal Reserve loan program. TALF provided investors non-recourse loans secured by certain types of ABS, including credit card receivables, auto loans, equipment loans, student loans, floor plan loans, insurance-premium finance loans, loans guaranteed by the Small Business Administration ("SBA"), residential mortgage servicing advances, and commercial mortgage-backed securities ("CMBS"). Treasury committed $20 billion of TARP funds to support this program by providing loss protection to the loans extended by the Federal Reserve Bank of New York ("FRBNY").[31] TALF is now closed for new loans and held its final subscription on June 18, 2010. FRBNY facilitated 13 TALF subscriptions of non-mortgage-related ABS over the life of the program totaling approximately $59 billion, with $33 billion of TALF borrowings outstanding.[32] FRBNY had also conducted 13 CMBS subscriptions totaling $12.1 billion, with $9.5 billion in loans outstanding.[33] An overview of TALF, later in this section, provides more information on these activities.
- **Public-Private Investment Program** ("PPIP") — PPIP's goal was to thaw frozen credit markets by purchasing legacy assets, *e.g.*, CMBS and residential mortgage-backed securities ("RMBS").[34] Under the program, Public-Private Investment Funds ("PPIFs") buy real estate-related legacy assets. The PPIFs were operated by nine fund managers, eight of which remain, which have closed on a total of $22.1 billion in debt and equity financing from TARP.[35] See the "Public-Private Investment Program" discussion later in this section for details about the program structure and fund-manager terms.
- **Unlocking Credit for Small Businesses ("UCSB")/Small Business Administration Loan Support Initiative** — In March 2009, Treasury officials said they would buy up to $15 billion in securities backed by SBA loans under UCSB.[36] On March 2, 2010, Treasury entered into an agreement with Coastal Securities Inc. ("Coastal") which is, to date, the sole pool assembler in the UCSB program. Under the agreement, Earnest Partners, on behalf of Treasury, can anonymously purchase SBA pool certificates from Coastal.[37] Treasury reduced its commitment under this program to $1 billion in TARP funding,

Asset Backed Securities ("ABS"): Bonds backed by a portfolio of non-mortgage consumer or corporate loans, *e.g.*, credit card, auto, or small-business loans. Financial companies typically issue ABS backed by existing loans in order to fund new loans for their customers.

Commercial Mortgage-Backed Securities ("CMBS"): Bond backed by one or more mortgages on commercial real estate (*e.g.*, office buildings, rental apartments, hotels) rather than by residential real estate loans.

Legacy Assets: Commonly called troubled or toxic assets, these are real estate-related loans and securities issued before the financial crisis that remain on financial institutions' balance sheets. Legacy assets lost significant value at the onset of the crisis and were difficult to price because of market disruption.

Residential Mortgage-Backed Securities ("RMBS"): Bonds backed by a pool of mortgages for residential real estate (*e.g.*, home mortgages for residences occupied by up to four families) rather than by commercial real estate loans.

SBA Pool Certificate: Ownership interest in a bond backed by SBA-guaranteed loans.

and made purchases of $179.1 million in securities through June 30, 2010, including $157.7 million in the most recent quarter. See the discussion of "Unlocking Credit for Small Businesses/Small Business Administration Loan Support" in this section for more information on the program.

Automotive Industry Financing Program ("AIFP")

TARP's automotive industry support aims to "prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States."[38]

Treasury made emergency loans to Chrysler Holding LLC ("Chrysler"), Chrysler Financial Services Americas LLC ("Chrysler Financial"), and General Motors Corporation ("GM"). Additionally, Treasury bought senior preferred stock from GMAC Inc. ("GMAC") and assisted Chrysler and GM during their bankruptcy restructurings. As of June 30, 2010, $84.8 billion in AIFP investments were committed, $10.1 billion of which was repaid, and an additional $2.3 billion in dividends or interest were received on these investments.[38] With respect to GM, in return for a total of $49.5 billion in loans, Treasury received $6.7 billion in debt in New GM (which was subsequently repaid) in addition to $2.1 billion in preferred stock and a 61% common equity stake (an amount that could be diluted should GM's bondholders or the Voluntary Employee Beneficiary Association exercise warrants they received).[39] With respect to Chrysler, in return for a total of $12.5 billion in loans, Treasury received $7.1 billion in debt in New Chrysler and a 9.9% equity stake (an amount that could be diluted should certain performance metrics be reached).[39] With respect to GMAC, in return for a total of $17.2 billion in loans, Treasury received a 56.3% common equity stake, $2.5 billion in trust-preferred securities and $11.4 billion in mandatorily convertible preferred shares.[40] Treasury provided a $1.5 billion loan to Chrysler Financial, which was repaid in full with interest.[41] See "Automotive Industry Financing Program" later in this section for a detailed discussion of these companies. AIFP also included two subprograms:

- **Auto Supplier Support Program ("ASSP")** — This program was intended to provide "[auto] suppliers with the confidence they need to continue shipping their parts and the support they need to help access loans to pay their employees and continue their operations."[42] The original allocation of $5.0 billion was reduced to $3.5 billion — $1.0 billion for Chrysler and $2.5 billion for GM.[43] After emerging from bankruptcy, the automakers assumed the debts associated with ASSP.[44] By June 30, 2010, ASSP recipients had repaid all funds disbursed under the program along with $116 million in interest and fees. ASSP terminated on April 5, 2010, for GM and April 7, 2010, for Chrysler.[45] See "Auto Supplier Support Program" in this section for more information.

- **Auto Warranty Commitment Program ("AWCP")** — This program was designed to bolster consumer confidence by guaranteeing Chrysler and GM vehicle warranties during the companies' restructuring through bankruptcy. It ended in July 2009 after Chrysler fully repaid its AWCP loan with interest and GM repaid just the principal.[46]

For more information on AWCP, see SIGTARP's Quarterly Report to Congress dated October 21, 2009, page 91.

The following figures and tables provide a status summary on TARP and TARP-related initiatives:

- total potential funds subject to SIGTARP oversight as of June 30, 2010 (Table 2.2)
- planned programmatic expenditures as of June 30, 2010 (Table 2.3)
- planned programmatic cumulative expenditures (Figure 2.3)
- planned expenditures outstanding, repayments, and reductions in exposure, by program, as of June 30, 2010 (Figure 2.4)
- summary of TARP terms and agreements (Table 2.4 and Table 2.5)
- summary of largest warrant positions held by Treasury, by program, as of June 30, 2010 (Table 2.6)
- summary of dividends, interest payments, and fees received, by program, as of June 30, 2010 (Table 2.7)

For a reporting of all purchases, obligations, expenditures, and revenues of TARP, see Appendix C: "Reporting Requirements."

TABLE 2.2

TOTAL POTENTIAL FUNDS SUBJECT TO SIGTARP OVERSIGHT, AS OF 6/30/2010 ($ BILLIONS)

Program	Brief Description or Participant	Total Potential Funding ($)	Potential TARP Funding ($)
Capital Purchase Program ("CPP") CLOSED	Investments in 707 banks to date; received $146.9 billion in capital repayments	$204.9 ($146.9)	$204.9 ($146.9)
Automotive Industry Financing Program ("AIFP")	GM, Chrysler, GMAC, Chrysler Financial; received $10.1 billion in loan repayments	80.7 (10.1)	80.7 (10.1)
Auto Suppliers Support Program ("ASSP") CLOSED	Government-backed protection for auto parts suppliers; received full repayment of all loans	3.5[a] (3.5)	3.5[a] (3.5)
Auto Warranty Commitment Program ("AWCP") CLOSED	Government-backed protection for warranties of cars sold during the GM and Chrysler bankruptcy restructuring periods	0.6 (0.6)	0.6 (0.6)
Unlocking Credit for Small Businesses ("UCSB")	Purchase of securities backed by SBA loans	1.0	1.0
Systemically Significant Failing Institutions ("SSFI")/ AIG Investment Program	AIG Investment	69.8[b]	69.8[b]
Targeted Investment Program ("TIP") CLOSED	Citigroup, Bank of America Investments	40.0 (40.0)	40.0 (40.0)
Asset Guarantee Program ("AGP") CLOSED	Citigroup, ring-fence asset guarantee	301.0 (301.0)	5.0 (5.0)
Term Asset-Backed Securities Loan Facility ("TALF") CLOSED	FRBNY non-recourse loans for purchase of asset-backed securities	71.1 (28.6)	20.0
Making Home Affordable ("MHA") Program	Modification of mortgage loans	75.0[c]	50.0
Community Development Capital Initiative ("CDCI")	Investments in Community Development Financial Institutions ("CDFI")	1.0	1.0
Public-Private Investment Program ("PPIP")	Disposition of legacy assets; Legacy Securities Program	40.0[d] (0.4)	30.4[d] (0.4)
Small Business Lending Fund	Investments in small community banks – potentially TARP funding	30.0[e]	30.0[e]
New Programs, or Funds Remaining for Existing Programs	Capacity to respond if financial conditions worsen and threaten economy.	368.4	368.4
Total[f]		**$755.9**	**$698.8**

Notes: Numbers affected by rounding.
[a] Treasury's original commitment under this program was $5.0 billion, which was subsequently reduced to $3.5 billion effective 7/1/2009.
[b] Actual TARP expenditures as of 6/30/2010.
[c] $25 billion is to be paid for by the GSEs.
[d] The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30 billion in TARP funds allocated to the program.
[e] Small Business Lending Fund legislation is pending. As of 6/30/2010, Treasury is still carrying this amount as part of its TARP budget.
[f] According to Treasury, TARP expenditures are not expected to exceed $537.1 billion.

Sources: Treasury, Office of Financial Stability, Chief of Compliance and CFO, SIGTARP interview, 3/30/2009; Treasury, *Transactions Report*, 6/30/2010, http://financialstability.gov/docs/transaction-reports/7-1-10%20Transactions%20Report%20as%20of%206-30-10.pdf; Treasury, response to SIGTARP data call, 7/7/10; Treasury, "Auto Supplier Support Program: Stabilizing the Auto Industry in a Time of Crisis," 3/19/2009, http://www.treas.gov/press/releases/docs/supplier_support_program_3_18.pdf, accessed 3/19/2009; Treasury, "Treasury, Federal Reserve, and FDIC Provide Assistance to Bank of America," 1/16/2009, http://www.treas.gov/press/releases/hp1356.htm, accessed 1/16/2009; Treasury Press Release, "U.S. Government Finalizes Terms of Citi Guarantee Announced in November," 1/16/2009, http://www.financialstability.gov/latest/hp1358.html, accessed 6/8/2009; Treasury, "Financial Stability Plan Fact Sheet," 2/10/2009, http://www.financialstability.gov/docs/fact-sheet.pdf, accessed 6/8/2009; Treasury, "Making Home Affordable: Updated Detailed Program Description," 3/4/2009, http://www.treas.gov/press/releases/reports/housing_fact_sheet.pdf, accessed 6/10/2009; Treasury, "Public-Private Investment Program," 4/6/2009, http://www.financialstability.gov/roadtostability/publicprivatefund.html, accessed 6/9/2009.

TABLE 2.3

EXPENDITURE LEVELS BY PROGRAM, AS OF 6/30/2010 ($ BILLIONS)

	Amount	Percent (%)
Authorized Under EESA	$700.0	
Released Immediately	$250.0	35.8%
Released Under Presidential Certificate of Need	100.0	14.3
Released Under Presidential Certificate of Need & Resolution to Disapprove Failed	350.0	50.1
Helping Families Save Their Homes Act of 2009	(1.2)	-0.2%
Total Released	**$698.8**	**100.0%**

Less: Expenditures by Treasury under TARP[a]	Planned Expenditure	Planned Expenditure as Percent of Released	Repaid/ Reduced Exposure	Outstanding Commitments	Section Reference
Capital Purchase Program ("CPP"):					
Investments	$204.9	29.3%			"Financial Institution Support Programs"
Repayments					
CPP Total Gross	**$204.9**	**29.3%**	**($146.9)**	**$58.0**	
Community Development Capital Initiative ("CDCI"):	$1.0				"Financial Institution Support Programs"
CDCI Total	**$1.0**	**0.1%**	**—**	**$1.0**	
Systemically Significant Failing Institutions ("SSFI") Program: American International Group, Inc. ("AIG")	$69.8	10.0%			"Financial Institution Support Programs"
SSFI Total	**$69.8**	**10.0%**	**—**	**$69.8**	
Targeted Investment Program ("TIP"):					
Bank of America Corporation	$20.0	2.9%			"Financial Institution Support Programs"
Citigroup, Inc.	20.0	2.9			
Repayments					
TIP Total	**$40.0**	**5.7%**	**($40.0)**	**—**	
Asset Guarantee Program ("AGP"):					
Citigroup, Inc.[b]	$5.0	0.7%			"Financial Institution Support Programs"
Repayments					
AGP Total	**$5.0**	**0.7%**	**($5.0)**	**—**	
Term Asset-Backed Securities Loan Facility ("TALF"):					"Asset Support Programs"
TALF LLC	$20.0	2.9%			
TALF Total	**$20.0**	**2.9%**	**—**	**$20.0**	
Unlocking Credit for Small Businesses ("UCSB"):	$1.0	0.1%			"Asset Support Programs"
UCSB Total	**$1.0**	**0.1%**	**—**	**$1.0**	

Continued on next page.

EXPENDITURE LEVELS BY PROGRAM, AS OF 6/30/2010 ($ BILLIONS) (CONTINUED)

Less: Expenditures by Treasury under TARP[a]	Planned Expenditure	Planned Expenditure as Percent of Released	Repaid/ Reduced Exposure	Outstanding Commitments	Section Reference
Automotive Industry Financing Program ("AIFP"):					
General Motors Corporation ("GM")	$49.5	7.1%			"Automotive Industry Support Programs"
General Motors Acceptance Co. LLC ("GMAC")	17.2	2.5			
Chrysler Holding LLC	12.5	1.8			
Chrysler Financial Services Americas LLC[c]	1.5	0.2			
Repayments					
AIFP Total	**$80.7**	**11.6%**	**($10.1)**	**$70.6**	
Automotive Supplier Support Program ("ASSP"):					
GM Suppliers Receivables LLC[d]	$2.5	0.4%			"Automotive Industry Support Programs"
Chrysler Holding LLC[d]	1.0	0.1			
Repayments					
ASSP Total	**$3.5**	**0.5%**	**($3.5)**	**$0.0**	
Automotive Warranty Commitment Program ("AWCP"):					
General Motors Co. ("GM")	$0.4	0.1%			"Automotive Industry Support Programs"
Chrysler Holding LLC	0.3	0.0			
Repayments					
AWCP Total	**$0.6**	**0.1%**	**($0.6)**	**—**	
Legacy Securities Public-Private Investment Program ("PPIP")					
Invesco Legacy Securities Master Fund, L.P.	$3.7	0.5%			"Asset Support Programs"
Wellington Management Legacy Securities PPIF Master Fund, LP	3.8	0.5			
AllianceBernstein Legacy Securities Master Fund, L.P.	3.7	0.5			
Blackrock PPIF, L.P.	3.7	0.5			
AG GECC PPIF Master Fund, L.P.	3.8	0.5			
RLJ Western Asset Public/Private Master Fund, L.P.	3.7	0.5			
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	3.7	0.5			
Oaktree PPIP Fund, L.P.	3.7	0.5			
Repayments					
PPIP Total[e]	**$30.4**	**4.3%**	**($0.4)**	**$30.0**	

Continued on next page.

EXPENDITURE LEVELS BY PROGRAM, AS OF 6/30/2010 ($ BILLIONS) (CONTINUED)

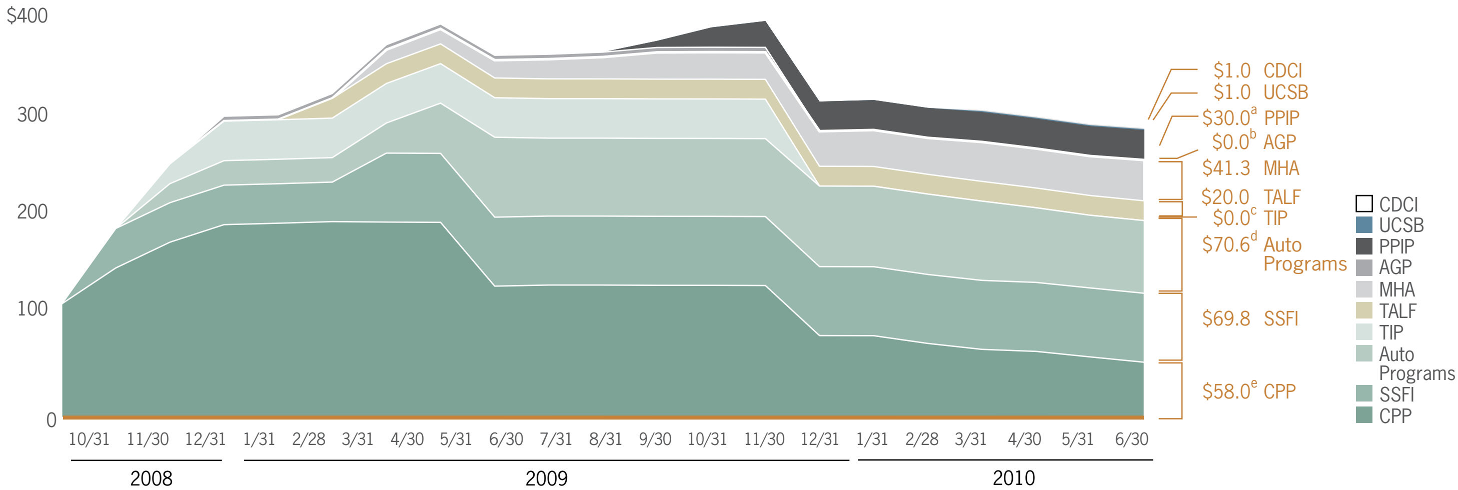
Less: Expenditures by Treasury under TARP[a]	Planned Expenditure	Planned Expenditure as Percent of Released	Repaid/ Reduced Exposure	Outstanding Commitments	Section Reference
Making Home Affordable ("MHA"):					
Home Affordable Modification Program ("HAMP")					
Countrywide Home Loans Servicing LP	$8.4	1.2%			"Homeowner Support Programs"
Wells Fargo Bank, NA	7.1	1.0			
JP Morgan Chase Bank, NA	4.9	0.7			
OneWest Bank	2.3	0.3			
GMAC Mortgage, Inc.	2.1	0.3			
CitiMortgage, Inc.	1.8	0.3			
Litton Loan Servicing LP	1.6	0.2			
Bank of America, N.A.	1.6	0.2			
American Home Mortgage Servicing, Inc	1.6	0.2			
Other Financial Institutions	8.4	1.2			
Housing Finance Agency: Hardest Hit Funds Program ("HFA")	1.5	0.2			
MHA and Related Programs Total	**$41.3**	**5.9%**	**—**	**$41.3**	
TARP Expenditures Subtotal	**$498.3**	**71.3%**			
TARP Repayments/Reductions in Exposure Subtotal			**($206.5)**		
TARP Outstanding Commitment Subtotal				**$291.8**	
Balance Remaining of Total Funds Made Available as of 6/30/2010				**$407.0**	

Notes: Numbers affected by rounding.
[a] From a budgetary perspective, what Treasury has committed to spend (*e.g.*, signed agreements with TARP fund recipients).
[b] Treasury committed $5 billion to Citigroup under AGP; however, the funding was conditional based on losses that could potentially be realized and may potentially never be expended. This amount was not an actual outlay of cash.
[c] Treasury's $1.5 billion loan to Chrysler Financial represents the maximum loan amount. The loan was incrementally funded until it reached the maximum amount of $1.5 billion on 4/9/2009.
[d] Represents a special purpose vehicle ("SPV") created by the manufacturer. Balance represents the maxiumum loan amount, which will be funded incrementally. Treasury's original commitment under this program was $5 billion, which was subsequently reduced to $3.5 billion effective 7/1/2009. All loans made under the program were repaid in full.
[e] The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30 billion in TARP funds allocated to the program.

Sources: EESA, P.L. 110-343, 10/3/2008; Library of Congress, "A joint resolution relating to the disapproval of obligations under the Emergency Economic Stabilization Act of 2008," 1/15/2009, www.thomas.loc.gov, accessed 1/25/2009; Helping Families Save Their Homes Act of 2009, P.L. 111-22, 5/20/2009; Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

FIGURE 2.3

PLANNED EXPENDITURES OUTSTANDING, BY PROGRAM, CUMULATIVE
$ BILLIONS

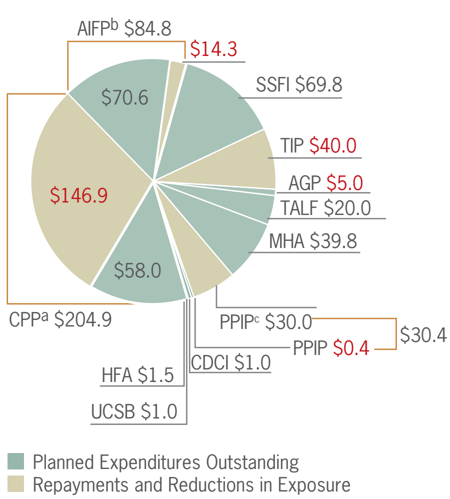


Notes: Numbers affected by rounding. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).
[a] The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30 billion in TARP funds allocated to the program.
[b] Treasury committed $5 billion to Citigroup under AGP; however, the funding was conditional based on losses that could potentially be realized and may potentially never be expended. This amount was not an actual outlay of cash. It was never disbursed and the agreement was terminated.
[c] TIP funding of $40 billion had been repaid.
[d] Auto programs include AIFP, ASSP, and AWCP. The following auto-related funding had been repaid: $10.1 billion for AIFP, $0.6 billion for AWCP, and all loans made under ASSP.
[e] CPP funding of $146.9 billion had been repaid.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

FIGURE 2.4

PLANNED EXPENDITURES OUTSTANDING, REPAYMENTS, AND REDUCTIONS IN EXPOSURE BY PROGRAM
($ BILLIONS, % of $498.3 BILLION)



Notes: Numbers affected by rounding. As of June 30, 2010, TIP and AGP are excluded.
[a] As of 6/30/2010, $146.9 billion of CPP funding had been repaid.
[b] As of 6/30/2010, $14.3 billion related to AIFP loans had been repaid (including $641 million for AWCP and all loans under ASSP).
[c] The PPIP capital raising period is closed with $22.1 billion of TARP funds committed and will likely not increase above this level, yet Treasury's official budget still notes $30 billion in TARP funds allocated to the program.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

TABLE 2.4

DEBT AGREEMENTS

TARP Program	Company	"Date of Agreement"	Cost Assigned	Description of Investment	Investment Information	Interest/ Dividends	Term of Agreement
CPP — S-Corps	52 QFIs	1/14/2009[a]	$0.5 billion	Senior Subordinated Securities	Each QFI may issue senior securities with an aggregate principal amount of 1% – 3% of its risk-weighted assets, but not to exceed $25 billion.	3.1% for first 8 years; 13.8% thereafter	30 years
				Senior Subordinated Security Warrants that are exercised immediately	Treasury will receive warrants to purchase an amount equal to 5% of the senior securities purchased on the date of investment.	13.8%	30 years
AIFP	General Motors	12/31/2008	$19.8 billion[b]	Debt Obligation with Warrants and Additional Note	This loan was funded incrementally; $4 billion funded on 12/31/2008, $5.4 billion funded on 1/21/2009, $4 billion funded on 2/17/2009. Subsequently, this loan was then amended; $2 billion on 4/22/2009 and $4 billion on 5/20/2009 (General Advances). In addition, on 5/27/2009, $361 million was set aside in an SPV for the AWCP (Warranty Advances).	For General Advances — (i) the greater of (a) 3-Month LIBOR or (b) 2% plus (ii) 3%; For Warrant Advances (i) the greater of (a) 3-Month LIBOR for the related Interest Period or (b) 2% plus (ii) 3.5%	12/29/2011
AIFP	General Motors	1/16/2009	$0.9 billion	Debt Obligation	This loan was exchanged for a portion of GM's common equity interest in GMAC LLC on 5/29/2009. See "Equity Agreement" table for more information.	3-Month LIBOR + 3%	1/16/2012
AIFP	Chrysler	1/2/2009[c]	$4.8 billion[b]	Debt Obligation with Additional Note	Loan of $4 billion; Additional note of $267 million (6.67% of the maximum loan amount). Subsequently, this loan was then amended; $500 million on 4/29/2009, this amount was never drawn and subsequentlly de-obligated (General Advances). In addition, on 4/29/2009, $280 million was set aside in an SPV for the AWCP, this advance was repaid (Warrant Advances).	For General Advances — (i) the greater of (a) 3-Month LIBOR or (b) 2% plus (ii) 3%; For Warrant Advances (i) the greater of (a) 3-Month LIBOR for the related Interest Period or (b) 2% plus (ii) 3.5%	1/2/2012
AIFP	Chrysler Financial	1/16/2009	$1.5 billion	Debt Obligation with Additional Note	Loan was funded incrementally at $100 million per week until it reached the maximum amount of $1.5 billion on 4/9/2009. Additional note is $75 million (5% of total loan size), which vests 20% on closing and 20% on each anniversary of closing.	"LIBOR + 1% for first year LIBOR + 1.5% for remaining years"	1/16/2014
AIFP	Chrysler	5/1/2009	$3.8 billion	Debt Obligation with Additional Note	Loan of $3.0 billion committed to Chrysler for its bankruptcy period. Subsequently, this loan was amended; $757 million was added on 5/20/2009. Treasury funded $1.9 billion during bankruptcy period. The remaining amount will be de-obligated.	(i) the greater of (a) 3-Month Eurodollar or (b) 2% plus (ii) 3.0%	9/30/2009, subject to certain conditions

Continued on next page.

DEBT AGREEMENTS (CONTINUED)

TARP Program	Company	"Date of Agreement"	Cost Assigned	Description of Investment	Investment Information	Interest/ Dividends	Term of Agreement
AIFP	Chrysler	5/27/2009	$6.6 billion	Debt Obligation with Additional Note, Equity Interest	Commitment to New CarCo Acquisition LLC (renamed Chrysler Group LLC on or about 6/10/2009) of up to $6.642 billion. The total loan amount is up to $7.142 billion including $500 million of debt assumed from Treasury's 1/2/2009 credit agreement with Chrysler Holding LLC. The debt obligations are secured by a first priority lien on the assets of New CarCo Acquisition LLC (the company that purchased Chrysler LLC's assets in a sale pursuant to Section 363 of the Bankruptcy Code).	For $2 billion: (i) The 3 Month Eurodollar Rate, plus (ii) (a) 5% or, on loans extended past the original maturity date, (b) 6.5%. For $5.142 billion note: (i) The 3-Month Eurodollar Rate plus 7.91% and (ii) an additional $17 million in PIK interest per quarter. For other notes: 3-Month Eurodollar Rate plus 7.91%.	For $2 billion note: 12/10/2011; provided that issuer may extend maturity for up to $400 million of principal to 6/10/2017. For other notes: 6/10/2017.
AIFP	General Motors	6/3/2009, amended 7/10/2009	$30.1 billion	Debt Obligation with Additional Note	Original $30.1 billion funded. Amended loan documents provided that $986 million of the original DIP loan was left for the old GM. In addition $7.1 billion was assumed by NewGM of which $0.4 billion was repaid resulting in $6.7 billion remaining outstanding	Orignally, (i) the greater of (a) 3-Month Eurodollar or (b) 2% plus (ii) 3.0%. For amounts assumed by New GM, the interest rates became (i) the greater of (a) 3-Month Eurodollar or (b) 2% plus (ii) 5%	Originally 10/31/2009, for amounts assumed by NewGM, June 10, 2015, subject to acceleration
PPIP	ALL	"9/30/2009 and later"	$20 billion	Debt obligation with contingent interest promissory note	Each of the loans will be funded incrementally, upon demand by the fund manager.	LIBOR + 1%	The debt obligation for each fund matures at the earlier of the dissolution of the fund or 10 years.

Notes: Numbers affected by rounding.
[a] Announcement date of CPP S-Corporation Term Sheet.
[b] Amount includes AWCP commitments.
[c] Date from Treasury's 1/27/2009 *Transactions Report*. The Security Purchase Agreement has a date of 12/31/2008.

Sources: Treasury, "Loan and Security Agreement By and Between General Motors Corporation as Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008," 12/31/2008. Treasury, "General Motors Corporation, Indicative Summary of Terms for Secured Term Loan Facility," 12/19/2008; Treasury, "General Motors Promissory Note," 1/16/2009; Treasury, "Loan and Security Agreement By and Between Chrysler Holding LLC as Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008," 12/31/2008; Treasury, "Chrysler, Indicative Summary of Terms for Secured Term Loan Facility," 12/19/2008; Treasury, "Chrysler LB Receivables Trust Automotive Industry Financing Program, Secured Term Loan, Summary of Terms," 1/16/2009; OFS, response to SIGTARP draft report, 1/30/2009; Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

TABLE 2.5

EQUITY AGREEMENTS

TARP Program	Company	"Date of Agreement"	Cost Assigned	Description of Investment	Investment Information	Dividends	Term of Agreement
CPP – Public	286 QFIs	"10/14/2008[a] and later"	$200.1 billion	Senior Preferred Equity	1-3% of risk-weighted assets, not to exceed $25 billion for each QFI	"5% for first 5 years, 9% thereafter"	Perpetual
				Common Stock Purchase Warrants	15% of senior preferred amount	—	Up to 10 years
CPP – Private	369 QFIs	"11/17/2008[b] and later"	$4.0 billion	Preferred Equity	1-3% of risk-weighted assets, not to exceed $25 billion for each QFI	"5% for first 5 years, 9% thereafter"	Perpetual
				"Preferred Stock Purchase Warrants that are exercised immediately"	5% of preferred amount	9%	Perpetual
SSFI	AIG	4/17/2009	$41.6 billion[c]	Non-Cumulative Preferred Equity	$41.6 billion aggregate liquidation preference	10%	Perpetual
				Common Stock Purchase Warrants	2% of issued and outstanding common stock on investment date of 11/25/2008; the warrant was originally for 53,798,766 shares and had a $2.50 exercise price, but after the 6/30/2009 split, it is for 2,689,938.30 shares and has an exercise price of $50.	—	Up to 10 years
SSFI	AIG	4/17/2009	$29.8 billion[d]	Non-Cumulative Preferred Equity	Up to $29.8 billion aggregate liquidation preference. As of 9/30/2009, the aggregate liquidation preference was $3.2 billion.	10%	Perpetual (life of the facility is 5 years)
				Common Stock Purchase Warrants	150 common stock warrants outstanding; $0.00002 exercise price	—	Up to 10 years
TIP	Citigroup	12/31/2008	$20.0 billion[e]	Trust Preferred Securities	$20 billion	8%	Perpetual
				Warrants	10% of total preferred stock issued; $10.61 exercise price	—	Up to 10 years
AIFP	GMAC Inc.	12/29/2008	$5.0 billion	Mandatorily Convertible Preferred Stock[g]	$5 billion	9%	Converts to common equity interest after 7 years
				Preferred Stock Purchase Warrants that are exercised immediately	5% of original preferred amount	9%	Converts to common equity interest after 7 years
AIFP	GMAC Inc.	5/21/2009	$7.5 billion	Mandatorily Convertible Preferred Stock[h]	$4.5 billion	9%	Converts to common equity interest after 7 years
				Preferred Stock Purchase Warrants that are exercised immediately	5% of original preferred amount	9%	Converts to common equity interest after 7 years
				Common Equity Interest[h]	$3.0 billion	—	Perpetual

Continued on next page.

EQUITY AGREEMENTS (CONTINUED)

TARP Program	Company	"Date of Agreement"	Cost Assigned	Description of Investment	Investment Information	Dividends	Term of Agreement
AIFP	GMAC Inc.	5/29/2009	$0.9 billion	Common Equity Interest	This equity interest was obtained by exchanging a prior debt obligation with General Motors. See "Debt Agreements" table for more information.	—	Perpetual
AIFP	GMAC Inc.	12/30/2009	$2.5 billion	Trust Preferred Securities	$2.5 billion	8%	Redeemable upon the repayment of the debenture
				Trust Preferred purchase warrants that are exercised immediately	5% of trust preferred amount		
AIFP	GMAC Inc.	12/30/2009	$1.3 billion	Mandatorily Convertible Preferred Stock	$1.3 billion	9%	Converts to common equity interest after 7 years
				Preferred Stock Purchase Warrants that are exercised immediately	5% of preferred amount		
AGP	Citigroup	12/23/2009	$2.2 billion	Trust Preferred Securities with warrants			
PPIP	ALL	"9/30/2009 and later"	$10.0 billion	Membership interest in a partnership	Each of the membership interest will be funded upon demand from the fund manager.	—	8 years with the possibility of extension for 2 additional years.
CDCI	ALL		$780.2 million	"Preferred Equity or Subordinated Debt for banks, Subordinated Debt for credit unions"	5% of risk-weighted assets for banks and bank holding companies. 3.5% of total assets for Credit Unions	"2% for first eights years, 9% thereafter"	

Notes: Numbers affected by rounding.
[a] Announcement date of CPP Public Term Sheet.
[b] Announcement date of CPP Private Term Sheet.
[c] AIG exchanged Treasury's $40 billion investment in cumulative preferred stock (obtained on 11/25/2008) for non-cumulative preferred stock, effectively cancelling the original $40 billion investment.
[d] The Equity Capital Facility was announced as a $30 billion commitment, but Treasury reduced this amount by the value of the AIGFP Retention Payment amount of $165 million.
[e] Citigroup exchanged its $20 billion senior preferred equity (obtained on 12/31/2008) for trust preferred securities.
[f] Date from Treasury's 1/27/2009 *Transactions Report*. The Security Purchase Agreement has a date of 1/15/2009.
[g] On December 30, 2009, Treasury exchanged $5.25 billion of preferred stock, which it acquired on December 29, 2009, into mandatorily convertible preferred shares ("MCP").
[h] On December 30, 2009, Treasury converted $3.0 billion of its existing MCP, which was invested in May 2009, into common equity. Treasury's equity ownership of GMAC increased from 35% to 56% due to this conversion.

Sources: "TARP Capital Purchase Program Agreement, Senior Preferred Stock and Warrants, Summary of Senior Preferred Terms," 10/14/2008; Treasury, "TARP Capital Purchase Program Agreement, (Non-Public QFIs, excluding S Corps and Mutual Organizations) Preferred Securities, Summary of Warrant Terms," 11/17/2008; Treasury, "Securities Purchase Agreement dated as of November 25, 2008 between American International Group, Inc. and United States Department of Treasury," 11/25/2008; Treasury, "TARP AIG SSFI Investment, Senior Preferred Stock and Warrant, Summary of Senior Preferred Terms," 11/25/2008; Treasury, "Securities Purchase Agreement dated as of January 15, 2009 between Citigroup, Inc. and United States Department of Treasury," 1/15/2009; Treasury, "Citigroup, Inc. Summary of Terms, Eligible Asset Guarantee," 11/23/2008; "Securities Purchase Agreement dated as of January 15, 2009 between Bank of America Corporation and United States Department of Treasury," 1/15/2009; Treasury, "Bank of America Summary of Terms, Preferred Securities," 1/16/2009; Treasury, "GMAC LLC Automotive Industry Financing Program, Preferred Membership Interests, Summary of Preferred Terms," 12/29/2008; Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010.

TABLE 2.6

LARGEST POSITIONS IN WARRANTS HELD BY TREASURY, BY PROGRAM, AS OF 6/30/2010

Participant	Transaction Date	Current Number of Warrants Outstanding	Strike Price	Stock Price as of 6/30/2010	"In" or "Out" of "the Money?"[a]	Amount "In the Money" or "Out of the Money" as of 6/30/2010
Capital Purchase Program ("CPP"):						
Citigroup Inc.	10/28/2008	210,084,034	$17.85	$3.76	OUT	($14.09)
Hartford Financial Services Group, Inc.	6/26/2009	52,093,973	$9.79	$22.13	IN	$12.34
Regions Financial Corporation	11/14/2008	48,253,677	$10.88	$6.58	OUT	($4.30)
Fifth Third Bancorp	12/31/2008	43,617,747	$11.72	$12.29	IN	$.57
Systemically Significant Failing Institutions ("SSFI") Program:						
AIG[b]	11/25/2008	2,689,938	$50.00	$34.44	OUT	($15.56)
AIG[b]	4/17/2009	150	$0.00	$34.44	IN	$34.44
Targeted Investment Program ("TIP"):						
Citigroup Inc.	12/31/2008	188,501,414	$10.61	$3.76	OUT	($6.85)
Asset Guarantee Program ("AGP"):						
Citigroup Inc.	1/16/2009	66,531,728	$10.61	$3.76	OUT	($6.85)

Notes: Numbers affected by rounding.
[a] When a stock's current price rises above the warrant's strike price, it is considered "in the money." Otherwise, it is considered "out of the money."
[b] All warrant and stock data for AIG are based on the 6/30/2009 reverse stock split of 1 for 20.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/7/2010; Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com.

TABLE 2.7

DIVIDEND AND INTEREST PAYMENTS, BY PROGRAM ($ MILLIONS)

	Dividends	Interest	Distributions	Total
AGP	$366,046,667	—	—	$366,046,667
AIFP[a]	1,496,517,562	$802,025,914	—	2,298,543,476
ASSP	—	14,874,984	—	14,874,984
CPP[b]	9,427,600,009	38,495,133	—	9,466,095,142
PPIP	—	28,606,605	$61,126,630	89,733,235
TIP	3,004,444,444	—	—	3,004,444,444
Total	**$14,294,608,682**	**$884,002,636**	**$61,126,630**	**$15,239,737,948**

Notes: Numbers affected by rounding. Data as of 6/30/2010. This information does not reconcile to the "TARP Budget" provided by Treasury on 7/7/2010. Distributions are investment proceeds from the PPIF's trading activities allocated to the partners, including Treasury, not later than 30 days after the end of each quarter.
[a] Includes AWCP.
[b] Includes $13 million fee received as part of the Popular exchange.

Source: Treasury, response to SIGTARP data call, 7/7/2010.

HOMEOWNERS SUPPORT PROGRAM

The Administration created the Making Home Affordable ("MHA") program on February 18, 2009, to help struggling homeowners reduce their monthly mortgage payments, thereby preventing avoidable foreclosures. MHA includes three major initiatives: a loan modification program (which itself includes several distinct sub-programs), a loan refinancing program, and support for the Government-sponsored enterprises ("GSEs") — the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac").[47] These programs, along with the parallel programs at GSEs, make up what has been announced as a $75 billion initiative.

Of the anticipated $75 billion cost for MHA, $50 billion will be funded through TARP. TARP funds support the Home Affordable Modification Program ("HAMP"), the Home Affordable Foreclosure Alternatives ("HAFA") program, the Second-Lien Modification Program ("2MP"), and the Hardest Hit Fund ("HHF"), along with the related Federal Housing Administration ("FHA") HAMP and Refinance programs.[48] TARP money is not used to make incentive payments for modifications related to loans owned or guaranteed by Fannie Mae and Freddie Mac. Instead, Fannie Mae and Freddie Mac pay incentives from their operating funds. When HAMP was announced, the Administration estimated that GSEs would contribute up to $25 billion to modify mortgages owned or guaranteed by a GSE.[49]

MHA and related programs include the following initiatives:

- **Home Affordable Modification Program ("HAMP")** – HAMP is intended to encourage loan servicers, through incentive payments, to modify eligible first-lien mortgages so that the monthly payments of homeowners who are currently in default or at imminent risk of default will be reduced to affordable levels.
- **Home Price Decline Protection ("HPDP")** – HPDP is intended to encourage additional investor participation and HAMP modifications in areas with recent price declines by helping to offset any incremental loss in value on homes involving modifications that do not succeed.
- **Second Lien Modification ("2MP")** – 2MP is intended to modify second-lien mortgages when a corresponding first lien is modified under HAMP. Servicer participation in 2MP is not mandatory, and seven servicers participating in HAMP's first-lien modification program have agreed to modify second liens under 2MP.
- **Home Affordable Foreclosure Alternatives ("HAFAs")** – HAFA is intended to enable servicers and borrowers to pursue short sales and deeds in lieu of foreclosure for HAMP-eligible borrowers in cases in which the borrower is unable or unwilling to enter into a modification.

- **Treasury FHA HAMP** — Like its TARP counterpart, this initiative reduces participating borrowers' monthly mortgage payments to 31% of their gross monthly income and requires them to complete a three-month trial payment plan.
- **Treasury FHA Refinance** — This initiative, a joint Treasury-Department of Housing and Urban Development ("HUD") effort, is intended to encourage FHA refinancing of existing underwater mortgage loans not currently insured by FHA. The incentives provided for extinguishment of second liens and additional coverage of a share of potential losses on these loans, expected to reach up to $14 billion, will be part of MHA and paid for by TARP.
- **Home Affordable Unemployment Program ("UP")** — UP is intended to offer assistance to unemployed homeowners through temporary forbearance of a portion of their payments.
- **Principal Reduction Alternative ("PRA")** — PRA is intended to offer mortgage relief to eligible homeowners whose homes are worth significantly less than the remaining amounts outstanding under their first-lien mortgage loans.
- **Housing Finance Agency ("HFA ") Hardest-Hit Fund ("HHF")** — A TARP-funded program, HHF is intended to fund state-run foreclosure prevention programs in states hit hardest by the decrease in home prices and in states with high unemployment rates.

Treasury expects to use the full $50 billion allocation in TARP funding for MHA and related programs across several initiatives. It has announced specific allocations for some, but not all, of the TARP-related MHA and related programs:[50]

- Treasury has signed agreements worth up to $39.8 billion in HAMP-related incentives across the following programs:
  - Treasury has allocated up to $10 billion to pay mortgage investors through HPDP.
  - Treasury allocated $5.7 billion to 2MP. To date, seven servicers have executed 2MP agreements.
  - Treasury further allocated $4.6 billion for foreclosure alternatives under HAFA, previously referred to as short-sales/deeds-in-lieu of foreclosure ("SS/DIL").[51]
  - To date, Treasury has paid borrowers, servicers, and investors $247.5 million for first-lien modification and HAFA incentives. However, Treasury has not specified the estimated total costs for HAMP first-lien modifications, including those under PRA. PRA incentives will be paid based on details discussed later in this section.
- Treasury and HUD have also announced that TARP will fund up to $14 billion for the Treasury FHA Refinance Program.
- Treasury has allocated a total of $2.1 billion for the HFA HHF program.

Underwater Mortgage: When a homeowner owes more on the mortgage than the home is worth. When a home's value drops and/or when mortgage debt increases significantly, the homeowner has "negative equity" in that home.

The total of these anticipated costs, $55.9 billion, exceeds the $50 billion allocated by Treasury for MHA. As the programs in development are finalized, it is expected that Treasury will adjust these numbers to stay within its allocation.

HAMP and three other TARP-funded initiatives have updates for this quarter. Accordingly, this section focuses on the status of TARP funds for HAMP, program performance, and progress made in implementing UP, PRA, and the HHF program.

Status of TARP Funds Allocated to MHA and Related Programs

Of the $50 billion allocated to MHA initiatives from TARP funds, Treasury reports that it has committed $41.3 billion. As of June 30, 2010, Treasury had signed agreements worth up to $39.8 billion with 119 loan servicers.[52] Of that amount, a combined $247.5 million was spent on participant incentives; $247.4 million for permanent modifications (164,628 of which remain active), and $149,285 on incentives for HAFA.[53] Of the combined amount for participant incentives, approximately $162.3 million was used for incentive payments to servicers, $74.5 million went to investor incentive payments, and $10.7 million went to borrower incentive payments.[54]

The amounts allocated for servicer incentives are not immediately paid. Rather, each allocation is the maximum amount, or cap, Treasury approved for each servicer based on the servicer's eligible loan portfolio. The average allocation was $334.5 million.[55] To date, the largest allocation was $8.4 billion in TARP funds to Countrywide Home Loans Servicing LP, owned by Bank of America.[56]

HAMP

According to Treasury, HAMP is designed "to help as many as three to four million financially struggling homeowners avoid foreclosure by modifying loans to a level that is affordable for borrowers now and sustainable over the long term." The Administration envisions a "shared partnership" between the Government and investors to bring borrowers' first-lien monthly payments down to an "affordable" level — defined as a 31% of the borrower's monthly gross income.

Under the existing program, the private-sector investor is responsible for all payment reductions necessary to bring a borrower's monthly payment down to 38% of the borrower's monthly gross income. The additional reductions needed to bring the monthly payment down to a 31% ratio will be shared equally between the investor and the Government.[57] Under the anticipated changes to the program, in addition to compensating investors for the reduction of payments from a 38% to a 31% monthly mortgage payment ratio, Treasury will also compensate investors for reducing principal on certain underwater mortgages.[58]

For trial modifications with an effective date of June 1, 2010, or later, borrowers request participation in HAMP by sending their servicers the following documents, referred to as the "initial package:"[59]

- financial information from borrower and co-borrower including the source of the hardship
- signed and completed requests for tax return transcripts (or the most recent Federal income tax return, including all schedules and forms)
- income verification documentation (employment income, rental income, *etc.*)

Trial Plan Evaluation

Upon receipt of the initial package, the servicer must verify the accuracy of the borrower's income and other eligibility criteria before offering the borrower a trial modification plan. After verifying eligibility and income, the servicer follows the modification steps, as prescribed by HAMP program guidelines, to reduce the borrower's monthly mortgage payment to 31% of gross monthly income.[60]

Under the program guidelines, the servicer would first capitalize interest and fees (*i.e.*, add them to the outstanding principal balance), then reduce the interest rate to as low as 2%. If that is not sufficient to lower the monthly mortgage payment to 31% of gross monthly income, it would then extend the term up to a maximum of 40 years. If both measures still prove insufficient, it may finally forbear principal, to bring the monthly mortgage payment to 31% of the borrower's income. Servicers are allowed, but not required, to forgive principal to achieve the debt-to-income ratio goal of 31% on a stand-alone basis or before any of the other HAMP modification waterfall steps.[61] Finally, the servicer completes a net present value ("NPV") evaluation to ensure that the modification is in the best interest of the investor. The NPV test compares expected cash flows from a modified loan to the same loan with no modifications, based on certain assumptions. A positive NPV result indicates that a modified loan is more valuable to the investor, and, in that case, the servicer must offer a mortgage modification to the borrower. If the test generates a negative result, modification is optional.[62]

Under the parallel GSE program, servicers are required to offer a trial modification if the NPV test generates a negative result of up to $5,000. In other words, in the GSE program, even if the NPV test indicates that a modified mortgage would be worth $5,000 less to an investor, it still must offer the modification.

Trial Modification: Under the design of HAMP, a trial modification is generally intended to last three months.

How Trial Modifications Work

As originally intended, the trial period plan would last 90 days; however, according to Treasury, for June 2010, there were 364,077 active trials of which approximately 166,000, or 45.6%, were more than six months in length.[63]

The trial period includes three modified payments, and, if the borrower is current at the end of the trial period and the servicer has verified the borrower's income based on the borrower's submitted paperwork, the borrower will be offered a permanent modification with the new lower mortgage payments fixed for five years.[64] After five years, the interest rate can increase if the modified interest rate was reduced below the current 30-year conforming fixed interest rate at the date of the initial modification, in which case it can incrementally rise by up to 1% per year until it reaches that rate. Otherwise, the modified interest rate remains permanent. If the borrower fails to make payments during the trial period and therefore fails to gain a permanent modification, the difference between the original mortgage payment and the reduced trial payment is still owed.

Modification Incentives

Servicers receive a one-time payment of $1,000 for each completed modification under HAMP. Servicers receive an additional $500 if the loan was current but at imminent risk of default prior to the trial period plan. Servicers also receive annual "pay for success" fees of up to $1,000 for a period of three years if the borrower remains in good standing (less than 90 days delinquent) on the modified loan."[65]

Borrowers receive "pay for performance" incentive payments of up to $1,000 per year for five years (applied annually as a reduction in principal balance) as long as they are current on their monthly payments.[66]

An investor is entitled to compensation, for up to five years, equaling one-half of the dollar difference between the borrower's monthly portion of principal and interest when the payment is based on 31% of gross monthly income and the lesser of (1) what the borrower's monthly principal and interest would be at 38% or (2) the borrower's pre-modification monthly principal and interest payment. This compensation is known as the monthly reduction cost-share payment. If applicable, investors also earn an extra one-time up-front payment of $1,500 for modifying a loan that was current prior to the trial period (imminent default).[67] Additionally, during the first two years, investors might receive compensation through HPDP. HPDP compensation is based on a home value index designed to partially offset investor losses due to modifying loans in markets that have experienced, or are expected to continue to experience, a sharp decline in home values.

All incentives are paid only after a loan has been permanently modified.

Servicer Performance

The Administration releases a monthly servicer performance report intended to "document the number of struggling homeowners already helped under the [MHA] program, provide information on servicer performance and expand transparency around the initiative."[68] New information on aged trial modifications, compliance review results, and canceled trial modifications was included starting with the May 2010 Servicer Performance Report.[69] In addition, Treasury and HUD introduced, on June 21, 2010, a monthly scorecard on the nation's housing market that incorporates the monthly Making Home Affordable Program Servicer Performance Report. According to these agencies, each month the scorecard will incorporate housing market indicators and highlight the impact of the Administration's housing recovery efforts, including assistance to homeowners through the Federal Housing Administration ("FHA") and HAMP.[70]

Modification Statistics

As of June 30, 2010, a total of 753,275 mortgages are currently being modified, either permanently or on a trial basis under HAMP. Of those, 389,198 were active permanent modifications and 364,077 were active trial modifications. The breakdown of incentive payments is shown in Table 2.8. A snapshot of HAMP modifications is shown in Table 2.9. HAMP modification activity by GSE/non-GSE is shown in Table 2.10.

TABLE 2.8

BREAKDOWN OF INCENTIVE PAYMENTS, AS OF 6/30/2010
($ THOUSANDS)

First-Lien Modification Incentives	
Servicer Incentive Payment ($1,000)	$145,444.0
Servicer Current Borrower Incentive Payment ($500)	5,592.0
Annual Servicer Pay for Success	11,259.2
Investor Current Borrower Incentive Payment ($1,500)	16,029.0
Investor Monthly Reduction Cost Share[a]	57,743.6
HPDP	679.8
Annual Borrower Pay for Success	10,619.1
Total	**$ 247,366.7**
HAFA Incentives	
Servicer Incentive Payment	$43.5
Investor Reimbursement	18.8
Borrower Relocation	87.0
Total	**$149.3**

Notes: Numbers affected by rounding
[a] Investor Monthly Reduction Cost Share is considered an incentive payment

Source: Treasury, response to SIGTARP data call, 6/7/2010.

TABLE 2.9

HAMP SNAPSHOT, AS OF 6/30/2010

Number of HAMP Trials Started Since Program Inception	1,282,912
Number of Trial Modifications Cancelled	520,814
Number of Permanent Modifications Cancelled	8,823

Notes: Survey data provided by servicers. Trial and permanent modifications as reported by the HAMP system of record.

Source: Treasury, response to SIGTARP data call, 7/14/2010.

TABLE 2.10

HAMP MODIFICATION ACTIVITY BY GSE/NON-GSE, AS OF 6/30/2010 ($ BILLION)

	Trials Started	Trials Cancelled	Trials Active	Trials Converted to Permanent	Permanents Cancelled	Permanents Active	Permanents Active and Trials Active
GSE	714,652	282,765	202,408	229,479	4,909	224,570	426,978
Non-GSE	568,260	238,049	161,669	168,542	3,914	164,628	326,297
Total	**1,282,912**	**520,814**	**364,077**	**398,021**	**8,823**	**389,198**	**753,275**

Source: Treasury, response to SIGTARP data call, 7/13/2010.

TABLE 2.11

TOP FIVE HAMP SERVICERS BY NUMBER OF PERMANENT MODIFICATIONS

Servicer	Estimated Eligible Mortgages[a]	Active Trial Modifications[b]	Permanent Modifications	Permanent Modifications as a Share of Estimated Eligible Mortgages
Bank of America, NA[c]	1,040,470	121,369	72,232	7%
JPMorgan Chase Bank, NA[d]	404,084	63,259	54,722	14%
Wells Fargo Bank, NA[e]	363,559	30,949	44,628	12%
CitiMortgage, Inc.	217,189	27,965	40,813	19%
GMAC Mortgage, Inc.	49,452	6,083	27,505	56%

Notes:
[a] Estimated eligible mortgages with 60+ day delinquencies are as of 5/31/2010.
[b] Active trial and permanent modifications as reported into the HAMP system of record by servicers are as of 6/30/2010.
[c] Bank of America, NA includes Bank of America, NA, BAC Home Loans Servicing LP, Home Loan Servicers, and Wilshire Credit Corporation.
[d] JPMorgan Chase Bank, NA includes EMC Mortgage Corporation.
[e] Wells Fargo Bank, NA includes a portion of the loans previously included in Wachovia Mortgage, FSB.

Source: Treasury, response to SIGTARP data call, 7/14/2010.

Activity by the five servicers initiating the most permanent HAMP modifications is shown in Table 2.11.

The number of cancellations of mortgage modifications has increased as decisions on aged trials are being reached. According to HUD and Treasury, HAMP cancellations increased "because many borrowers who received temporary modifications were not able to meet eligibility requirements such as verifying their income and successfully making trial payments."[71] Other common causes of cancellations include borrowers who had mortgage payments already less than 31% of their income or who did not occupy the property as their primary residence.[72]

Unemployment Program ("UP")

The Home Affordable Unemployment Program ("UP") was announced on March 26, 2010, to provide temporary assistance to unemployed borrowers while they search for new employment.[73]

On May 11, 2010, Treasury released Supplemental Directive 10-04, which provides detailed guidelines for servicers to follow when offering UP to borrowers.[74] Under the program, borrowers who meet certain qualifications can receive unemployment forbearance for a portion of their mortgage payments for at least three months, unless they regain employment. According to the supplemental directive, "[s]ervicers may extend the minimum forbearance period in increments at the servicer's discretion, in accordance with investor and regulatory guidelines."[75]

Before Supplemental Directive 10-04 was issued, servicers were required to consider unemployment insurance benefits as income when assessing a borrower for HAMP eligibility if the borrower could document that the income would continue for at least nine months.[76] UP changes this practice for trial period plans effective on or after August 1, 2010, at which time servicers will no longer be permitted to consider unemployment insurance benefits as a source of income when evaluating a borrower for HAMP.[77]

Who Is Eligible

For borrowers who meet UP eligibility criteria, all HAMP participating servicers are required to offer a UP forbearance plan of at least three months' duration. In order to be eligible for UP, a borrower must meet the following criteria:[78]

- The borrower is otherwise HAMP eligible.
- The mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence. The property cannot be vacant or condemned.
- The mortgage loan is a first-lien mortgage originated on or before January 1, 2009.
- The mortgage's unpaid principal balance is equal to or less than $729,750.
- The mortgage has not been modified under HAMP previously, nor has the borrower received UP forbearance previously.
- The UP request must be made before the first-lien mortgage loan is seriously delinquent, *i.e.*, three months or more overdue.
- The servicer may, pursuant to investor or regulator guidelines, require a borrower to have received unemployment benefits for up to three months before the forbearance period will begin.
- The borrower is unemployed when making the UP request and can document receipt of unemployment benefits.

Borrowers enrolled in the HAMP trial period plan who lose their jobs may seek UP consideration as long as they were not seriously delinquent (more than 90 days) as of the date they were first considered for HAMP. If the borrower becomes eligible for the unemployment forbearance plan and accepts the plan offer, the servicer must cancel the HAMP trial period plan. Eligible borrowers may request a new trial period plan after the forbearance plan is completed. In addition, those borrowers who were enrolled in HAMP trial period plans using unemployment benefits as income (*e.g.*, they were already unemployed upon receipt of their HAMP trial period plan) may request to drop their HAMP trial period plan in order to enroll for an UP forbearance plan. A borrower who was previously determined ineligible for HAMP may request assessment for an UP forbearance plan if he or she meets all eligibility criteria.

How UP Works

For qualifying homeowners, the mortgage payments during the forbearance period will be lowered to no more than a maximum of 31% of gross monthly income, including unemployment benefits.[79] According to the supplemental directive, "at the discretion of the servicer, the borrower's monthly mortgage payments may be suspended in full."[80] The duration of the UP forbearance plan is required to be a minimum of three months, unless the borrower becomes employed within that time.

If the borrower regains employment but because of reduced income still has a hardship, the borrower must be considered for HAMP and, if eligible, the amount of the arrearage or forbearance will be added to the principal balance to be modified. Conversely, if the borrower regains employment and is no longer in need of or eligible for a HAMP modification, the amount of arrearage or forbearance will become due. If the UP forbearance period expires before the borrower gets a job, the borrower might be eligible for HAMP foreclosure alternatives, such as HAFA.[81]

Applying UP to Borrowers

As with other HAMP-related initiatives, the supplemental directive governing UP allows for use of discretion across servicers in several areas. For example, as previously noted, beyond the required minimum three-month period, the servicer has discretion as to how long a borrower's forbearance plan will remain in effect. Additionally, in accordance with investor and regulator guidelines and applicable laws and regulations, the servicer may reduce the borrower's monthly payment below 31% of gross monthly income or suspend it altogether during the forbearance period. Servicers must have written, consistently applied procedures to determine UP forbearance payments.

Treasury is allowing servicers to rely on verbal financial information provided by the borrower to determine homeowner eligibility for UP. Servicers may use a borrower's stated income when calculating the borrower's monthly payment, which must be reduced to an amount that is no more than 31% of the borrower's gross monthly income.[82]

PRA

On June 3, 2010, Treasury released Supplemental Directive 10-05, which provides guidance to servicers concerning offering mortgage relief to eligible homeowners whose homes are worth significantly less than the remaining amounts outstanding under their first-lien mortgage loans. The Principal Reduction Alternative ("PRA") program guidance is only applicable to non-GSE loans and does not cover loans owned, guaranteed, or insured by FHA, Veterans Affairs, Freddie Mac, or Fannie Mae.[39] According to the guidance, PRA officially takes effect on the later of October 1, 2010, or the implementation date of version 4 of the NPV test. Servicers were permitted, however, to begin offering PRA assistance immediately following the release of Supplemental Directive 10-05.

Prior to PRA, servicers were allowed to forgive principal to achieve the debt-to-income ratio goal of 31% on a stand-alone basis or before any of the other HAMP modification waterfall steps but would not receive additional incentive payments for doing so.[83] PRA does not require servicers to forgive principal, even when doing so is deemed to offer greater financial benefit to the investor, in contrast with other aspects of HAMP.

Who Is Eligible

PRA is intended to offer relief to underwater borrowers, in other words, those who owe significantly more on their first-lien mortgage loans than their homes are currently worth (also referred to as negative equity). Under PRA, servicers are required to evaluate the benefit of a principal write-down for all borrowers who owe more than 115% of their home's value.[84]

According to Treasury, borrowers already in HAMP trial period plans or HAMP permanent modifications may eventually be evaluated for PRA assistance.[85] However, Treasury has not yet issued an anticipated supplemental directive providing additional guidance on these evaluations, nor has it provided specifics regarding the anticipated release date for such guidance.

How PRA Works

Principal forbearance divides a mortgage loan into two segments, one interest-bearing and the other not. The borrower continues to make regular principal and interest payments on the interest-bearing segment. In a modification, no monthly payments are due with respect to the non-interest-bearing segment. Rather, that segment, representing the principal forbearance amount, is due as an additional lump-sum or "balloon" payment at the earlier of the sale of the property or the eventual maturity of the mortgage. Under PRA, if the borrower is in good standing on the first, second, and third anniversaries of the modification, the servicer must reduce the principal balance in the separate forbearance account on each anniversary date in installments equal to one-third of the initial PRA forbearance amount.

As previously stated, servicers are required to evaluate for PRA assistance every HAMP-eligible loan with a loan-to-value ratio greater than 115%. The servicer will do so by running two different NPV tests, using methodologies prescribed by Treasury, reserving the option to modify the borrower's loan either with or without principal forgiveness.[86] As described by Treasury, the servicer's decision between the two NPV tests — one with and one without principal forgiveness — is expected to be based upon the outcome that offers the greater expected financial benefit to the investor holding the loan. However, servicers are not required to offer principal reduction regardless of the two NPV results; they are simply required to consider PRA-eligible borrowers for such assistance.

The two versions of the NPV test differ in the following manner: the original NPV test calculates investor return if the mortgage is modified per standard HAMP procedure, described above. The servicer runs a second NPV test in two steps: first they reduce principal down to 115% of loan to value at the beginning of the procedure and then follow the standard HAMP procedure with the reduced principal to calculate the return to investors if the mortgage is modified through principal reductions, including payments from Treasury.[87]

Who Gets Paid

According to Treasury's Supplemental Directive 10-05, in addition to the other incentives that are paid for first-lien modifications, investors will be compensated for a percentage of the dollar value of the principal forgiven in the same three anniversary years of the modification referred to above. Incentives range from 6 to 21 cents on the dollar, depending on the extent of the delinquency or the loan-to-value ratio.[88] Table 2.12 shows the schedule under which investors will be compensated for forgiving principal. This schedule, however, is only applicable to those loans equal to or less than six months delinquent within the previous year. For loans more than six months delinquent within the previous year, investors will be paid $0.06 per dollar of principal reduction, regardless of the loan-to-value ratio range.[89]

The supplemental directive states that, although servicers may reduce the mortgage principal below the floor of 105% loan-to-value ratio, no PRA incentives will be paid for that portion of the principal reduction amount.

TABLE 2.12

INCENTIVES TO INVESTORS PER DOLLAR OF LOAN PRINCIPAL REDUCED

Mark-to-Market Loan-to-Value Ratio Range	105 < 115	115 to 140	> 140
Incentive Amount	$0.21	$0.15	$0.10

Source: Treasury, "Modification of Loans with Principal Reduction Alternative," 6/3/2010, www.hmpadmin.com/portal/docs/hamp_servicer/sd1005.pdf, accessed on 7/2/2010.

HFA Hardest-Hit Fund

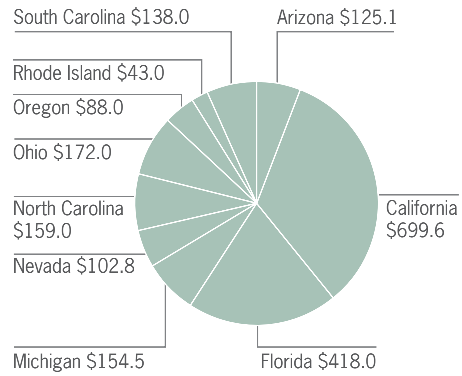
On February 19, 2010, the Obama Administration announced a new housing support program, the HFA Hardest-Hit Fund. The first round of the HHF was allocated $1.5 billion out of the $50 billion designated for MHA initiatives and is intended to promote innovative measures to help families in the states that have been hit the hardest by the aftermath of the housing crisis.[90] According to Treasury, funds were designated for five states (Arizona, California, Florida, Michigan, and Nevada) where the average home price, determined using the Federal Housing Finance Agency's ("FHFA") Purchase Only Seasonally Adjusted Index, had decreased more than 20% from its peak. On June 23, 2010, Treasury announced that it had approved the use of $1.5 billion of HHF for the programs submitted by the first round of states.[91]

On March 29, 2010, the program expanded to five more states, and its potential funding increased by $600 million, bringing the total funding for HHF to $2.1 billion. The additional $600 million is designated for North Carolina, Ohio, Oregon, Rhode Island, and South Carolina, which Treasury indicated were selected because of high concentrations of people living in economically distressed areas, defined as counties in which the unemployment rate exceeded 12%, on average, in 2009.[92] As of June 23, 2010, Treasury was reviewing proposals submitted for the second round of funding under the HHF program. Figure 2.5 shows the allocation of funds for all participating states to date.

The Housing Finance Agencies ("HFAs") of the 10 participating states each submitted proposals to Treasury to address their states' unique challenges. Program proposals for the first five states were submitted to Treasury on April 16, 2010, and were approved on June 23, 2010. Proposals for the second five states were submitted on June 1, 2010, and Treasury is expected to approve them by early August 2010. According to Treasury, each state's HFA will report program performance on a quarterly basis and post the reports on their websites. Some states will initiate a pilot program to assess program performance before full implementation. Individual state laws, staffing levels of the HFAs, and the relative complexity of each state's program are some of the reasons that explain the variance in the availability of programs.[93]

FIGURE 2.5

AMOUNT ALLOCATED TO EACH STATE
($ MILLIONS)



Note: Numbers affected by rounding.

Sources: Treasury, "HFA Hardest-Hit Fund FAQS," 3/5/2010, www.makinghomeaffordable.gov/docs/HFA%20FAQ%20%20030510%0FINAL%20(CLEAN).Pdf, accessed 6/25/2010; Treasury, "Update to HFA Hardest-Hit Fund FAQS," 3/29/2010, http://financialstability.gov/docs/Hardest%20Hit%20public%20QA%200%2029%2010.pdf, accessed 6/25/2010.

The Hardest Hit Fund – State-by-State Description

ARIZONA

Description	Allocation	Estimated Number of Borrowers Helped
Permanent modification component is designed to help homeowners avoid foreclosure by permanently modifying a borrower's primary mortgage to achieve a monthly payment that does not exceed 31% of the borrower's monthly income. Loan modifications may include principal reduction (the amount of any principal reduction provided by HHF program funds must be matched by a borrower's lender/servicer), interest rate reduction, and/or term extension. The Permanent Modification Component aspires to achieve a 90% success rate in modifying loans with the borrowers' lenders/servicers.	$92,400,000	1,848–3,080
Second-mortgage assistance component is designed to help homeowners avoid foreclosure by eliminating a second mortgage if necessary to modify the terms of the primary loan, and to reduce the likelihood that a borrower will re-default under the primary loan as a result of the burden of a second mortgage. The amount of any principal reduction must be matched by a borrower's lender/servicer.	7,500,000	1,500–1,875
Temporary modification component is designed to help homeowners remain in their homes and prevent avoidable foreclosures despite loss of income due to unemployment or underemployment. The funds will reduce past-due payments, and provide borrowers additional time to find alternate employment and replace income needed to make mortgage payments. The Temporary Modification Component is designed to complement other components of the HHF program. Funds available under the Temporary Modification Component may also be applied to remove second mortgages as necessary to modify the terms of the primary loan. The amount of any principal reduction must be matched by a borrower's lender/servicer.	12,000,000	1,000–1,428
Administrative Costs	**13,200,000**	**N/A**
Total	**$125,000,000**	**4,348–6,383**

Source: Treasury, "Arizona's proposal," 06/10/2010, http://www.financialstability.gov/roadtostability/AZ.pdf, accessed 06/26/2010.

CALIFORNIA

Description	Allocation	Estimated Number of Borrowers Helped
The Unemployment Mortgage Assistance Program subsidizes mortgage payments for up to six months, paying half of the monthly payment up to $1,500. The borrower will be required to contribute no more than 31% of gross monthly household income toward the monthly mortgage payment. The goal of the program is for the applicable servicer/lender to match the funds.	$64,700,000	8,953
The Mortgage Reinstatement Assistance Program pays half of past-due first mortgage amounts up to $15,000. The goal of the program is for the applicable servicer/lender to match the funds.	129,400,000	17,293
The Principal Reduction Program pays up to $50,000 over three years to reduce principal owed on qualifying properties with negative equity. The goal of the program is for the applicable servicer/lender to match the funds.	420,729,999	13,375
Transition Assistance Program funds would be available on a one-time-only basis up to $5,000 per household and could be used or layered with other CalHFA MAC HHF programs. All funds will be sent to the servicer, subject to servicer/investor approval of short sale or deed-in-lieu of foreclosure. Funds are intended to help the borrower pay the costs of securing new housing (*e.g.*, rent, moving expenses, and security deposits) and will be available for transition assistance counseling services.	32,300,000	6,471
Administrative Costs	**52,470,001**	**N/A**
Total	**$699,600,000**	**46,092**

Source: Treasury, "California's proposal," no date, http://www.financialstability.gov/roadtostability/CA.pdf, accessed 06/26/2010.

FLORIDA		
Description	**Allocation**	**Estimated Number of Borrowers Helped**
The mortgage intervention strategy focuses on the creation of a sustainable solution to keep unemployed or underemployed Florida homeowners in their current homes by helping those who are struggling to make their current mortgage payments because of hardships sustained since purchasing their homes. Florida Housing will use HHF Program funds to pay up to nine months of mortgage payments on behalf of a qualified homeowner. It is anticipated that in return for these funds, the bank, credit union, or mortgage investor will forgive up to nine months of payments. This partnership will potentially extend the time period for homeowners to become re-employed, to up to 18 months, at a salary that is sufficient to allow them either to resume making full mortgage payments or to qualify for a mortgage modification that will lower the payments and terms of the mortgage to an affordable level.	$379,586,200	7,500–12,500
Administrative Costs	**38,413,800**	**N/A**
Total	**$ 418,000,000**	**7,500–12,500**

Source: Treasury, "Florida's proposal," no date, http://www.financialstability.gov/roadtostability/FL.pdf, accessed 06/26/2010.

MICHIGAN		
Description	**Allocation**	**Estimated Number of Borrowers Helped**
The Principal Curtailment Program will provide a one-time matching fund of up to $10,000 to homeowners seeking to modify their loans. The Lender/Servicer must agree to provide matching forgiveness of principal overhang and to modify the reduced loan balance.	$30,400,000	3,044
Loan rescue will provide up to $5,000 in assistance to households who can now sustain homeownership, catch up on delinquent payments, and avoid foreclosure.	15,500,000	3,090
Unemployment Mortgage Subsidy Program is a one-time fund that will assist the borrower in retaining homeownership by subsidizing 50% or $750 (whichever is less) of their mortgage payments during their time of unemployment. The assistance will not exceed a total of 12 consecutive months or $9,000. Homeowners will continue to be responsible for the remaining 50% of their monthly payment.	99,791,861	11,090-16,500
Administrative Costs	**8,808,139**	**N/A**
Total	**$154,500,000**	**17,224–22,634**

Source: Treasury, "Michigan's proposal," 04/14/2010, http://www.financialstability.gov/roadtostability/MI.pdf, accessed 06/26/2010.

NEVADA		
Description	**Allocation**	**Estimated Number of Borrowers Helped**
The goal of the Principal Reduction Program is to reduce first-mortgage principal balances throughout the state of Nevada such that the loan-to-value ratios are reduced to 115% or less and, correspondingly, the principal, interest, taxes, and insurance ("PITI") payment is reduced to 31% or less of the homeowner's gross income.	$59,743,055	2,468–5,000
The goal of the Second-Mortgage Reduction Program is to assist families remove the impediment of a second lien on their property such that either a refinancing or first-mortgage modification can be carried out, thus preventing foreclosure.	20,100,000	1,246
The Short-Sale Acceleration Program is designed so that at a $8,025 level of average funding per family facing imminent foreclosure threat due to unemployment, it will eliminate the burden of their home mortgage and remove threats of a default judgment.	6,300,000	1,713
Administrative Costs	**16,656,945**	**N/A**
Total	**$102,800,000**	**5,427–7,959**

Source: Treasury, "Nevada's proposal," no date, http://www.financialstability.gov/roadtostability/NV.pdf, accessed 06/26/2010.

FINANCIAL INSTITUTION SUPPORT PROGRAMS

Treasury created five TARP programs through which it made capital investments or asset guarantees in exchange for equity in participating financial institutions. Two, the Capital Purchase Program ("CPP") and the Capital Assistance Program ("CAP"), were open to all qualifying financial institutions ("QFIs"). The other three, the Systemically Significant Failing Institutions ("SSFI") program, the Targeted Investment Program ("TIP"), and the Asset Guarantee Program ("AGP"), were available on a case-by-case basis to institutions needing assistance beyond that available through CPP. Treasury has agreed, for some institutions, to modify the investment by converting the preferred stock shares it originally received into other forms of equity, such as common stock or mandatorily convertible preferred stock, to help improve the capital structure of struggling TARP recipients.[94] Treasury does not expect to make new investments through any of these programs.

As of June 30, 2010, CPP, CAP, TIP, and AGP were effectively closed to new investment. For further information on the closing of these programs, see previous SIGTARP Quarterly Reports.

Capital Purchase Program

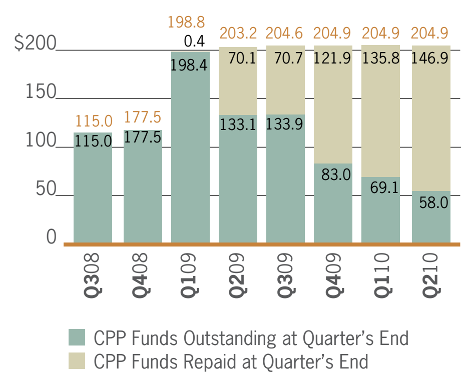
Treasury's stated goal for CPP was to invest in healthy, viable banks as a way to promote financial stability, maintain confidence in the financial system, and permit lenders to meet the nation's credit needs.[95] CPP was a voluntary program open to all QFIs through an application process. QFIs included U.S.-controlled banks, savings associations, and certain bank and savings and loan holding companies.[96]

Under CPP, Treasury used TARP funds to purchase preferred equity interests in QFIs. The QFIs issued Treasury senior preferred shares that pay Treasury a 5% dividend for the first five years following Treasury's investment and a rate of 9% per year thereafter. In addition to the senior preferred shares, public QFIs issued Treasury common stock warrants equal to approximately 15% of the preferred stock investment. Private QFIs issued Treasury warrants to purchase additional senior preferred stock worth 5% of Treasury's initial preferred stock investment.[97] In total, Treasury invested $204.9 billion of TARP money in 707 QFIs through CPP.[98]

The Treasury Secretary announced on December 9, 2009, that TARP will wind down, saying that CPP, "through which the majority of TARP investments in banks have been made, is effectively closed."[99] Through June 30, 2010, CPP recipients had repaid $146.9 billion, leaving $58.0 billion outstanding. In addition, Treasury has received from CPP recipients approximately $9.4 billion in interest and dividends. Treasury also received $5.9 billion through the sale of warrants that were obtained from TARP recipients.[100] For a summary of CPP funds outstanding and associated repayments, see Figure 2.6.

FIGURE 2.6

SNAPSHOT OF CPP FUNDS OUTSTANDING AND REPAID, BY QUARTER
($ BILLIONS)



Note: Numbers affected by rounding.

Sources: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP vetting draft, 7/9/2010.

Status of Funds

As of June 30, 2010, Treasury had purchased $204.9 billion in preferred stock and subordinated debentures from 707 QFIs in 48 states, the District of Columbia, and Puerto Rico. Figure 2.7 shows the geographical distribution of funded QFIs. Although the 10 largest investments accounted for $142.6 billion of the program, CPP made many smaller investments: 331 of 707 recipients received $10.0 million or less. Table 2.13 and Table 2.14 show investment distribution by amount.

TABLE 2.13

CPP INVESTMENT SUMMARY BY TRANSACTION

	Original[a]	Current[b]
Total Investment	$204.9 Billion	$58 Billion
Largest Capital Investment	$25 Billion	$16.5 Billion
Smallest Capital Investment	$301,000	$301,000
Average Capital Investment	$277.6 Million	$98.7 Million
Median Capital Investment	$10.3 Million	$9.53 Million

Notes: Numbers affected by rounding. Data as of 6/30/2010.
[a] These numbers are based on total Treasury CPP investment since 10/28/2008.
[b] Amount does not include those investments that have already been repaid and is based on total investments outstanding.

Source: Treasury, *Transactions Report*, 6/30/2010.

TABLE 2.14

CPP INVESTMENT SIZE BY INSTITUTION

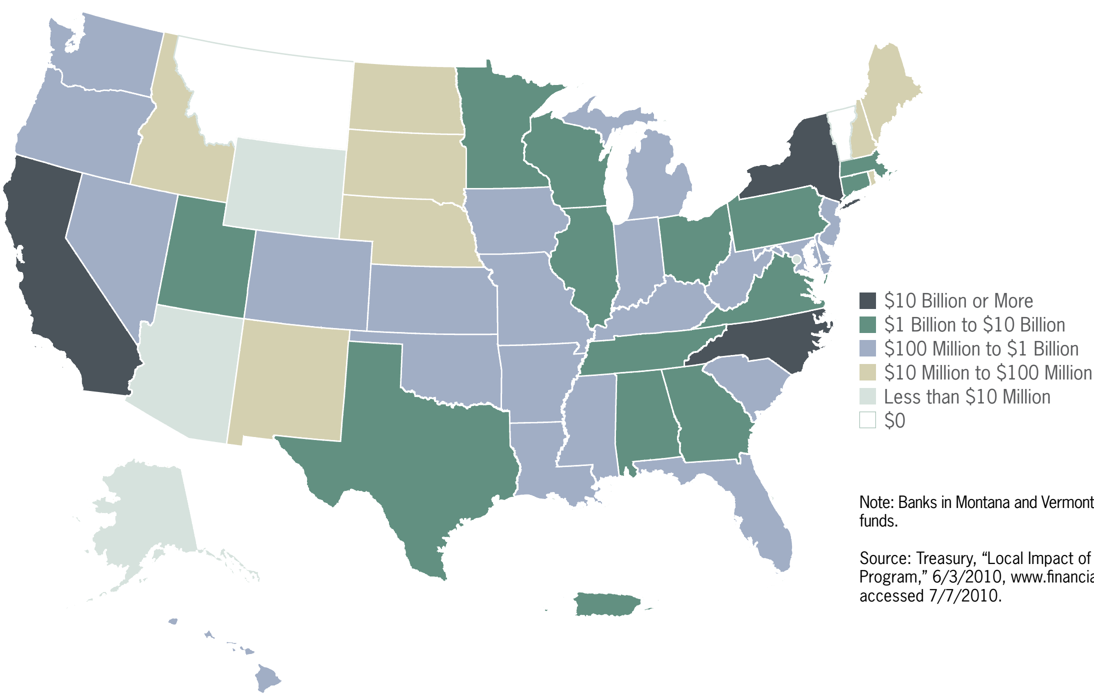
	Original[a]	Outstanding[b]
$10 Billion or More	6	1
$1 Billion to $10 Billion	19	7
$100 Million to $1 Billion	57	38
Less than $100 Million	625	580
Total	**707**	**626**

Notes: Numbers affected by rounding. Data as of 6/30/2010. Data is based on the institutions' total CPP investments. There are more than 30 institutions that have received multiple transactions through CPP.
[a] These numbers are based on total Treasury CPP investment since 10/28/2008.
[b] Current amount does not include those investments that have already been repaid or in bankruptcy proceedings and is based on total investments outstanding.

Source: Treasury, *Transactions Report*, 6/30/2010.

FIGURE 2.7

TRACKING CAPITAL PURCHASE PROGRAM INVESTMENTS ACROSS THE COUNTRY



Note: Banks in Montana and Vermont did not receive CPP funds.

Source: Treasury, "Local Impact of the Capital Purchase Program," 6/3/2010, www.financialstability.gov, accessed 7/7/2010.

TABLE 2.15

CPP SHARE REPURCHASES GREATER THAN $1 BILLION, AS OF 6/30/2010		
Repurchase Date	**Institution**	**Amount of Repurchase**
6/17/2009	JPMorgan Chase & Co.	$25.0
12/23/2009	Wells Fargo and Company	25.0
12/9/2009	Bank of America Corp.	25.0
4/26/2010 – 6/30/2010	Citigroup, Inc.[a]	10.5
6/17/2009	Morgan Stanley	10.0
6/17/2009	The Goldman Sachs Group, Inc.	10.0
2/10/2010	The PNC Financial Services Group, Inc.	7.6
6/17/2009	U.S. Bancorp	6.6
6/17/2009	Capital One Financial Corporation	3.6
6/17/2009	American Express Company	3.4
3/31/2010	Hartford Financial Services Group, Inc.	3.4
6/17/2009	BB&T Corp.	3.1
6/17/2009	BNYM	3.0
3/17/2010	Comerica Inc.	2.3
6/17/2009	State Street Corporation	2.0
6/17/2009	Northern Trust Corporation	1.6
4/21/2010	Discover Financial Services	1.2
Total		**$143.3**

Notes: Numbers affected by rounding. Data as of 6/30/2010.
[a]Treasury sold 2,608,971,857 shares of Citigroup common stock it held as a result of its investment in Citigroup under CPP during two separate sales. For more on these sales, see the "Citigroup Common Stock Sale" discussion in this section.

Source: Treasury, *Transactions Report*, 6/30/2010.

Repayment of Funds

Through June 30, 2010, 82 banks — including 8 of the 10 banks with the largest CPP investments — had repaid CPP by repurchasing from Treasury some or all of the banks' preferred shares.[101] Treasury received approximately $146.9 billion in principal repayments, leaving approximately $58.0 billion outstanding.[102] Table 2.15 shows CPP share repurchases greater than $1 billion as of June 30, 2010. For a full listing of CPP share repurchases, see Appendix D: "Transaction Detail."

For more information on CPP repayment, see SIGTARP's July 2009 Quarterly Report, page 48.

Program Administration

As previously discussed, Treasury does not plan to make new CPP investments. However, Treasury still has significant responsibilities to manage the program. The following are some of those responsibilities:

- managing asset portfolios
- collecting dividends and interest payments on outstanding investments
- disposing of warrants as investments are repaid
- overseeing CPP's wind-down
- restructuring the investment in some troubled financial institutions
- potentially selecting directors for TARP recipients that missed six quarterly dividend payments

Dividends and Interest

As of June 30, 2010, Treasury had earned $9.4 billion in dividends and interest on its CPP investments.[103] However, 105 QFIs had missed scheduled dividend payments to Treasury totaling approximately $159.8 million. Although some have paid the dividend since June 30, $157.7 million has not been paid.[104] Approximately $6.3 million of the $157.7 million in outstanding payments are non-cumulative, meaning that the institution has no legal obligation to pay Treasury unless the institution declares a dividend.[105]

Under the terms of the preferred shares held by Treasury as a result of its CPP investments, in certain circumstances, such as when a QFI misses six quarterly payments or makes changes to its charter or bylaws, Treasury has the right to appoint two additional members to the institution's board of directors.[106] According to Treasury, as of June 30, 2010, one QFI, Saigon National Bank, had missed six consecutive dividend payments, and eight banks had missed five consecutive dividend payments totaling $25 million.

As of June 30, 2010, Treasury had informed SIGTARP that it was actively working to develop a plan to exercise Treasury's right to appoint new directors. Table 2.16 lists CPP participants missing one or more dividend payments as of June 30, 2010. For a complete list of CPP recipients and institutions making dividend or interest payments, see Appendix D: "Transaction Detail."

TABLE 2.16

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 6/30/2010

Institution	Dividend Type	Number of Missed Dividend Payments	Value of Missed Dividends ($ Thousands)	Value of Dividends Outstanding ($ Thousands)
Saigon National Bank	Non-Cumulative	6	$ 117.7	$117.7
Anchor BanCorp Wisconsin, Inc.	Cumulative	5	7,104.2	7,104.2
Blue Valley Ban Corp.	Cumulative	5	1,359.4	1,359.4
Commonwealth Business Bank	Non-Cumulative	5	524.6	524.6
Lone Star Bank	Non-Cumulative	5	213.5	213.5
OneUnited Bank	Non-Cumulative	5	753.9	753.9
Pacific Capital Bancorp	Cumulative	5	11,289.6	11,289.6
Seacoast Banking Corporation of Florida/Seacoast National Bank	Cumulative	5	3,125.0	3,125.0
United American Bank	Non-Cumulative	5	586.1	586.1
Central Pacific Financial Corp.	Cumulative	4	6,750.0	6,750.0
Centrue Financial Corporation	Cumulative	4	1,633.4	1,633.4
Citizens Bancorp	Cumulative	4	566.8	566.8
Citizens Bank & Trust Company	Non-Cumulative	4	130.8	130.8

Continued on next page.

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 6/30/2010 (CONTINUED)

Institution	Dividend Type	Number of Missed Dividend Payments	Value of Missed Dividends ($ Thousands)	Value of Dividends Outstanding ($ Thousands)
Community Bank of the Bay	Non-Cumulative	4	$72.5	$72.5
Dickinson Financial Corporation II	Cumulative	4	7,959.9	7,959.9
First BanCorp	Cumulative	4	20,000.0	20,000.0
First Banks, Inc.	Cumulative	4	16,099.3	16,099.3
Georgia Primary Bank	Non-Cumulative	4	254.8	254.8
Grand Mountain Bancshares, Inc.	Cumulative	4	161.1	161.1
Idaho Bancorp	Cumulative	4	376.1	376.1
One Georgia Bank	Non-Cumulative	4	305.6	305.6
Pacific City Financial Corporation/Pacific City Bank	Cumulative	4	882.9	882.9
Pacific International Bancorp Inc.	Cumulative	4	325.0	325.0
Patterson Bancshares, Inc.	Cumulative	4	201.2	201.2
Peninsula Bank Holding Co.	Cumulative	4	312.5	312.5
Premier Service Bank	Non-Cumulative	4	15.0	215.0
Royal Bancshares of Pennsylvania, Inc.	Cumulative	4	1,520.4	1,520.4
Sterling Financial Corporation/Sterling Savings Bank	Cumulative	4	15,150.0	15,150.0
Cascade Financial Corporation	Cumulative	3	1,461.4	1,461.4
Citizens Commerce Bancshares, Inc.	Cumulative	3	257.5	257.5
Community First, Inc.	Non-Cumulative	3	80.7	80.7
FC Holdings, Inc.	Cumulative	3	860.1	860.1
Hampton Roads Bankshares, Inc.	Cumulative	3	3,013.0	3,013.0
Heritage Commerce Corp	Cumulative	3	1,500.0	1,500.0
Integra Bank Corporation	Cumulative	3	3,134.5	3,134.5
Maryland Financial Bank	Non-Cumulative	3	69.5	69.5
Northern States Financial Corporation	Cumulative	3	645.4	645.4
Omega Capital Corp.	Cumulative	3	115.1	115.1
OSB Financial Services, Inc.	Cumulative	3	383.8	383.8
Pathway Bancorp	Cumulative	3	152.3	152.3
Pierce County Bancorp	Cumulative	3	278.0	278.0
Premierwest Bancorp	Cumulative	3	1,552.5	1,552.5
Ridgestone Financial Services, Inc.	Cumulative	3	445.5	445.5
Rising Sun Bancorp	Cumulative	3	244.5	244.5
Rogers Bancshares, Inc.	Cumulative	3	1,021.9	1,021.9
Syringa Bancorp	Cumulative	3	327.0	327.0
The Connecticut Bank and Trust Company	Non-Cumulative	3	178.6	178.6
The Freeport State Bank	Non-Cumulative	3	12.3	12.3
TIB Financial Corp	Cumulative	3	1,387.5	1,387.5
First Federal Bancshares of Arkansas, Inc.	Cumulative	2	412.5	412.5

Continued on next page.

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 6/30/2010 (CONTINUED)

Institution	Dividend Type	Number of Missed Dividend Payments	Value of Missed Dividends ($ Thousands)	Value of Dividends Outstanding ($ Thousands)
Alliance Financial Corporation	Cumulative	2	$503.4	$503.4
BNCCORP, Inc.	Cumulative	2	547.6	547.6
Cecil Bancorp, Inc.	Cumulative	2	289.0	289.0
Central Virginia Bankshares, Inc.	Cumulative	2	284.6	284.6
Citizens Bancshares Inc.	Cumulative	2	681.0	681.0
Citizens Republic Bancorp, Inc.	Cumulative	2	7,500.0	7,500.0
City National Bancshares Corporation	Cumulative	2	236.0	236.0
Congaree Bancshares, Inc.	Cumulative	2	134.3	89.5
Duke Financial Group, Inc. (Peoples Bank of Commerce)	Cumulative	2	503.4	503.4
Fidelity Federal Bancorp	Cumulative	2	177.4	177.4
First Security Group, Inc.	Cumulative	2	825.0	825.0
First Sound Bank	Non-Cumulative	2	185.0	185.0
First Southwest Bancorporation, Inc.	Cumulative	2	149.9	149.9
FPB Bancorp, Inc.	Cumulative	2	145.0	145.0
Fresno First Bank	Non-Cumulative	2	33.4	33.4
Heartland Bancshares, Inc.	Cumulative	2	186.2	186.2
Intermountain Community Bancorp/Panhandle State Bank	Cumulative	2	675.0	675.0
Intervest Bancshares Corporation	Cumulative	2	625.0	625.0
Investors Financial Corporation of Pettis County, Inc. (Excel Bank)	Cumulative	2	167.8	167.8
Monarch Community Bancorp, Inc.	Cumulative	2	169.6	169.6
Presidio Bank	Non-Cumulative	2	276.7	276.7
Security State Bank Holding Company (Bank Forward)	Cumulative	2	451.0	451.0
Sonoma Valley Bancorp	Cumulative	2	235.8	235.8
South Financial Group, Inc./Carolina First Bank	Cumulative	2	8,675.0	8,675.0
Tennessee Valley Financial Holdings, Inc.	Cumulative	2	81.8	81.8
The Bank of Currituck	Non-Cumulative	2	109.6	109.6
U.S. Century Bank	Non-Cumulative	2	1,368.9	1,368.9
Bankers' Bank of the West Bancorp, Inc.	Cumulative	1	172.2	172.2
Bridgeview Bancorp, Inc.	Cumulative	1	517.8	17.8
Exchange Bank	Non-Cumulative	1	585.9	585.9
First Community Bancshares, Inc.	Cumulative	1	201.7	201.7
First Trust Corporation	Cumulative	1	376.9	76.9
FNB United Corp.	Cumulative	1	643.8	643.8
Gold Canyon Bank	Non-Cumulative	1	21.2	21.2
Goldwater Bank, N.A.	Non-Cumulative	1	104.9	35.0
Gregg Bancshares, Inc.	Cumulative	1	11.2	11.2
Heritage Oaks Bancorp	Cumulative	1	262.5	262.5

Continued on next page.

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 6/30/2010 (CONTINUED)

Institution	Dividend Type	Number of Missed Dividend Payments	Value of Missed Dividends ($ Thousands)	Value of Dividends Outstanding ($ Thousands)
Independent Bank Corporation	Cumulative	1	$2,099.8	$299.8
Madison Financial Corporation	Cumulative	1	45.9	45.9
MetroCorp Bancshares, Inc.	Cumulative	1	562.5	562.5
Midtown Bank & Trust Company	Non-Cumulative	1	142.3	71.1
Millennium Bancorp, Inc.	Cumulative	1	197.8	98.9
Northwest Bancorporation, Inc.	Cumulative	1	143.1	143.1
Pacific Commerce Bank	Non-Cumulative	1	87.3	32.0
Patapsco Bancorp, Inc.	Cumulative	1	81.8	81.8
Plumas Bancorp	Cumulative	1	149.4	149.4
Popular, Inc.	Cumulative	1	11,687.5	11,687.5
Prairie Star Bancshares, Inc.	Cumulative	1	38.2	38.2
Premier Bank Holding Company	Cumulative	1	129.4	129.4
Santa Clara Valley Bank, N.A.	Non-Cumulative	1	39.5	39.5
Stonebridge Financial Corp.	Cumulative	1	149.5	149.5
TCB Holding Company	Cumulative	1	159.8	159.8
Timberland Bancorp, Inc.	Cumulative	1	208.0	208.0
Treaty Oak Bancorp, Inc.	Cumulative	1	44.5	44.5
Valley Financial Corporation	Cumulative	1	200.2	200.2
Total			**$159,806.9**	**$157,666.8**

Notes: Numbers affected by rounding. Approximately $6.3 million of the $157.7 million in outstanding CPP dividend payments is non-cumulative and Treasury has no legal right to missed dividends that are non-cumulative.

Source: Treasury, response to SIGTARP data call, 6/30/2010.

For more information on CPP warrant disposition, see SIGTARP's January 2010 Quarterly Report, page 58.

Warrant Disposition

As required by EESA, Treasury receives warrants when it invests in troubled assets, with an exception for certain small institutions. Warrants give Treasury the right, but not the obligation, to purchase a certain number of shares of common stock in a company at a predetermined price. Because warrants rise in value as the company's share price rises, they permit Treasury (and the taxpayer) to benefit from a firm's potential recovery.[107] For publicly traded institutions, the warrants received by Treasury under CPP allowed Treasury to purchase shares of common stock, in an amount equal to 15% of the value of the investment, at a fair market value determined by market price, financial models, and third-party valuations. CPP warrants in public institutions expire 10 years from the date of the CPP investment. For private institutions, the warrants gave Treasury additional preferred stock or debt in an amount equal to 5% of the TARP investment, effectively giving Treasury more preferred shares or debt securities than it purchased.[108] Warrants in private companies were exercised immediately.[109] As of June 30, 2010, Treasury had not exercised warrants for any publicly traded institution's stock.[110]

Repurchase of Warrants by Financial Institutions

Upon repaying its CPP investment, a CPP recipient may buy back its warrants. As of June 30, 2010, 37 publicly traded institutions had bought back $2.9 billion worth of warrants. By that same date, 11 private institutions whose warrants had been immediately exercised, resulting in additional preferred shares, had bought back those shares for a total of $3.8 million.[111] Table 2.17 lists publicly traded institutions that have paid back TARP and repurchased warrants. Table 2.18 lists private institutions that had done so as of June 30, 2010.[112]

TABLE 2.17

CPP WARRANT REPURCHASES (PUBLIC), AS OF 6/30/2010

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Thousands)
7/22/2009	The Goldman Sachs Group, Inc.	12,205,045	$1,100,000.0
8/12/2009	Morgan Stanley	65,245,759	950,000.0
7/29/2009	American Express Company	24,264,129	340,000.0
7/15/2009	U.S. Bancorp	32,679,102	139,000.0
8/5/2009	BNYM	14,516,129	136,000.0
8/26/2009	Northern Trust Corporation	3,824,624	87,000.0
7/22/2009	BB&T Corp.	13,902,573	67,010.4
7/8/2009	State Street Corporation[a]	2,788,104	60,000.0
4/7/2010	City National Corporation	1,128,668	18,500.0
12/30/2009	Trustmark Corporation	1,647,931	10,000.0
6/16/2010	SVB Financial Group	354,058	6,820.0
5/27/2009	FirstMerit Corporation	952,260	5,025.0
3/31/2010	Umpqua Holdings Corp.	1,110,898	4,500.0
6/24/2009	First Niagara Financial Group	953,096	2,700.0
11/24/2009	Bank of the Ozarks, Inc.	379,811	2,650.0
5/27/2009	Independent Bank Corp.	481,664	2,200.0
5/27/2009	Sun Bancorp, Inc.	1,620,545	2,100.0
4/7/2010	First Litchfield Financial Corporation	199,203	1,488.0
9/30/2009	Bancorp Rhode Island, Inc.	303,083	1,400.0
6/24/2009	SCBT Financial Corporation	192,967	1,400.0
10/28/2009	CVB Financial Corp.	834,761	1,307.0
5/20/2009	Iberiabank Corporation	813,008	1,200.0
5/8/2009	Old National Bancorp	138,490	1,200.0
6/24/2009	Berkshire Hills Bancorp, Inc.	226,330	1,040.0
12/23/2009	WesBanco, Inc.	439,282	950.0
6/17/2009	Alliance Financial Corporation	173,069	900.0
12/30/2009	Flushing Financial Corporation	375,806	900.0
6/30/2009	HF Financial Corp., Sioux Falls	302,419	650.0
12/16/2009	Wainwright Bank & Trust Company	390,071	568.7
12/16/2009	LSB Corporation	209,497	560.0
12/23/2009	Union First Market Bankshares Corporation (Union Bankshares Corporation)	211,318	450.0
2/3/2010	OceanFirst Financial Corp.	190,427	430.8
6/24/2009	Somerset Hills Bancorp	163,065	275.0
2/10/2010	Monarch Financial Holdings, Inc.	132,353	260.0
9/2/2009	Old Line Bancshares, Inc.	141,892	225.0
10/28/2009	Centerstate Banks of Florida Inc.	125,413	212.0
10/14/2009	Manhattan Bancorp	29,480	63.4
Total		**183,646,330**	**$2,948,985.3**

Notes: Numbers affected by rounding. This table represents warrants for common stock issued to Treasury by publicly traded TARP recipients. Treasury may hold one warrant for millions of underlying shares, rather than millions of warrants of an individual financial institution.
[a] State Street Corporation reduced its original amount of warrants issued through a qualified equity offering.

Source: Treasury, *Transactions Report*, 6/30/2010; Treasury, response to SIGTARP data call, 7/10/2010.

TABLE 2.18

CPP REPURCHASES OF PREFERRED SHARES RESULTING FROM IMMEDIATE EXERCISE OF WARRANTS (PRIVATE), AS OF 6/30/2010

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Thousands)
4/15/2009	Centra Financial Holdings, Inc.	750,000	$750.0
5/27/2009	First Manitowoc Bancorp, Inc.	600,000	600.0
6/16/2010	First Southern Bancorp, Inc.	545,000	545.0
12/23/2009	Midland States Bancorp, Inc.	509,000	509.0
11/18/2009	1st United Bancorp, Inc.	500,000	500.0
4/22/2009	First ULB Corp.	245,000	245.0
4/21/2010	Hilltop Community Bancorp, Inc.	200,000	200.0
5/19/2010	Texas National Bancorporation	199,000	199.0
6/16/2010	FPB Financial Corp.	162,000	162.0
4/14/2010	First State Bank of Mobeetie	37,000	37.0
11/10/2009	Midwest Regional Bancorp, Inc.	35,000	35.0
Total		**3,782,000**	**$3,782.0**

Notes: Numbers affected by rounding. This table represents the preferred shares held by Treasury as a result of the exercise of warrants issued by non-publicly traded TARP recipients. These warrants were exercised immediately upon the transaction date. Treasury may hold one warrant for millions of underlying shares, rather than millions of warrants of an individual financial institution.

Source: Treasury, *Transactions Report*, 6/30/2010.

Treasury Warrant Auctions

When a CPP recipient declines to repurchase its warrants directly from Treasury or cannot reach agreement on their price, Treasury holds a modified Dutch auction to sell the warrants publicly. On the announced auction date potential investors (which may include the CPP recipient) submit bids to the auction agent (Deutsche Bank) at specified increments above a minimum price set by Treasury.[113] Once Deutsche Bank receives all bids, it determines the final price and distributes the warrants to the winning bidders.

Dutch Auction: For a Treasury warrant auction (which has multiple bidders bidding for different quantities of the asset), the accepted price is set at the lowest bid of the group of high bidders, whose collective bids fulfill the amount offered by Treasury. As an example, 3 investors place bids to own a portion of 100 shares offered by the issuer:

Bidder A wants 50 shares at $4/share
Bidder B wants 50 shares at $3/share
Bidder C wants 50 shares at $2/share

The seller selects Bidders A and B as the 2 highest bidders, and their collective bids consume the 100 shares offered. The winning price is $3, which is what both bidders pay per share. Bidder C's bid is not filled.

Auction Agent: Firms (such as an investment banks) that buys a series of securities from one institution for resale — also called an "underwriters."

Since April 1, 2010, Treasury has held warrant auctions for First Financial Bancorp, Wells Fargo and Company, Comerica Inc., Valley National Bancorp, Sterling Bancshares Inc., and The PNC Financial Services Group, Inc. (Each institution had opted not to buy back its warrants directly after repaying TARP.) As of June 30, 2010, Treasury had held 14 public auctions, raising approximately $1.4 billion. Final closing information for all auctions is shown in Table 2.19.

For more information on Treasury warrant auctions, see SIGTARP's audit "Treasury's Process to Value and Repurchase Warrants Issued Under the Capital Purchase Program" at www.SIGTARP.gov.

For more information on CPP warrant auctions, see SIGTARP's January 2010 Quarterly Report, page 60.

TABLE 2.19

TREASURY AUCTIONS, AS OF 6/30/2010

	Date of Auction	# of Warrants Offered	Minimum Bid Price	Selling Price	Proceeds to Treasury ($ Millions)
Sterling Bancshares Inc.	6/9/2010	2,615,557	$0.85	$1.15	$3
First Financial Bancorp	6/2/2010	465,117	4.00	6.70	3.1
Wells Fargo and Company	5/20/2010	110,261,688	6.50	7.70	849
Valley National Bancorp	5/18/2010	2,532,542	1.70	2.20	5.6
Comerica Inc.	5/6/2010	11,479,592	15.00	16.00	183.7
The PNC Financial Services Group, Inc.	4/29/2010	16,885,192	15.00	19.20	324.2
Texas Capital Bancshares, Inc.	3/11/2010	758,086	$ 6.50	$6.50	6.7
Signature Bank	3/10/2010	595,829	16.00	19.00	11.3
Washington Federal, Inc.	3/9/2010	1,707,456	5.00	5.00	15.6
Bank of America A Auction (TIP)	3/3/2010	150,375,940	7.00	8.35	1,255.6
Bank of America B Auction (CPP)	3/3/2010	121,792,790	1.50	2.55	310.6
TCF Financial	12/15/2009	3,199,988	1.50	3.00	9.6
JPMorgan Chase	12/10/2009	88,401,697	8.00	10.75	950.3
Capital One	12/3/2009	12,657,960	7.50	11.75	148.7

Note: Numbers affected by rounding.

Sources: The PNC Financial Services Group, Inc., "Final Prospectus Supplement," 4/29/2010, http://www.sec.gov/Archives/edgar/data/713676/000119312510101032/d424b5.htm, accessed 6/30/2010; Valley National Bancorp, "Final Prospectus Supplement," 5/18/2010, http://www.sec.gov/Archives/edgar/data/714310/000119312510123896/d424b5.htm, accessed 6/30/2010; Comerica Incorporated, "Final Prospectus Supplement," 5/6/2010, http://www.sec.gov/Archives/edgar/data/28412/000119312510112107/d424b5.htm, accessed 6/30/2010; Wells Fargo and Company, "Definitive Prospectus Supplement," 5/20/2010, http://www.sec.gov/Archives/edgar/data/72971/000119312510126208/d424b5.htm, accessed 6/30/2010; First Financial Bancorp, "Prospectus Supplement," 6/2/2010, http://www.sec.gov/Archives/edgar/data/708955/000114420410031630/v187278_424b5.htm, accessed 6/30/2010; Sterling Bancshares, Inc., "Prospectus Supplement," 6/9/2010, http://www.sec.gov/Archives/edgar/data/891098/000119312510137258/d424b5.htm, accessed 6/30/2010 Signature Bank, "Prospectus Supplement," 3/10/2010, http://files.shareholder.com/downloads/SBNY/865263367x0x358381/E87182B5-A552-43DD-9499-8B56F79AEFD0/8-K__Reg_FD_Offering_Circular.pdf, accessed 3/11/2010; Texas Capital Bancshares, Inc., "Prospectus Supplement," 3/11/2010, www.sec.gov/Archives/edgar/data/1077428/000095012310023800/d71405ae424b5.htm, accessed 3/12/2010; Bank of America, "Form 8-K," 3/3/2010, www.sec.gov/Archives/edgar/data/70858/000119312510051260/d8k.htm, accessed 3/4/2010; Bank of America, "Prospectus Supplement," 3/1/2010, www.sec.gov/Archives/edgar/data/70858/000119312510044940/d424b7.htm, accessed 3/4/2010; Bank of America, "Prospectus Supplement," 3/1/2010, www.sec.gov/Archives/edgar/data/70858/000119312510044945/d424b7.htm, accessed 3/4/2010; Washington Federal, Inc., "Prospectus Supplement," 3/9/2010, www.sec.gov/Archives/edgar/data/936528/000119312510052062/d424b5.htm, accessed 3/10/2010; TCF Financial, "Prospectus Supplement," 12/16/2009, www.sec.gov/Archives/edgar/data/814184/000104746909010786/a2195869z424b5.htm, accessed 12/29/2009; JPMorgan Chase, "Prospectus Supplement," 12/11/2009, www.sec.gov/Archives/edgar/data/19617/000119312509251466/d424b5.htm, accessed 12/29/2009; Capital One Financial, "Prospectus Supplement," 12/3/2009, www.sec.gov/Archives/edgar/data/927628/000119312509247252/d424b5.htm, accessed 12/4/2009; Treasury, *Transactions Report*, 6/30/2010, http://financialstability.gov/docs/transaction-reports/4-2-10%20Transactions%20Report%20as%20of%203-31-10.pdf, accessed 6/30/2010.

Undercapitalized: Condition in which a financial institution does not meet its regulator's requirements for sufficient capital to operate under a defined level of adverse conditions.

For more information on CPP recipient restructurings approved by Treasury, see SIGTARP's October 2009 Quarterly Report regarding Banco Popular, page 61, and SIGTARP's July 2009 Quarterly Report regarding Citigroup, page 66.

CPP Restructurings and Recapitalizations

If a CPP bank is undercapitalized and in danger of becoming insolvent, it may propose to Treasury a restructuring (or recapitalization) plan to avoid failure (or to attract private capital) and to "attempt to preserve value" for Treasury's investment.[114] To preserve value, Treasury may make concessions such as downgrading creditor standing, either forgiving or capitalizing unpaid dividends, reducing interest rates, or accepting less than face value for its securities. Although Treasury often completes these transactions at discount to par value, which may result in a loss, it has explained to SIGTARP that it is seeking to avoid a total loss, which would occur if the bank fails.[115] Under this process, the bank asks Treasury for a formal review of its proposal. The proposal will discuss the bank's recapitalization plan at length and may estimate how much capital the bank plans to raise from private investors. The proposal may also involve the proposed discount on Treasury's shares.[116] According to Treasury, when it receives such a request from a TARP recipient, it asks one of its external asset managers to analyze the proposal and perform due diligence on the bank.[117] The external asset manager interviews bank managers, gathers non-public information, and conducts loan-loss estimates and capital structure analysis. The manager submits its evaluation to Treasury, which in turn decides whether to restructure its CPP investment.[118]

Table 2.20 shows all CPP restructurings and recapitalizations that had taken place as of June 30, 2010.

TABLE 2.20

TREASURY RESTRUCTURINGS, AS OF 6/30/2010 ($ MILLIONS)

	Pre-Exchange Investment			Exchange				
Institution	**Date**	**Amount**	**Security Type**	**Date**	**Amount Received by Treasury**	**Security Type**	**Haircut**	**(Loss)/ Gain on Exchange**[a]
Citigroup Inc.	10/28/2008	$25,000.0	Preferred Stock	2/27/2009	$25,000.0	Common Stock	0%	$0
First Merchants	6/30/2010	$46.4	Preferred Stock	3/23/2010	$46.4	Trust Preferred Securities	0%	$0
Independent Bank Corporation[b]	12/12/2008	$72.0	Preferred Stock	4/16/2010	$74.4	Mandatorily Convertible Preferred Stock ($2.4 million in accrued and unpaid dividends)	0%	$0
	4/16/2010	$74.4	Mandatorily Convertible Preferred Stock	Pending[b]	$54.0	Common Stock	27%	($20.4)
Midwest Banc Holdings, Inc.[c]	12/5/2008	$84.8	Preferred Stock	3/8/2010	$89.4	Mandatorily Convertible Preferred Stock ($4.6 million for accrued and unpaid dividends)	0%	$0
	3/8/2010	$89.4	Mandatorily Convertible Preferred Stock	5/14/2010	—	N/A	100%	($89.4)
Popular, Inc.	12/5/2008	$935.0	Preferred Stock	8/24/2009	$948.0	Trust Preferred Securities ($13.0 Exchange Fee)	0%	$13.0
South Financial Group, Inc./Toronto Dominion[b]	12/5/2008	$347.0	Preferred Stock & Warrants	Pending[b]	$130.6	Cash	62%	($216.4)
Sterling Financial Corporation[b]	12/5/2008	$303.0	Preferred Stock	4/29/2010	$303.0	Mandatorily Convertible Preferred Stock	0%	$0
	4/29/2010	$303.0	Mandatorily Convertible Preferred Stock	Pending[b]	$75.8	Common Stock	75%	($227.3)
Superior Bancorp, Inc.	12/5/2008	$69.0	Series A Preferred Stock	12/11/2009	$69.0	Trust Preferred Securities	0%	$0

Notes: Numbers affected by rounding.
[a] Treasury completes these transactions at discount to par value. Any loss or gain would typically not be realized until the sale of the securities.
[b] Loss will be realized when transaction closes.
[c] The FDIC ordered the closure of Midwest's wholly owned subsidiary on 5/14/2010. As a result, all of Treasury's investment was lost in the transaction.

Source: Treasury, *Transactions Report*, 6/30/2010.

For more information on Citigroup's December 22, 2009, equity offering, see SIGTARP's January 2010 Quarterly Report, page 73.

Recent Exchanges

Toronto-Dominion Bank Merger with South Financial Group

On December 5, 2008, Treasury invested $347 million in South Financial Group Inc. ("South Financial") through CPP. On May 17, 2010, Toronto-Dominion Bank ("TD") entered into a definitive agreement with South Financial under which TD would acquire all of South Financial's business and obligations. The agreement was unanimously approved by both companies' boards. Under the agreement, South Financial shareholders were given the choice of accepting, per share, either $0.28 or 0.004% of a TD common share — valuing South Financial at approximately $61 million.[119] At the time of the merger, South Financial was under a consent order from the South Carolina State Board of Financial Institutions and the FDIC that required South Financial improve its capital position by early September 2010.[120]

In addition, TD agreed to pay Treasury approximately $130.6 million as consideration for the $347.0 million of South Financial preferred stock and warrants that Treasury held as a result of its CPP investment in South Financial and the unpaid dividends associated with Treasury's investment. Upon closing, this exchange likely will result in a loss to taxpayers of approximately $216.4 million.[121]

Updates on Previously Announced Exchanges

Citigroup Common Stock Sale

On October 28, 2008, Treasury received $25 billion in Citigroup Inc. ("Citigroup") preferred shares in return for investing in Citigroup under CPP.[122] On February 27, 2009, Treasury agreed, at the request of Citigroup, to an exchange with Citigroup in which Treasury converted the $25.0 billion in preferred stock shares it had received under CPP for 7.7 billion shares of Citigroup common stock, which were exchanged for the equivalent of $3.25 per share.[123] On March 29, 2010, Treasury announced that it would sell the Citigroup common stock it held as a result of its CPP investment.[124]

The March 29, 2010, Treasury announcement followed the March 16, 2010, end of the 90-day lockout period to which Treasury had agreed in order to facilitate Citigroup's December 22, 2009, equity offering. In exchange for the 90-day "lockup period" Citigroup had agreed to pay all costs associated with the sale of any securities issued to Treasury by Citigroup or any of its subsidiaries in connection with TARP. Treasury hired Morgan Stanley as its capital markets advisor in connection with its disposition of its Citigroup common stock. On March 29, 2010, Treasury stated that, under a prearranged written trading plan, it would sell its Citigroup common shares in an "orderly and measured" fashion over the course of 2010, subject to market conditions.[125]

In accordance with that plan, on May 26, 2010, Treasury completed its month-long sale of 1.5 billion shares of Citigroup common stock.[126] As a result, Treasury received approximately $6.2 billion in proceeds (at an average price of $4.12 per share) and reduced its percentage ownership of Citigroup common stock from approximately 27% to 21%. Additionally, Treasury entered into a second prearranged trading plan with Morgan Stanley to sell up to 1.5 billion of Treasury's remaining 6.2 billion shares of Citigroup common stock.[127]

On July 1, 2010, Treasury announced that, over the preceding month, it had sold another approximately 1.1 billion shares, at an average price of approximately $3.90 per share, resulting in $4.3 billion in proceeds. To date Treasury has sold a total of 2.6 billion shares for a total of approximately $10.5 billion, leaving it with approximately 5.1 billion shares.[128] As of June 30, 2010, Treasury owned approximately 18% of Citigroup's outstanding common shares.[129]

Midwest Banc Holdings Exchange

On December 5, 2008, Treasury invested $84.8 million in Midwest Banc Holdings under CPP in return for preferred shares and warrants.[130] On October 15, 2009, Midwest Banc Holdings, Inc. ("Midwest") sent a letter requesting that Treasury convert its $84.8 million in preferred shares to 29.0 million shares of common stock as part of a capital plan approved by Midwest's primary regulator, the Federal Reserve Board.[131] On March 8, 2010, Treasury exchanged its $84.8 million of Midwest preferred stock for $89.5 million of Midwest mandatorily convertible preferred shares ("MCP"), which was equal to Treasury's $84.8 million of Midwest preferred stock, plus $4.6 million of capitalized accrued and unpaid dividends.[132]

Because of the poor condition of Midwest's subsidiary bank, the Federal Reserve issued a prompt corrective action order against the bank.[133] Midwest was unable to recapitalize its subsidiary bank in accordance with the order's terms, and the bank was officially closed on May 14, 2010. To protect depositors, the FDIC entered into a purchase agreement with Firstmerit Bank under which Firstmerit Bank assumed all of Midwest's deposits.[134] All of Treasury's $84.8 million investment was lost in the transaction.[135]

Sterling Financial Corporation

On December 5, 2008, Treasury invested $303 million in Sterling Financial Corporation under CPP in return for preferred stock and warrants.[136] On March 16, 2010, Treasury tentatively agreed to exchange its entire CPP investment in Sterling Financial Corporation ("Sterling") for MCP. The MCP will have a 5% annual dividend rate from the issue date until December 5, 2013, after which the rate becomes 9%. Sterling will be able to convert the MCP to common stock at any time.[137]

On April 29, 2010, Sterling announced it had reached a definitive exchange agreement with Treasury. Under the agreement's terms, once Sterling raises $720 million in private capital, it will be able to convert the $303 million MCP to

Mandatorily Convertible Preferred Shares ("MCP"): Preferred share that can be converted to common stock at the issuer's discretion if specific criteria are met by a certain date.

Prompt Corrective Action Order: Federal law requires that Federal bank regulators take necessary actions to resolve the problems of insured depository institutions at the least possible long-term loss to the Deposit Insurance Fund.

common stock at any time for a discounted purchase price of approximately $75.8 million.[138]

On May 25, 2010, Sterling announced it had reached definitive investment agreements with Thomas H. Lee Partners L.P. ("THL") and Warbug Pincus Investments ("Warbug Pincus"). Under the agreements, THL and Warbug Pincus will each invest $139 million in Sterling in return for Sterling common stock, Series B convertible participating voting preferred stock, and warrants for a combined total investment of approximately $278 million. Both investments are contingent on Sterling's ability to raise enough additional funds to meet the $720 million regulatory capital requirement and convert Treasury's preferred stock to MCP.[139]

Use of Funds

In December 2009, Treasury finally adopted SIGTARP's longstanding recommendation that it collect and report data concerning TARP recipients' use of TARP funds. Specifically, Treasury agreed to obtain and report publicly qualitative data from each TARP recipient on its use of TARP funds, backed by data from the institutions' regulators and Treasury's own analysis. In March 2010, Treasury sent its use of funds survey to TARP recipients with responses due before April 19, 2010. As of June 30, 2010, Treasury had not yet released the findings of the surveys.

Small-Business Lending Initiatives

Treasury has taken steps to initiate two new programs that it describes as small-business lending initiatives. Both are similar to TARP's CPP in that they involve Treasury purchases of preferred shares or subordinated debt in certain QFIs. The first, the Community Development Capital Initiative ("CDCI"), will use TARP money. Under legislation currently pending in the U.S. Congress, the other initiative, the Small Business Lending Fund ("SBLF"), would operate outside of TARP.[140] Although it was initially announced that funding for SBLF would be provided through the rescission of $30 billion from TARP, pending legislation has no such requirement. The SBLF program, however, would likely involve a large number of existing TARP recipients.[141]

Community Development Capital Initiative ("CDCI")

The Obama Administration announced a program on October 21, 2009, that it described as a way to help small businesses obtain credit at better interest rates.[142] Under the program, later named CDCI, TARP will make capital investments in the preferred stock or subordinated debt of eligible banks, bank holding companies, thrifts, and credit unions certified as Community Development Financial Institutions ("CDFIs"). In general, these organizations provide financial services to under-served communities.[143] The "CDFI" designation is a certification granted by Treasury's CDFI Fund.[144]

CDCI is open to certified, qualifying CDFIs or financial institutions that applied for CDFI status by April 30, 2010. The original CDCI deadline was extended from April 2 to April 30.[145] CDFIs participating in CPP and in good standing may exchange CPP investments for CDCI investments.[146] Each institution's Federal regulator must review and approve its application.[147]

Terms for Senior Securities and Dividends

An eligible bank, bank holding company, or thrift may apply to receive capital up to 5% of its risk-weighted assets. Credit unions are member-owned, non-profit entities that have a different capital structure than banks, which are shareholder-owned, for-profit entities.[148] A credit union may apply for Government funding totaling up to 3.5% of its total assets—roughly equivalent to the 5% of risk-weighted assets applicable to banks. Participating credit unions issue to Treasury subordinated debt in lieu of the preferred stock that would be issued by banks, bank holding companies, thrifts, and savings and loan holding companies.[149] For all CDFIs, the investments will have an initial dividend rate of 2%, which will increase to 9% after eight years.[150]

A CDFI currently participating in CPP can request to convert those shares into CDCI shares, thereby reducing the dividend percentage it pays the Government from 5% to 2%.[151] By the application deadline, Treasury received applications for CDFI investments from 37 banks and thrifts and 56 credit unions; 36 of 37 bank

Community Development Financial Institutions ("CDFIs"): Financial institutions eligible for Treasury funding to serve the CDCI's targeted demographic under the CDFI Fund. CDFIs were created in 1994 by the Riegle Community Development and Regulatory Improvement Act.

Under-Served Communities: Either geographic areas or demographic groups that Treasury's CDFI Fund division determines lack adequate access to financial services.

Total Risk-Weighted Assets: Financial institution's total assets after making adjustments based on each individual asset's risk factor.

applications came from CPP recipients seeking to convert those investments into CDCI.[152]

Treasury will invest up to $780.2 million in CDCI.[153] No institutions had been funded under the program as of June 30, 2010.[154]

According to Treasury, CDFIs are not required to issue warrants because of the *de minimis* exception in EESA granting Treasury the authority to waive the warrant requirement for qualifying institutions in which Treasury invested $100 million or less.[155]

If, during the application process, a CDFI's primary regulator deems it undercapitalized, Treasury may match private investments on a dollar-for-dollar basis, up to 5% of the financial institution's risk-weighted assets, but only if the combined investment is enough for regulators to deem the institution healthy and viable.[156] In such case the private capital must bear any losses before Treasury's investment does.[157]

Small Business Lending Fund ("SBLF")

SBLF as proposed is intended to allow Treasury "to make capital investments in eligible institutions in order to increase the availability of credit for small businesses."[158] The proposal passed the House of Representatives on June 17, 2010, as the Small Business Lending Fund Act of 2010.[159] In the Senate, the bill was renamed the Small Business Jobs and Credit Act of 2010, in which SBLF is now one of several provisions.[160] As of the drafting of this report, the bill was still pending in Congress.[161]

SBLF includes an incentive for participating institutions, all of which must have $10 billion or less in total assets, to boost small-business lending.[162] An eligible financial institution could receive a capital investment totaling up to 3% or 5% of its risk-weighted assets, depending on its size.[163] The dividend or interest rate on the investment would initially be 5% per annum but would be reduced by 1% for every 2.5% increase in small business lending (compared to the lender's previous levels) during the next two years, subject to a minimum rate of 1%.[164] If the interest rate declined under this incentive during the two-year adjustment period, the final interest rate would hold until the end of the four-and-one-half year period that would begin on the date of Treasury's investment.[165] If at the end of the two-year adjustment period, however, an institution's small-business lending is the same or less relative to its previous levels, the dividend or interest rate would rise to 7%.[166] Four-and-one-half years after Treasury's investment, the rate for all participants would rise to 9%.[167]

Although the program would operate outside of TARP, certain TARP recipients likely could convert their investments into the program, thus benefiting from a lower interest rate.[168] The legislation provides that the Treasury secretary shall "issue regulations and other guidance to permit eligible institutions to refinance securities issued to Treasury under the CDCI and the CPP for securities to be issued under the Program."[169] Additionally, they would no longer have to comply with EESA's restrictions, such as those on executive compensation and dividends.[170]

Systemically Significant Failing Institutions Program/AIG Investment Program

According to the Treasury Department ("Treasury"), the Systemically Significant Failing Institutions ("SSFI") program was established to "provide stability and prevent disruptions to financial markets from the failure of institutions that are critical to the functioning of the nation's financial system."[171] Through SSFI, Treasury allocated $69.8 billion to American International Group, Inc. ("AIG"), the program's sole participant.[172]

Status of SSFI Funds

On November 25, 2008, Treasury made an initial $40 billion investment in AIG. In return, Treasury received AIG Series D cumulative preferred stock and warrants to purchase AIG common stock. On April 17, 2009, AIG and Treasury signed a securities exchange agreement under which Treasury exchanged the Series D cumulative preferred stock for Series E non-cumulative preferred stock. Additionally, on April 17, 2009, Treasury committed to fund an equity capital facility under which AIG may draw down up to $29.8 billion in exchange for additional preferred stock shares. Through June 30, 2010, AIG had drawn down $7.5 billion from the equity capital facility.[173]

Cumulative Preferred Stock: Type of stock that requires a defined dividend payment. If the company does not pay the dividend on schedule, it still owes the missed dividend to the preferred stock's owner.

Non-Cumulative Preferred Stock: Type of preferred stock that also features a defined dividend but the company has no obligation to pay any dividends it misses.

Equity Capital Facility: Commitment to invest equity capital in a firm under certain future conditions.

Dividend Payments

As of June 30, 2010, AIG had not paid or had failed to declare dividends for six consecutive quarters, for a total of $5.5 billion in missed dividend payments.[174] Under the documents governing Treasury's preferred shares in AIG, the dividend payments that AIG skipped do not have to be paid to Treasury. Instead, once AIG failed to pay dividends for four consecutive quarters, Treasury had the right to elect to AIG's board either two directors or a number (rounded upward) equal to 20% of all AIG directors, whichever is greater. On April 1, 2010, Treasury appointed Donald H. Layton and Ronald A. Rittenmeyer directors.[175] AIG has 13 board members; therefore, Treasury has the right to elect 1 more director. Treasury is in the process of identifying potential candidates.[176]

Use of Funds Report

AIG is required by its equity capital facility agreement with Treasury to submit a use of funds report describing how it plans to use the facility's proceeds.[177] As of June 30, 2010, AIG has used the facility's proceeds to: meet capital solvency requirements resulting from declines in the value of AIG's investments; purchase shares of United Guaranty Corporation ("UGC"), an AIG subsidiary; provide capital support to UGC; settle payments for UGC; redeem all of its preferred shares held by National Union Fire Insurance Company of Pittsburgh; purchase its shares from American International Assurance Co., Ltd. ("AIA") subsidiaries AIA(B) and

Philam Life AIG; and purchase its shares held by the American Life Insurance Company ("ALICO") unit (Japan).[178]

There have been no additional drawdowns since March 16, 2010.[179]

Federal Reserve Credit Facility Reduction

For more on AIG's Federal Reserve credit facility reduction transaction, see SIGTARP's January 2010 Quarterly Report, page 71.

In September 2008, the Federal Reserve Bank of New York ("FRBNY") extended an $85 billion revolving credit facility to AIG in an effort to stabilize the company. In return, AIG committed 79.9% of its equity to a trust for the sole benefit of Treasury.[180] Subsequent transactions were eventually necessary to modify the revolving credit facility to give AIG more time to repay the Government and greater flexibility in the sale of its assets. The following actions were taken to stabilize AIG's operations:[181]

- Treasury purchased $40 billion in AIG preferred shares under TARP, the proceeds of which went directly to FRBNY. After that payment, the total amount available to AIG under FRBNY's revolving credit facility was reduced from $85 billion to $60 billion.
- FRBNY created Maiden Lane II, a special purpose vehicle ("SPV"), to which FRBNY was authorized to lend up to $22.5 billion to fund the purchase of residential mortgage-backed securities from the securities-lending portfolios of several of its U.S.-regulated insurance subsidiaries in order to help address liquidity pressures stemming from its security lending programs.
- FRBNY created Maiden Lane III, an SPV, to which FRBNY was authorized to lend up to $30 billion to buy collateralized debt obligations underlying credit default swaps from AIG's counterparties, in return for which the counterparties agreed to terminate the associated swaps with AIG.

Revolving Credit Facility: Line of credit for which the borrower pays a commitment fee and is then allowed to use up to a guaranteed maximum amount of funds as needed.

Special Purpose Vehicle ("SPV"): Off-balance-sheet legal entity that holds transferred assets presumptively beyond the reach of the entities providing the assets, and that is legally isolated.

On March 2, 2009, Treasury and the Federal Reserve announced a restructuring of Government assistance to AIG that was designed to strengthen the company's capital position. The measures included an authorization from the Federal Reserve for FRBNY to acquire up to $26 billion of preferred equity interests in two SPVs formed to hold two of AIG's largest foreign life insurance subsidiaries — AIA and ALICO — which would reduce the outstanding amount available under the revolving credit facility by an equivalent amount. The SPVs' creation also facilitated the independence of these two subsidiaries in anticipation of a sale or initial public offering ("IPO").[182]

On December 1, 2009, FRBNY received $16 billion in preferred equity interests in the AIA SPV and $9 billion in preferred equity interests in the ALICO SPV. This decreased AIG's outstanding credit facility principal balance by $25 billion and reduced its total facility borrowing capacity from $60 billion to $35 billion.[183] Under the transaction's terms, with limited exceptions, all proceeds from the voluntary sale, public offering, or other liquidation of the assets or businesses held by the SPVs (that is, AIA or ALICO) must first be used to redeem FRBNY's preferred equity interests in the SPVs, until those interests have been fully redeemed, and then to reduce the outstanding credit facility.[184] As of June 30, 2010, AIG's total outstanding principal balance under the credit facility was $20.48 billion.[185] AIG is not permitted to repay its TARP investment until all of its obligations to FRBNY are fully repaid.

Sale of Business and Assets

On March 1, 2010, AIG announced the signing of an agreement to sell AIA to Prudential plc, Inc. ("Prudential") for approximately $35.5 billion. However, Prudential shareholders indicated that the deal would not be approved unless a lower price could be negotiated. On June 2, 2010, the original AIG-Prudential agreement ended when price renegotiations between the companies failed. AIG still plans to sell AIA, most likely through an IPO.[186] Any cash proceeds from the sale of AIA will be used first to redeem FRBNY's preferred equity interests in the AIA SPV and then to repay the outstanding debt under the credit facility.[187]

On March 8, 2010, AIG announced the signing of an agreement to sell ALICO to MetLife, Inc. ("MetLife") for approximately $15.5 billion, including $6.8 billion in cash and the remainder in MetLife equity securities, subject to closing adjustments. AIG will use the cash portion of the proceeds to redeem approximately $6.8 billion of the preferred interests held by FRBNY in the ALICO SPV. AIG will sell the remaining MetLife securities over time, subject to minimum holding periods and market conditions. The net cash proceeds from this sale will be used first to redeem the remainder of the preferred shares in the ALICO SPV held by FRBNY and then to repay outstanding debt under the credit facility.[188]

On April 13, 2010, AIG and International Lease Finance Corporation ("ILFC"), AIG's aircraft leasing division, announced the signing of an agreement to sell a portfolio of 53 airplanes to Macquarie Aerospace Ltd. for approximately $2 billion. The sale was undertaken to increase liquidity and reduce the debt on ILFC's balance sheet.[189]

AIG announced on June 11, 2010, that it would amend the terms of its October 12, 2009, agreement to sell its 98% share of Nan Shan Insurance Ltd. ("Nan Shan") to a consortium of investors. Under the original agreement, AIG was to receive $2.15 billion upon completion of the sale.[190] However, in an effort to help support Nan Shan's capital position and speed up the Taiwanese regulatory agency's approval of the sale, AIG agreed to hold $325.0 million of the original $2.15 billion price in escrow for four years.[191]

Targeted Investment Program and Asset Guarantee Program

Treasury invested a total of $40 billion in Citigroup Inc. ("Citigroup") and Bank of America Corp. ("Bank of America") through the Targeted Investment Program ("TIP"). Treasury invested $20 billion in Citigroup on December 31, 2008, and $20 billion in Bank of America on January 16, 2009, in return for preferred shares paying quarterly dividends at an annual rate of 8% and warrants from each institution.[192] The stated goal of TIP was to "strengthen the economy and protect American jobs, savings, and retirement security," where "the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions."[193] By December 2009, both banks had repaid the TIP investments.[194] On March 3, 2010, Treasury successfully auctioned its Bank of America warrants received under TIP for $1.25 billion.[195] Although Treasury still holds warrants in Citigroup, TIP is effectively closed.[196]

Under the Asset Guarantee Program ("AGP"), Treasury, the Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve, and Citigroup agreed to share losses on a pool of Citigroup assets valued at approximately $301 billion. In return, the Government received $7 billion in Citigroup preferred stock, which was subsequently exchanged for trust preferred securities, and warrants to purchase Citigroup common stock. Treasury received $4 billion of the trust preferred securities as a result of the Government guarantees, while the FDIC received the remaining $3 billion.[197] Although Treasury's asset guarantee was not a direct cash investment, it exposed taxpayers to a potential TARP loss of $5 billion.

Trust Preferred Securities: Securities with both equity and debt characteristics that are created by establishing a trust and issuing debt to it.

On December 23, 2009, in connection with Citigroup's TIP repayment, the bank and Treasury terminated the AGP agreement. Treasury agreed to cancel $1.8 billion of the trust preferred securities issued by Citigroup, reducing the premium from $4.0 billion to $2.2 billion, in exchange for the guarantee's early termination. The FDIC retained all of the $3 billion in trust preferred securities it received for its original guarantees.[198] However, subject to the conditions set out in the AGP termination agreement, the FDIC may transfer $800 million of those securities to Treasury when Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program closes.[199]

ASSET SUPPORT PROGRAMS

There are three TARP programs that focus on supporting markets for specific asset classes: the Term Asset-Backed Securities Loan Facility ("TALF"), the Public-Private Investment Program ("PPIP"), and the Unlocking Credit for Small Businesses ("UCSB") program.

As initially announced, TALF was designed to support asset-backed securities ("ABS") transactions by providing up to $200 billion in Federal Reserve financing to investors in ABS and commercial mortgage-backed securities ("CMBS") through the Federal Reserve Bank of New York ("FRBNY"), backed by up to $20 billion in TARP loss protection. TALF ultimately provided $71.1 billion in Federal Reserve financing.

PPIP uses equity and debt financing provided by Treasury through TARP to facilitate purchases of legacy mortgage-backed securities ("MBS") held by various financial institutions. As announced, Treasury's PPIP commitment was up to $30 billion, depending upon how much private capital the PPIP managers raised. The capital raising period has ended. As of June 30, 2010, Treasury's commitment to PPIP totaled $22.1 billion.

Finally, through the UCSB/Small Business Administration ("SBA") loan support initiatives, Treasury launched a program to purchase SBA 7(a) securities, which are securitized small business loans. As of June 30, 2010, Treasury's investment in UCSB totaled $179.1 million.

TALF

Announced in November 2008, TALF issued loans collateralized by eligible ABS with the ultimate goal of making credit available to consumers and small businesses.[200] The program was extended to eligible newly issued CMBS in June 2009 and legacy CMBS in July 2009.[201]

TALF is divided into two parts:

- a lending program, which originated loans to eligible borrowers against eligible collateral
- an asset disposition facility, TALF LLC, which purchases the collateral from FRBNY if borrowers choose to walk away from their loans or if the collateral is seized in an event of default

TALF, which was funded and managed by FRBNY, closed its lending program for non-mortgage-backed ABS and legacy CMBS on March 31, 2010, with the last non-mortgage-backed ABS and legacy CMBS subscription closing on March 11 and March 29, respectively.[202] The last subscription for newly issued CMBS was June 18, 2010, marking the program's closure to new loans.[203] As of June 30, 2010, $42.5 billion in TALF loans was outstanding.[204]

Collateral: Asset pledged by a borrower to a lender until a loan is repaid.

The asset disposition facility, TALF LLC, is managed by FRBNY and remains in operation.[205] The funding for TALF LLC comes first from interest earned by FRBNY on its TALF loans to borrowers from the lending program and interest earned on TALF LLC's investments. In the event that such funding proves insufficient, funding would then come from TARP, which is committed to purchase up to $20 billion in subordinated debt from TALF LLC.[206] The TARP money is available for TALF LLC to purchase surrendered assets from FRBNY and may offset losses associated with disposing of the surrendered assets.

Lending Program

TALF's lending program made secured loans to eligible borrowers.[207] The loans were issued with terms of three or five years and were available for ABS, newly issued CMBS, and legacy CMBS.[208]

ABS had to meet a variety of eligibility criteria including the following:[209]

- possess collateral in the form of U.S. dollar-denominated cash (not synthetic) ABS
- bear short-term and long-term credit ratings of the highest investment-grade (e.g., AAA) from two or more major, nationally recognized statistical rating organizations ("NRSROs")
- not bear a long-term credit rating less than the highest rating by a major NRSRO
- have substantially all of the underlying loans originate in the U.S.
- had one of the following types of underlying loans: auto, student, credit card, equipment, floor plan, insurance premium finance, small-business fully guaranteed by the Small Business Administration as to principal and interest, receivables related to residential mortgage servicing advances (servicing advance receivables)
- not have collateral backed by loans originated or securitized by the TALF borrower or one of its affiliates — the TALF borrower could have no affiliation with institutions that sold or originated the ABS

Synthetic ABS: Security deriving its value and cash flow from sources other than a physical set of reference assets.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Credit rating agency registered with the SEC. Credit rating agencies provide their opinion on the creditworthiness of companies and the financial obligations issued by companies. The ratings distinguish between investment grade and non-investment grade equity and debt obligations.

For an analysis of the impact of NRSROs on TARP and the overall financial market, see SIGTARP's October 2009 Quarterly Report, pages 113–148.

In order to qualify as TALF collateral, newly issued CMBS and legacy CMBS had to meet numerous requirements, some of which were the same for both CMBS types:[210]

- evidenced an interest in a trust fund consisting of fully funded mortgage loans and not other CMBS, other securities, interest rate swap or cap instruments, or other hedging instruments
- possessed a credit rating in the highest long-term investment grade from at least two TALF CMBS-eligible rating agencies; and not possess a credit rating below

the highest investment-grade rating category from any TALF CMBS-eligible rating agency
- offered principal and interest payments
- issued by any institution other than a GSE or an agency or instrumentality of the U.S. Government
- included a mortgage or similar instrument on a fee or leasehold interest in one or more income-generating commercial properties

Some minor, but important, differences existed between eligible newly issued CMBS and eligible legacy CMBS. Newly issued CMBS had to:[211]

- evidence first-priority mortgage loans that were current in payment at the time of securitization
- not be junior to other securities with claims on the same pool of loans
- have 95% or more of the dollar amount of the underlying credit exposures originated by a U.S.-organized entity or U.S. branch or agency of a foreign bank

Legacy CMBS had to:[212]

- not be junior to other securities with claims on the same pool of loans upon issuance
- have at least 95% of the underlying properties, by related loan principal balance, located in the U.S. or one of its territories

The final maturity date in the TALF loan portfolio is March 30, 2015.[213] TALF loans are non-recourse (unless the borrower breaches any of its representations, warranties, or covenants), meaning FRBNY cannot hold the borrower liable for any losses beyond the surrender of any assets pledged as collateral.

Loan Terms

TALF participants were required to use a TALF agent to apply for a TALF loan.[214] Once the collateral (the particular asset-backed security financed by the TALF loan) was deemed eligible by FRBNY, the collateral was assigned a haircut. Haircuts represent the amount of money put up by the borrower — the borrower's "skin in the game"— and were required for all TALF loans. FRBNY lent each borrower the amount of the market price of the pledged collateral minus the haircut, subject to certain limitations. The borrower delivered the collateral to the custodian bank, which collects payments generated by the collateral and distributes it to FRBNY (representing its payment for interest on the TALF loan). Any excess payments from the collateral go to the TALF borrower.[215] The risk for any borrower is limited to the haircut and any additional principal paid down on the TALF loan.

Non-Recourse Loan: Secured loan whereby the borrower is relieved of the obligation to repay the loan upon surrender of the collateral.

TALF Agent: Financial institution that is party to the TALF Master Loan and Security Agreement and which occasionally acts as an agent to the borrower. TALF Agents include primary and nonprimary broker-dealers.

Haircut: Difference between the value of the collateral and the value of the loan (the loan value is less than the collateral value).

Skin in the Game: Equity stake in an investment; down payment; the amount an investor can lose.

Custodian Bank: Bank (for TALF the custodian is BNY Mellon) holding the collateral and managing accounts for FRBNY.

If the securities pledged as collateral are worth less than the loan amount when the loan is due, the borrower would likely surrender the collateral rather than pay the loan balance.[216] The Government would then be at risk for potential losses equal to the difference between the loan amount and the value of the collateral.

Haircuts for ABS varied based on the riskiness and maturity of the collateral and ranged between 5% and 16% for ABS with average lives of five years or fewer.[217] For ABS benefiting from a Government guarantee with average lives of five or more years, haircuts increased by one percentage point for every two years (or portion thereof) of average life at or past five. For all other ABS with average lives of five or more years, haircuts increased by one percentage point per year (or portion thereof) of average life at or beyond five.[218]

The haircut for legacy and newly issued CMBS with average lives of five or fewer years was 15% of par. For CMBS with average lives beyond five years, haircuts increased one percentage point of par per year (or portion thereof) of average life beyond five years. No newly issued CMBS could have an average life beyond ten years.[219]

Interest Rates

Interest rates were based on the loan asset class, with most quoted at a spread over the London Interbank Offered Rate ("LIBOR"), a generally accepted short-term interest rate standard. Interest payments on TALF loans are payable monthly. Interest rates are fixed or floating, *i.e.*, reset periodically according to changes in market prices, and were generally below market rate when the loan was made. If the cash flow supporting the collateral has a fixed interest rate, then the TALF loan has a fixed interest rate, and if the cash flow supporting the collateral has a floating interest rate, then the TALF loan interest rate will also float.

Spread: Difference between two interest rates, or the excess of the return on a particular security or instrument relative to a benchmark. For example, if the market return for a five-year corporate bond is 5% while the return for a five-year U.S. Treasury bond (used as the benchmark) is 3%, the spread is 2%. If the market return for the corporate bond decreases to 4% and the Treasury return remains the same, the spread will "narrow" to 1%. When a market for a particular security becomes frozen, spreads will generally increase, or "widen," significantly.

London Interbank Offered Rate ("LIBOR"): Interest rate that large banks in London charge each other for dollar-denominated funds.

TALF Subscription Activity

The final TALF ABS loans were settled March 4–11, 2010.[220] Of all settled TALF ABS loans, $33 billion was outstanding as of June 30, 2010.[221] Table 2.21 includes all settled ABS TALF loans.

FRBNY facilitated 13 TALF CMBS subscriptions as of June 30, 2010, totaling approximately $12.1 billion in TALF loans settled. Of the CMBS loans settled, $9.5 billion was outstanding as of June 30, 2010.[222] Table 2.22 includes all CMBS TALF loans settled.

Asset Disposition Facility

FRBNY created TALF LLC to "purchase and manage any [surrendered] assets received by the New York Fed in connection with any TALF loans."[223] TALF LLC will purchase these assets from FRBNY at a "price equal to the outstanding TALF

TABLE 2.21

TALF LOANS SETTLED BY ABS SECTOR (NON-MORTGAGE-BACKED COLLATERAL) ($ BILLIONS)

ABS Sector	1st Quarter 2009	2nd Quarter 2009	3rd Quarter 2009	4th Quarter 2009	1st Quarter 2010	Totals
Auto Loans	$ 1.9	$ 6.1	$ 4.5	$ 0.2	$0.1	$ 12.8
Credit Card Receivables	2.8	12.4	8.4	1.8	0.9	26.3
Equipment Loans	—	1.0	0.1	0.3	0.2	1.6
Floor Plan Loans	—	—	1.0	1.5	1.4	3.9
Premium Finance	—	0.5	0.5	—	1.0	2.0
Servicing Advance Receivables	—	0.4	0.1	0.6	0.1	1.3
Small-Business Loans	—	0.1	0.4	0.9	0.7	2.2
Student Loans	—	2.5	3.6	1.0	1.8	8.9
Total	**$ 4.7**	**$23.0**	**$18.7**	**$6.4**	**$6.1**	**$59.0**

Notes: Numbers affected by rounding. Data as of 6/30/2010.The first subscription in the program was in March 2009; therefore, the first quarter of 2009 represents one subscription while the remaining quarters represent three subscriptions.

Source: FRBNY, "Term Asset-Backed Securities Loan Facility: non-CMBS," no date, www.newyorkfed.org/markets/talf_operations.html, accessed 7/12/2010; FRBNY, "Term Asset-Backed Securities Loan Facility: non-CMBS," no date, www.newyorkfed.org/markets/TALF_recent_operations.html, accessed 7/12/2010.

TABLE 2.22

TALF LOANS SETTLED (CMBS COLLATERAL) ($ BILLIONS)

Type of Collateral Assets	2nd Quarter 2009	3rd Quarter 2009	4th Quarter 2009	1st Quarter 2010	2nd Quarter 2010	Total
Newly Issued CMBS	$ —	$ —	$ 0.1	$ —	$ —	$ 0.1
Legacy CMBS	—	4.1	4.5	3.3	—	12.0
Total	**$ —**	**$4.1**	**$4.6**	**$3.3**	**$ —**	**$12.1**

Notes: Numbers affected by rounding. Data as of 6/30/2010. The second quarter of 2009 was only for legacy CMBS while the second quarter of 2010 was only for newly issued CMBS.

Source: FRBNY, "Term Asset-Backed Securities Loan Facility: CMBS," no date, http://www.newyorkfed.org/markets/CMBS_recent_operations.html, accessed 6/22/2010.

loan amount plus accrued but unpaid interest."[224] If TALF LLC is required to purchase assets from FRBNY, such purchases will be funded first from interest on TALF loans plus any interest earned on TALF LLC's cash and short-term investments. In the event that such funding proves insufficient for the asset purchases by TALF LLC, Treasury, through TARP, has committed to lend up to $20 billion to the LLC.[225]

When FRBNY created TALF LLC, TARP loaned TALF LLC $100 million to provide initial funding, of which $15.8 million was allocated to cover administrative costs.[226] TARP will continue to fund TALF LLC, as needed, until the full $20 billion TARP commitment has been funded or the loan commitment term expires. Any additional funds, if needed, would be provided by a loan from FRBNY that would be collateralized by the assets of TALF LLC and senior to the TARP loan.[227] Payments by TALF LLC from the proceeds of its holdings will be made in the following order:[228]

1. operating expenses of TALF LLC
2. principal due to FRBNY and funding of FRBNY's senior loan commitment
3. principal due to Treasury
4. interest due to FRBNY
5. interest due to Treasury

Any remaining money will be shared by FRBNY and Treasury according to a 10%-90% split, respectively.[229]

Current Status

As of June 30, 2010, no collateral had been surrendered or purchased by TALF LLC.[230] As of June 30, 2010, TALF LLC had assets of $506.4 million, including approximately $100 million in initial TARP funding.[231] The remainder consists of interest payments and interest income earned from permitted investments. From its February 4, 2009, formation through June 30, 2010, TALF LLC spent approximately $1 million on administration.[232]

Because TALF closed for new loans on June 30, 2010, FRBNY's responsibilities under the program shifted primarily to portfolio management, which includes the following duties:[233]

- maintaining documentation
- overseeing custodians responsible for holding ABS collateral
- calculating and collecting principal and interest on TALF loans
- collecting interest on TALF loans
- disbursing excess spread to TALF borrowers per the governing documents
- monitoring the TALF portfolio
- collecting and managing collateral assets if a borrower defaults or surrenders the collateral without recourse in lieu of repayment

State of the Securitization Market

ABS

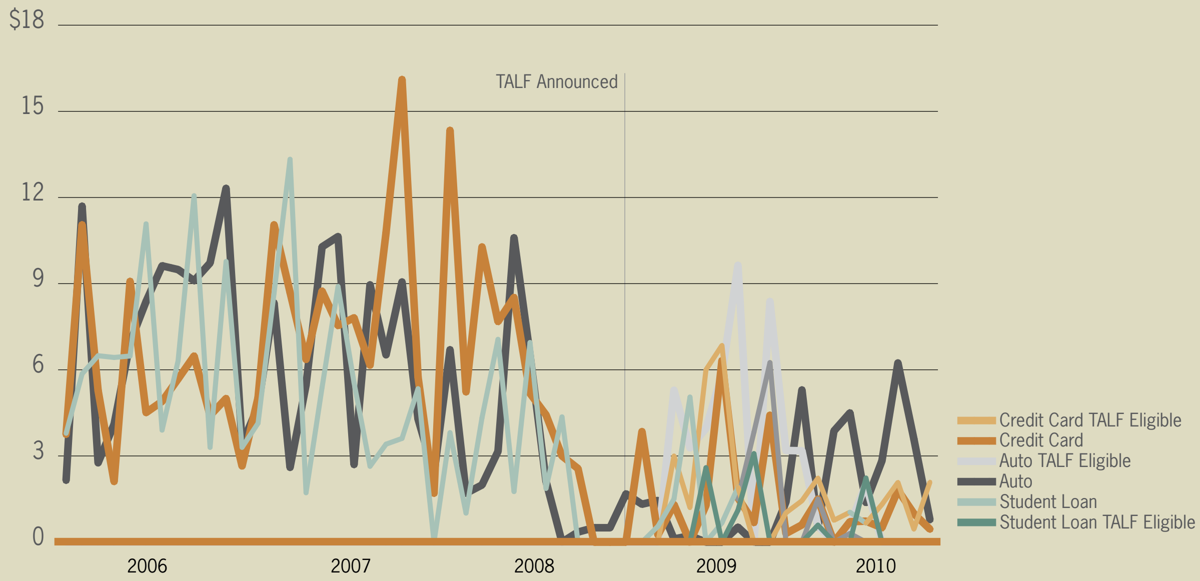
As shown in Figure 2.8, consumer ABS issuance declined substantially beginning in the summer of 2008 and has generally rebounded after TALF was launched. Much of the ABS market in 2009 met FRBNY's criteria for TALF eligibility, even if TALF loans were not actually made against all of those securities. The volume of ABS issued has increased substantially since TALF began issuing loans against ABS collateral in March 2009, although not to pre-financial crisis levels.[234]

For more information on the securitization process and the typical lending process prior to the market breakdown, see "TARP Tutorial: Securitization" in SIGTARP's April 2009 Quarterly Report, pages 92-94.

FIGURE 2.8

U.S. CONSUMER ABS ISSUANCE

($ BILLIONS)



Source: FRBNY, response to SIGTARP data call, 7/13/2010.

TALF's ultimate stated goal was to meet the credit needs of households and small businesses.[235] As the ABS market issuance increased, total consumer loans decreased over the same time period as shown in Figure 2.9.

Newly Issued CMBS

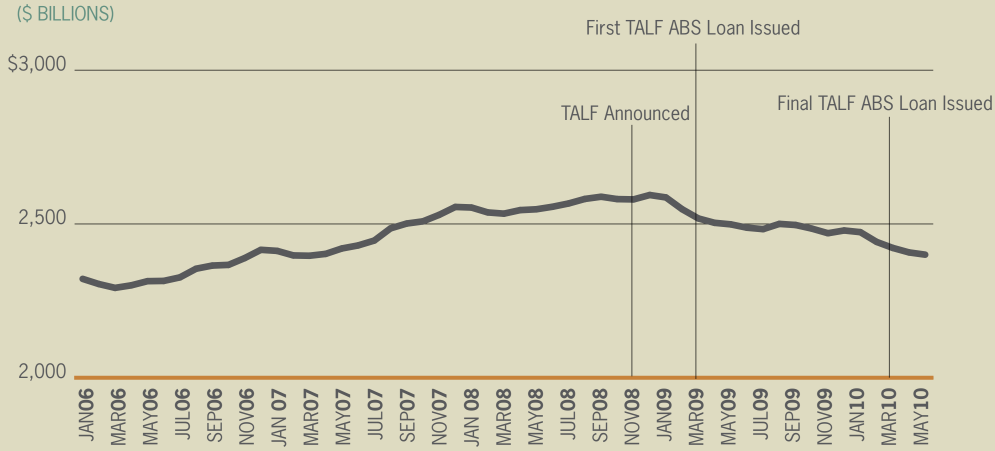
Although the ABS market contracted significantly at the start of the financial crisis, the market for new CMBS issuance ceased entirely from the third quarter of 2008 until November 2009, when $323 million was issued, $72.2 million of which was TALF-financed.[236] There have been few CMBS issuances since then, as shown in Figure 2.10, and none were TALF-eligible.[237] Furthermore, as shown in Figure 2.11, the volume of commercial mortgage loan originations remains well below pre-crisis levels.

Legacy CMBS

Legacy CMBS were the final class of securities eligible for TALF loans, with the first loan issued in July 2009.[238] When the expansion to legacy CMBS was announced in May 2009, spreads on CMBS had already begun to narrow from their peak, but were still substantially larger than historic levels.[239] The spreads continued to narrow when the first TALF legacy CMBS loan was issued in July 2009 as shown in Figure 2.12.

FIGURE 2.9

CONSUMER LOANS OUTSTANDING
($ BILLIONS)



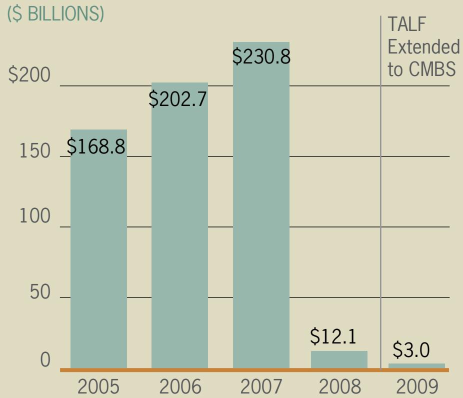
Note: Includes revolving and non-revolving credit from major holders including commercial banks, finance companies, credit unions, Federal Government, savings institutions, non-financial businesses, and pools of securitized assets.

Source: Federal Reserve, "G.19 Consumer Credit," no date, www.federalreserve.gov/datadownload, accessed 7/9/2010.

FIGURE 2.10

U.S. CMBS ISSUANCE

($ BILLIONS)

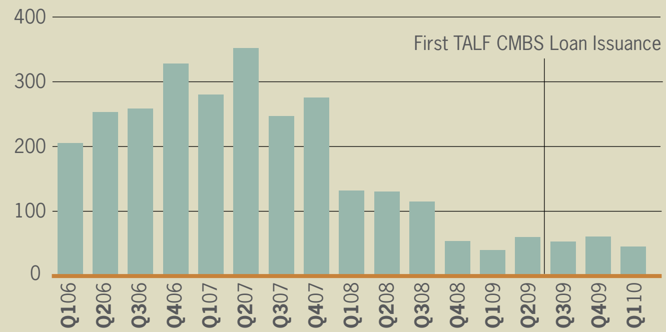


Note: Numbers affected by rounding.

Source: Commercial Mortgage Alert, "Summary of CMBS Issuance," no date, www.cmalert.com/ ranking.php?rid=226, accessed 6/1/2010.

FIGURE 2.11

COMMERCIAL/MULTIFAMILY MORTGAGE BANKERS ORIGINATIONS INDEX

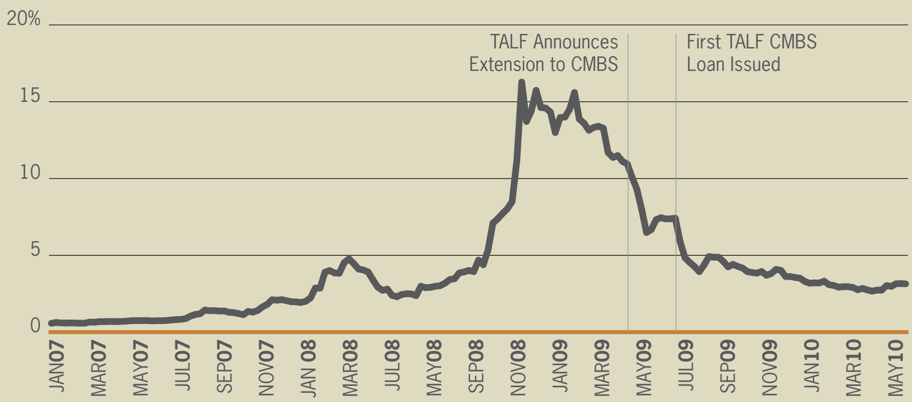


Note: 2001 Quarterly Average = 100

Source: Mortgage Bankers Association, "Quarterly Survey of Commercial / Multifamily Mortgage Bankers Originations, Q1/2010," 4/2010, www.mortgagebankers.org/files/Research/ CommercialOriginations/ 1Q10CMFOriginationsSurvey.pdf, accessed 6/9/2010.

FIGURE 2.12

CMBS SPREADS OVER TREASURY BONDS



Note: Numbers affected by rounding.

Source: Bloomberg, accessed 6/9/2010.

Legacy Securities: Real estate-related securities lingering on the balance sheets of financial institutions because of pricing difficulties resulting from market disruption.

For more information on the withdrawal of the PPIF, see SIGTARP's January 2010 Quarterly Report, page 88.

Pro Rata: Refers to dividing something among a group according to the proportionate share that each participant holds as a part of the whole.

Limited Partnership: Partnership in which there is at least one partner whose liability is limited to the amount invested (limited partner), and at least one partner whose liability extends beyond monetary investment (general partner).

Non-Agency Residential Mortgage-Backed Securities ("Non-Agency RMBS"): Financial instrument backed by a group of residential real estate mortgages not guaranteed by a Government-sponsored enterprise ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

For an analysis of the impact of NRSROs on TARP and the overall financial market, see SIGTARP's October 2009 Quarterly Report, pages 113–148.

Public-Private Investment Program

The stated purpose of the Public-Private Investment Program ("PPIP") is to purchase legacy securities from financial institutions through Public-Private Investment Funds ("PPIFs"), which are partnerships that combine capital from private-sector investors with public equity investments and non-recourse debt from TARP funds. A private-sector fund management firm oversees each PPIF on behalf of these investors. According to Treasury, PPIP's aim is to "restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit."[240]

Treasury selected nine fund management firms to establish PPIFs. One PPIF manager subsequently withdrew. Private investors and Treasury co-invest in the eight remaining PPIFs to purchase legacy securities from financial institutions. The fund managers raise private-sector capital, and Treasury matches the private equity dollar-for-dollar, up to set limits, and provides debt financing up to the total amount of the equity. The PPIF manager is also required to invest at least $20 million of its own money in the PPIF.[241] Each existing PPIF is approximately 75% TARP funded. PPIP is designed as an eight-year program with the possibility of up to two years of extensions.[242]

The securities are purchased, through an intermediary dealer, from banks, insurance companies, mutual funds, pension funds, and other eligible sellers, as defined in EESA.[243] Treasury, the PPIF manager, and the private investors share in PPIF profits on a *pro rata* basis based on their limited partnership interests. PPIF losses are shared on a *pro rata* basis up to each participant's limited partnership equity investment amount.[244] In addition to its *pro rata* share, Treasury received warrants as mandated by EESA.[245]

The securities eligible for purchase by PPIFs, "eligible assets," are supported by real estate-related loans, including non-agency residential mortgage-backed securities ("non-agency RMBS") and CMBS, meeting the following criteria:[246]

- issued before January 1, 2009 (legacy)
- bearing an original AAA rating, or equivalent, from two or more credit rating agencies designated as NRSROs
- secured directly by actual mortgages, leases, or other assets, and not other securities (other than certain swap positions, as determined by Treasury)
- located primarily in the United States (the loans and other assets securing the non-agency RMBS and CMBS)
- purchased from financial institutions eligible for TARP participation

Legacy Securities Program Process

The following steps detail the process for participation in the Legacy Securities Program:

1. Fund managers applied to Treasury to participate in the program.

2. Approved fund managers raised necessary private capital for the PPIF.
3. Treasury matched the capital raised, dollar-for-dollar, up to a predetermined maximum amount. Treasury also received warrants so it can participate further if profits are earned by the PPIF.
4. Fund managers can borrow additional money from Treasury, 50%–100% of the total equity investment (including the amount invested by Treasury).
5. Each fund manager purchases and manages the legacy securities and provides monthly reports to its investors, including Treasury.

PPIF Purchasing Power

Through June 30, 2010, eight fund managers raised $7.4 billion of private-sector equity capital, which Treasury matched for a total equity capital of $14.7 billion. Treasury also provided $14.7 billion of debt capital, resulting in $29.4 billion of PPIF purchasing power. Of that $29.4 billion, PPIFs purchased approximately $16.0 billion of PPIP-eligible assets, through June 30, 2010.[247]

The fund-raising stage for PPIFs is now complete. PPIF managers had six months from the closing date of their first private-sector fund raising to raise additional private-sector equity. As of June 30, 2010, although Treasury had committed up to $30 billion for PPIP, the fund managers were not able to raise enough capital to subscribe fully to Treasury's commitment. As a result, because the time to raise private capital has expired, it is not anticipated that PPIP will exceed the $22.1 billion that has been committed to the individual PPIFs in equity and debt financing.[248] Table 2.23 shows all equity and debt invested under the program. No additional funds will be committed to the PPIFs.

TABLE 2.23

PUBLIC-PRIVATE INVESTMENT PROGRAM

	Private-Sector Equity Capital ($ Billions)	Treasury Equity ($ Billions)	Treasury Debt ($ Billions)	Total Purchasing Power ($ Billions)
AG GECC PPIF Master Fund, L.P.	$1.2	$1.2	$2.5	$5.0
AllianceBernstein Legacy Securities Master Fund, L.P.	1.2	1.2	2.3	4.6
BlackRock PPIF, L.P.	0.7	0.7	1.4	2.8
Invesco Legacy Securities Master Fund, L.P.	0.9	0.9	1.7	3.4
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	0.5	0.5	0.9	1.9
Oaktree PPIP Fund, Inc.	1.2	1.2	2.3	4.6
RLJ Western Asset Public/Private Master Fund, L.P.	0.6	0.6	1.2	2.5
Wellington Management Legacy Securities PPIF Master Fund, LP	1.1	1.1	2.3	4.6
Current Totals as of 6/30/2010	**$7.4**	**$7.4**	**$14.7**	**$29.4**

Note: Numbers affected by rounding.

Source: Treasury, "Legacy Securities Public-Private Investment Program: Program Update – Month Ended 6/30/2010," received 7/15/2010.

Disclosure of PPIF Transactions and Holdings

Since PPIFs commenced trading in October 2009, SIGTARP has been in discussions with Treasury and PPIF managers concerning the appropriate disclosure of information about PPIF activity. As previously stated, SIGTARP believes that transparency in PPIP is vital to the program's overall success and credibility. However, as urged by Treasury and PPIF managers, SIGTARP acknowledges that publishing security-by-security information poses a risk during the ramp-up period while PPIF managers are still building their portfolios, and that publication may not be in the best interest of taxpayers or other PPIF investors. Specifically, disclosure could reveal PPIF managers' investment strategies, putting them at a disadvantage relative to private investors who could anticipate a PPIF manager's target, purchase the securities, and then sell those securities back to the PPIF at a higher price.

Accordingly, and consistent with SIGTARP's previous recommendation that contemplated a temporary redaction of information that could harm taxpayer interest, SIGTARP will not disclose security-by-security information for active PPIFs here. However, after discussions with PPIF managers, SIGTARP anticipates that it will disclose such data in its next quarterly report, to be issued in October 2010.

Fund Performance

Each PPIF's performance — its gross and net returns since inception — is listed in Table 2.24, as reported by PPIF managers. The returns are calculated based on a methodology requested by Treasury. Each PPIF has three years to buy legacy securities in the market on behalf of its private and Government investors.[249] The program strives for "predominantly a long-term buy and hold strategy."[250]

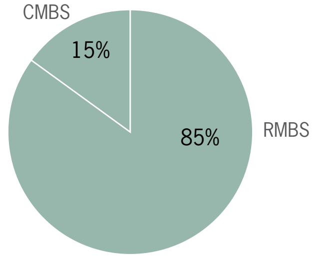
The data in Table 2.24 constitutes a snapshot of the funds' performance during the quarter ended June 30, 2010, and may not predict the funds' performance over the long term. According to some PPIF managers, it would be premature to draw any long-term conclusions because, among other reasons, some managers have not fully executed their investment strategies, and have not yet fully tapped Treasury's capital or debt commitments.

According to their agreements with Treasury, PPIF managers may trade in both RMBS and CMBS except for Oaktree, which may purchase only CMBS.[251] Figure 2.13 shows the collective value of securities purchased by all PPIFs as of June 30, 2010, broken down by RMBS and CMBS.

PPIF investments can be classified by underlying asset type. For non-agency RMBS, the underlying assets are mortgages for homes occupied by up to four families; all non-agency RMBS investments are considered residential. For CMBS, the assets are commercial real estate mortgages: office, retail, multi-family, hotel, industrial (such as warehouses), mobile home parks, mixed-use (combination of

FIGURE 2.13

AGGREGATE COMPOSITION OF PPIF PURCHASES, AS OF 6/30/2010
percent of $16.0 Billion



Note: Numbers affected by rounding.

Source: PPIF Monthly Performance Reports, July 2010.

TABLE 2.24

PPIF INVESTMENT STATUS, AS OF 6/30/2010

Manager		1-Month Return (percent)[a]	3-Month Return (percent)[a]	Cumulative Since Inception (percent)[a]
AG GECC PPIF Master Fund, L.P.	Gross	1.06%	4.29%	27.10%
	Net	1.04	4.16	25.57
AllianceBernstein Legacy Securities Master Fund, L.P.	Gross	3.72	6.59	13.37
	Net	3.61	6.24	11.64
BlackRock PPIF, L.P.	Gross	3.25	8.50	22.23
	Net	3.15	8.16	20.89
Invesco Legacy Securities Master Fund, L.P.	Gross	2.72	3.94	15.94
	Net	2.60	3.55	14.04
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Gross	2.72	7.39	14.94
	Net	2.59	7.01	12.51
Oaktree PPIP Fund, Inc.	Gross	0.99	2.02	8.40
	Net	0.81	1.11	4.28
RLJ Western Asset Public/Private Master Fund, L.P.	Gross	2.09	6.43	14.21
	Net	2.07	6.42	13.65
Wellington Management Legacy Securities PPIF Master Fund, LP	Gross	1.25	2.75	10.22
	Net	1.12%	2.43%	8.98%

Notes: The performance indicators are listed as reported by PPIF managers without further analysis by SIGTARP. The net returns include the deduction of certain management fees and expenses. Further, several of the fund managers have told SIGTARP that they are capitalizing start-up expenses in the first few quarters, which accounts for some of these expenses.

[a] Time-weighted, geometrically linked returns. The net returns include the deduction of management fees and partnership expenses attributable to Treasury.

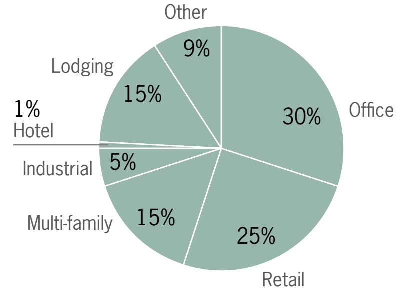
Source: PPIF Monthly Performance Reports submitted by each PPIF manager, June 2010, received 7/15/2010.

commercial and residential), and self-storage. Figure 2.14 breaks down CMBS investment distribution by sector. The aggregate CMBS portfolio had large concentrations in office (30%) and retail (25%) loans.

Non-agency RMBS and CMBS can be classified by the degree of estimated default risk (sometimes referred to as "quality"). Investors are most concerned with whether the borrower(s) will default and the underlying collateral will be sold at a loss. Therefore estimated risk, or quality, attempts to measure the likelihood of that outcome. There are no universal standards for ranking mortgage quality and the designations vary depending on context. In general, the highest quality rankings are granted to mortgages with the strictest requirements regarding borrower credit, completeness of documentation, and underwriting standards. Treasury characterizes these investment-quality levels of risk for the types of mortgage loans supporting non-agency RMBS:[252]

FIGURE 2.14

AGGREGATE CMBS PURCHASES BY SECTOR, AS OF 6/30/2010



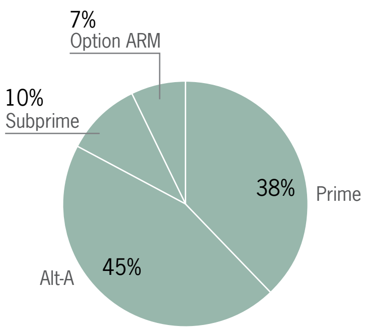
Notes: Numbers affected by rounding. Calculated based on monthly data supplied by PPIF managers.

Source: PPIF Monthly Performance Reports, July 2010.

- Prime — mortgage loan made to a borrower with good credit that generally meets the lender's strictest underwriting criteria. Non-agency prime loans generally exceed the dollar amount eligible for purchase by Government-sponsored enterprises (jumbo loans), but may include lower balance loans as well.
- Alt-A — mortgage loan made to a borrower with good credit but with limited documentation or other characteristics that do not meet the standards for prime loans. An Alt-A loan may have a borrower with a lower credit rating, a higher loan-to-value ratio, or limited or no documentation, compared to a prime loan.
- Subprime — mortgage loan made to a borrower with a poor credit rating.
- Option Adjustable Rate Mortgage ("ARM") — mortgage loan that gives the borrower a set of choices about how much interest and principal to pay each month. This may result in negative amortization (an increasing loan principal balance over time).

FIGURE 2.15

AGGREGATE RMBS PURCHASES BY QUALITY, AS OF 6/30/2010
percent of $13.5 Billion



Note: Numbers affected by rounding.

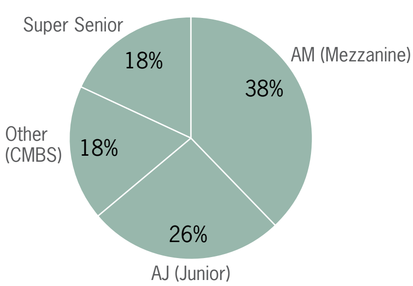
Sources: PPIF Monthly Performance Reports, July 2010.

Treasury characterizes CMBS according to the levels of credit enhancement supporting the securitization:[253]

- **Super Senior** — most senior originally rated AAA bonds in a CMBS securitization with the highest level of credit enhancement. Credit enhancement refers to the percentage of the underlying mortgage pool by balance that must be written down before the bond suffers any losses. Super senior bonds often compose approximately 70% of a securitization and, therefore, have approximately 30% credit enhancement at issuance.
- **AM (Mezzanine)** — mezzanine-level originally rated AAA bond. Creditors receive interest and principal payments after super senior creditors but before junior creditors. AM bonds often compose approximately 10% of a CMBS securitization.
- **AJ (Junior)** — the most junior bond in a CMBS securitization that attained an AAA rating at issuance.
- **Other (CMBS)** — CMBS that do not meet the definitions for super senior, AM, or AJ but meet the definition of "eligible assets" as described above.

FIGURE 2.16

AGGREGATE CMBS PURCHASES BY QUALITY, AS OF 6/30/2010
percent of $2.4 Billion



Note: Numbers affected by rounding.

Source: PPIF Monthly Performance Reports, July 2010.

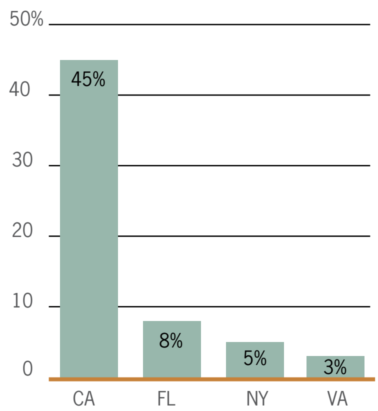
Figure 2.15 and Figure 2.16 show the distribution of PPIP-held non-agency RMBS and CMBS investments by respective risk levels, as reported by PPIF managers.

Non-agency RMBS and CMBS can be classified geographically according to the states represented by the underlying mortgages. Figure 2.17 and Figure 2.18 show the states with the greatest representation in the underlying non-agency RMBS and CMBS investments in PPIFs, as reported by PPIF managers.

Non-agency RMBS and CMBS can also be classified by delinquency of the underlying mortgages. Figure 2.19 and Figure 2.20 show the distribution of PPIP-held non-agency RMBS and CMBS investments by respective delinquency levels, as reported by PPIF managers.

FIGURE 2.17

AGGREGATE GEOGRAPHICAL DISTRIBUTION — PERCENT OF TOTAL RMBS, AS OF 6/30/2010

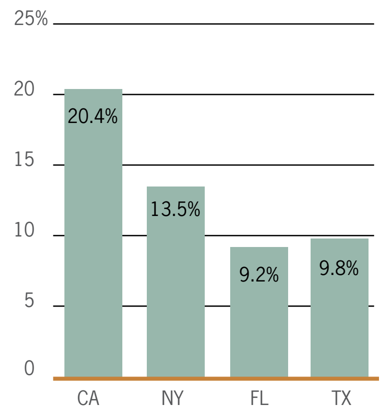


Notes: Only states with the largest representation shown. Calculated based on monthly data supplied by PPIF managers.

Source: PPIF Monthly Performance Reports, July 2010.

FIGURE 2.18

AGGREGATE GEOGRAPHICAL DISTRIBUTION — PERCENT OF TOTAL CMBS, AS OF 6/30/2010

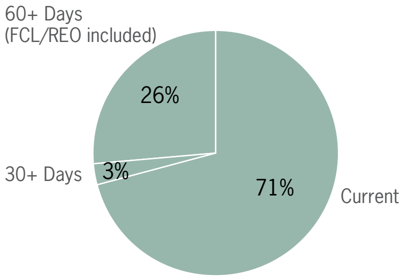


Notes: Only states with the largest representation shown. Calculated based on monthly data supplied by PPIF managers.

Source: PPIF Monthly Performance Reports, July 2010.

FIGURE 2.19

AGGREGATE AVERAGE RMBS DELINQUENCIES BY MARKET VALUE, AS OF 6/30/2010

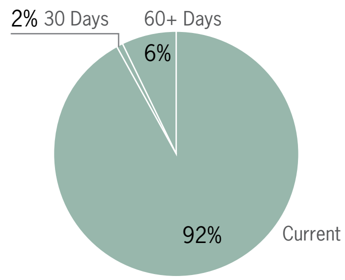


Notes: Numbers affected by rounding. Calculated based on monthly data supplied by the PPIF managers.

Source: PPIF Monthly Performance Reports, July 2010.

FIGURE 2.20

AGGREGATE AVERAGE CMBS DELINQUENCIES BY MARKET VALUE, AS OF 6/30/2010



Notes: Numbers affected by rounding. Calculated based on monthly data supplied by PPIF managers.

Source: PPIF Monthly Performance Reports, July 2010.

7(a) Loan Program: SBA loan program guaranteeing a percentage of loans for small businesses that cannot otherwise obtain conventional loans at reasonable terms.

504 Community Development Loan Program: SBA program combining Government-guaranteed loans with private-sector mortgage loans to provide loans of up to $10 million for community development.

SBA Pool Certificate: Ownership interest in a bond backed by SBA-guaranteed loans.

For more information on SBA 7(a) Loan Program mechanics and TARP support for 7(a), see SIGTARP's April 2010 Quarterly Report, pages 105–106.

Unlocking Credit for Small Businesses ("UCSB")/Small Business Administration ("SBA") Loan Support Initiative

On March 16, 2009, Treasury announced the Unlocking Credit for Small Businesses ("UCSB") program, which is designed to encourage banks to extend more credit to small businesses. Treasury stated that, through the UCSB program, it would purchase up to $15 billion in securities backed by pools of loans from two Small Business Administration ("SBA") programs: the 7(a) Loan Program and the 504 Community Development Loan Program.[254] Treasury now expects to buy no more than $1 billion in securities via UCSB.

On March 2, 2010, Treasury initiated the 7(a) portion of the program. Under the governing agreement, Earnest Partners, on behalf of Treasury, may anonymously purchase SBA pool certificates from participating pool assemblers.[255] As of June 30, 2010, Coastal Securities was the only pool assembler participating in the program.[256] On March 19, 2009, Treasury made its first UCSB purchases of 7(a) securities, totaling $21.4 million.[257] Through June 30, 2010, Treasury acquired $179 million in 12 floating-rate 7(a) securities. Table 2.25 shows the CUSIPs and investment amounts for the securities Treasury purchased.[258] "Settled" transactions have been fully concluded. The terms of "not settled" transactions have been agreed upon but the actual transfer of securities for cash has not yet taken place and is possibly subject to change.

TABLE 2.25

FLOATING-RATE SBA 7(A) SECURITIES ($ MILLIONS)

Date	CUSIP	Investment Amount[a]
Settled Transactions:		
3/19/2010	83165ADE1	$4.4
3/19/2010	83165ADC5	8.3
3/19/2010	83164KYN7	8.7
4/8/2010	83164KGH9	26.0
4/8/2010	83165AD84	9.6
5/11/2010	83165AEE0	11.5
5/11/2010	83165AED2	14.2
5/11/2010	83164K2Q5	9.7
Settled Transactions Subtotal		**$92.4**
Not Settled Transactions:		
5/25/2010	TBA	$8.8
5/25/2010	TBA	16.4
6/17/2010	TBA	33.3
6/17/2010	TBA	28.0
Not Settled Transactions Subtotal[b]		**$86.7**
Total Investment Amount[c]		**$179.0**

Notes: Numbers affected by rounding.
[a] Investment Amount is stated after giving effect to factor and, if applicable, the purchase of accrued principal and interest.
[b] The transactions listed as to be announced ("TBA") are not settled as of 6/30/2010, therefore, the CUSIPs for these are not available.
[c] Amount subject to adjustment.

Source: Treasury, *Transactions Report*, 6/30/2010, www.treas.gov, accessed 7/1/2010.

AUTOMOTIVE INDUSTRY SUPPORT PROGRAMS

During the financial crisis, Treasury, through TARP, launched the Automotive Industry Financing Program ("AIFP"). In addition to direct financial assistance, AIFP also included two subprograms: the Auto Supplier Support Program ("ASSP") and the Auto Warranty Commitment Program ("AWCP"). According to Treasury, it established the programs "to prevent a significant disruption of the American automotive industry that poses systemic risk to financial market stability and will have a negative effect on the real economy of the United States."[259] The program included assistance to General Motors Co. ("GM"); the Chrysler entities (including CGI Holding LLC ("CGI Holding"), formerly known as Chrysler Holding LLC, and the parent company of Chrysler LLC ("Old Chrysler"), and Chrysler Group LLC ("New Chrysler")); GMAC Inc. ("GMAC"); and Chrysler Financial Services Americas LLC ("Chrysler Financial").

On December 29, 2008, Treasury signed an agreement to provide assistance to GMAC, followed by a December 31, 2008, agreement with GM. The agreements providing aid to Chrysler and Chrysler Financial were signed on January 2 and January 16, 2009, respectively.[260] The automobile industry has not received Government assistance since December 30, 2009, when GMAC, now Ally Financial Inc. ("Ally Financial"), received a $3.8 billion capital infusion through AIFP.

ASSP, designed to allay fears that auto companies would not be able to pay auto parts suppliers, was terminated in April 2010, after all loans through the program were repaid in full.[261] AWCP, designed to provide assurance to vehicle buyers that the warranties on any vehicles purchased during the bankruptcies of GM and Chrysler would be guaranteed by the Government, was terminated in July 2009, after all loans under the program had been repaid in full.[262]

As of June 30, 2010, Treasury had provided $84.8 billion through these programs to GM, Ally Financial, the Chrysler entities, and Chrysler Financial. The companies have paid back approximately $14.3 billion in principal and $816.9 million in interest.

Automotive Industry Financing Program ("AIFP")

As of June 30, 2010, Treasury had invested $80.7 billion through AIFP to support automakers and their financing arms in order to "avoid a disorderly bankruptcy of one or more automotive companies."[263] As of that same date, Treasury had received approximately $2.3 billion in dividends and interest payments from participating companies.[264] AIFP-related principal repayments included approximately $6.7 billion from GM, $1.9 billion from CGI Holding, and $1.5 billion from Chrysler Financial.[265]

GM

As of June 30, 2010, Treasury committed approximately $49.5 billion to GM. Of the $49.5 billion committed directly to GM through AIFP, $19.4 billion was granted pre-bankruptcy and $30.1 billion during bankruptcy. During bankruptcy proceedings, most of Treasury's original GM investment was converted into common or preferred stock in New GM (the company that emerged from bankruptcy) or debt assumed by New GM. As a result, Treasury's $49.5 billion GM investment was converted to a 60.8% common equity stake in New GM, $2.1 billion in preferred stock, and a $7.1 billion loan ($6.7 billion through AIFP and $360.6 million from AWCP). Of the funds originally provided to GM, at the time of GM's emergence from bankruptcy, $16.4 billion was put into an escrow account that GM could only access with Treasury's permission.

Under the terms of the sale of certain assets from Old GM to New GM under Section 363 of the Bankruptcy Code, the United Auto Workers ("UAW"), bondholders from Old GM, Treasury, and the governments of Canada and Ontario are the owners of New GM.[266]

An October 15, 2009, stockholders agreement between GM, the Government, and other shareholders states that the "Government Holders shall use their reasonable best efforts to exercise their demand registration rights under the Equity Registration Rights Agreement and cause an IPO to occur no later than July 10, 2010, unless the Corporation is already taking steps and proceeding with reasonable diligence to effect an IPO."[267] On May 17, 2010, Treasury hired Lazard Freres & Co. as its advisor in connection with the exploration of a possible New GM IPO. The term of the contract is for 18 months but it could be extended.[268] Treasury is paying the company $500,000 per month for a year and $250,000 per month thereafter. A Treasury press release issued on June 10, 2010, stated: "[The] exact timing of the offering will be determined by [New] GM in light of market conditions and other factors, but will not occur before the fourth quarter of this year."[269]

Debt Repayments

Through AIFP, $49.5 billion was committed to GM. Of that amount, approximately $41.4 billion was exchanged for preferred and common stock in New GM, while $7.1 billion in debt was transferred to New GM. Old GM retains the remaining $986 million of Treasury's initial investment. Of Treasury's $7.1 billion debt in New GM, $6.7 billion was provided under AIFP and the remaining $360 million was provided under AWCP.[270]

Following repayment of the debt related to AWCP on July 10, 2009, GM owed the Government $6.7 billion. GM repaid $1.0 billion on December 18, 2009, $35.0 million on January 21, 2010, $1.0 billion on March 31, and the remaining $4.7 billion on April 20.[271] All of these payments were made, with Treasury's permission, using funds from the escrow account that held TARP funds provided to GM.

Chrysler

Through AIFP, $12.5 billion was committed directly to Chrysler in three stages: $4 billion before bankruptcy to Chrysler Holding LLC (now CGI Holding), $1.9 billion in debtor-in-possession ("DIP") financing during bankruptcy to Old Chrysler, and $6.6 billion through a working capital facility after bankruptcy to New Chrysler.[272] Of the approximately $12.5 billion committed directly to all Chrysler entities through AIFP, Treasury holds a $7.1 billion loan (including undrawn commitments and $500 million from Chrysler Holding, LLC (now CGI Holding)), and a 9.9% equity ownership stake in New Chrysler.[273]

Pursuant to Chrysler's Chapter 11 bankruptcy filing on April 30, 2009, almost all of its assets were sold to a newly formed entity, New Chrysler, on June 10, 2009. Of the $4 billion funded before bankruptcy, $500 million was transferred to New Chrysler and the remaining $3.5 billion was retained by CGI Holding.[274] On May 14, 2010, CGI Holding repaid the Government $1.9 billion to satisfy its $3.5 billion Government obligation. Treasury expects no further payment from CGI Holding.[275]

On April 30, 2010, following the bankruptcy court's approval of a Plan of Liquidation, the DIP loan was extinguished and the assets remaining with Old Chrysler, including collateral attached to the loan, were transferred to a liquidation trust. Treasury retained the right to recover the proceeds from the liquidation of the specified collateral, but does not expect a significant recovery from the liquidation proceeds.[276]

Debtor-in-Possession ("DIP"): Company operating under Chapter 11 bankruptcy protection that technically still owns its assets but is operating them to maximize the benefit to its creditors.

Automotive Financing Companies

Ally Financial/GMAC

On December 29, 2008, Treasury purchased $5 billion in senior preferred equity from GMAC and received an additional $250 million in preferred shares through warrants. On the same day, Treasury also committed to lend $1 billion to GM in order to increase GM's ownership interest in GMAC, of which GM drew down $884 million for this purpose.[277] In May 2009, Treasury exchanged the $884 million note it received from GM for 35.4% common equity ownership in GMAC, thereby giving Treasury the right to appoint two directors to GMAC's board.

On May 21, 2009, Treasury made an additional investment in GMAC when it purchased $7.9 billion of convertible preferred shares, including $375 million received from the exercise of warrants. In December 2009, Treasury invested another $3.8 billion in common shares of GMAC, which increased its equity ownership from 35.4% to 56.3%. This gave Treasury the right to appoint two additional directors to GMAC's board. On May 10, 2010, GMAC changed its name to Ally Financial Inc.[278] On May 26, 2010, Treasury appointed Marjorie Magner, a former Citigroup executive, to the board, making her the first Treasury-appointed director.[279]

For a summary of Treasury's investments in Ally Financial (formerly GMAC), see SIGTARP's January 2010 Quarterly Report, page 94.

As of June 30, 2010, Treasury had invested a total of $17.2 billion in GMAC — 56.3% of Ally Financial's common stock, $2.5 billion of trust-preferred securities, and $11.4 billion in mandatorily convertible preferred ("MCP") shares.[280]

Chrysler Financial

In January 2009, Treasury loaned Chrysler Financial $1.5 billion under AIFP to support Chrysler Financial's retail lending. In July 2009, Chrysler Financial repaid the loan, with interest.[281]

Auto Supplier Support Program ("ASSP")

On March 19, 2009, Treasury announced the $5 billion ASSP to "help stabilize the automotive supply base and restore credit flows in a critical sector of the American economy."[282] Because of worries about the auto manufacturers' ability to pay their invoices, suppliers had not been able to borrow from banks using their receivables as collateral. ASSP allowed automotive parts suppliers to access Government-backed protection for money owed to them for the products they shipped to manufacturers.

The total commitment of $5.0 billion was reduced to $3.5 billion on July 8, 2009 — $2.5 billion for GM and $1.0 billion for Chrysler.[283] Of the $3.5 billion committed to GM and Chrysler, only $413 million was actually disbursed. Treasury received a total of $413 million in ASSP loan repayments — $290 million from the GM special purpose vehicle ("SPV") and $123 million from the Chrysler SPV. Additionally, Treasury received $116.4 million in fees and interest payments — $65.6 million from GM and $50.7 million from Chrysler.[284] ASSP terminated on April 5, 2010, for GM and April 7, 2010, for Chrysler.[285] All loans made under this program have been repaid with interest.

Auto Warranty Commitment Program ("AWCP")

AWCP was designed to bolster consumer confidence by guaranteeing Chrysler and GM vehicle warranties during the companies' restructuring in bankruptcy. Treasury funded $640.7 million toward this program — $360.6 million to GM and $280.1 million to Chrysler.[286] On July 10, 2009, the companies fully repaid Treasury.

EXECUTIVE COMPENSATION

As discussed in SIGTARP's previous quarterly reports, TARP recipients are subject to executive compensation restrictions. The rules set forth in Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") have been changed by Congress and interpreted and implemented by successive Treasury regulations and notices.[287] On June 10, 2009, Treasury released its Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the "Rule"),[288] which "implement[s] the ARRA provisions, consolidates all of the executive-compensation-related provisions that are specifically directed at TARP recipients into a single rule (superseding all prior rules and guidance), and utilizes the discretion granted to the [Treasury] Secretary under the ARRA to adopt additional standards, some of which are adapted from principles set forth" in guidance provided by Treasury in February 2009.[289]

The Rule applies to institutions meeting its TARP recipient definition. As long as a TARP recipient has an outstanding "obligation" to Treasury (as defined by ARRA, this does not include warrants to purchase common stock), it must abide by the Rule.[290]

Some program participants are exempt from the Rule:[291]

- TALF recipients, because they do not directly receive TARP assistance (instead, TARP funds purchase collateral surrendered to TALF)
- PPIP participants, because no party owns more than 50% of any PPIF, which is the actual TARP recipient (PPIP legal agreements cap ownership interests of investors other than Treasury in any PPIF at 9.9%, and any modifications would be subject to Treasury's written consent)
- Making Home Affordable ("MHA") program participants, because they are statutorily exempt

Special Master

Treasury created the Office of the Special Master for TARP Executive Compensation (the "Special Master") on June 15, 2009, and appointed Kenneth R. Feinberg to the position. Special Master Feinberg's responsibilities include the following:[292]

- Top 25 Payment Reviews — review and approve compensation structures and payments for the 5 most senior executive officers ("SEOs") and the next 20 most highly paid employees at institutions receiving exceptional financial assistance under TARP
- Top 26 through 100 Payment Reviews — review and approve compensation structures for the next 75 highest-paid employees at institutions receiving exceptional financial assistance under TARP (employees who are not in the top 25 but are executive officers or among the top 100 most highly compensated employees fall into this category)

For more information on the Rule and a summary of the timeline on TARP executive compensation restrictions, see SIGTARP's July 2009 Quarterly Report, page 118.

For more information on executive compensation issues and findings, refer to SIGTARP audits: "Despite Evolving Rules on Executive Compensation, SIGTARP Survey Provides Insights on Compliance," issued on August 19, 2009, and "Extent of Federal Agencies' Oversight of AIG Compensation Varied, and Important Challenges Remain," issued on October 14, 2009.

Senior Executive Officer ("SEO"): "Named executive officer" of a TARP recipient as defined under Federal securities law, which generally includes the principal executive officer, the principal financial officer, and the next three most highly compensated executive officers.

For the specific principles used in reviewing compensation plans, see SIGTARP's July 2009 Quarterly Report, pages 122–123.

Exceptional Assistance Recipients: Companies receiving assistance under SSFI, TIP, AIFP, and any future Treasury program designated by the Treasury Secretary as providing exceptional assistance. Current recipients are AIG, Chrysler, GM, and Ally Financial (formerly GMAC).[100]

Public Interest Standard: Regulatory standard that the Special Master is required to apply in making determinations. It refers to the determination of whether TARP-recipient compensation plans are aligned with the best interests of the U.S. taxpayer, based on a balancing of specific principles set forth in the Rule.

- Prior Payment Reviews — review bonuses, retention awards, and other compensation paid to SEOs and the 20 next most highly compensated employees of each entity that received TARP assistance before February 17, 2009, and, when appropriate, negotiate reimbursements
- Interpretation — provide advisory opinions with respect to the Rule's application and whether compensation payments and plans are consistent with EESA, TARP, and the public interest

On June 16, 2010, Special Master Feinberg was named to oversee the $20 billion fund that BP p.l.c. established to provide compensation for damages caused by its oil spill in the Gulf of Mexico.[293] As a result, Special Master Feinberg is expected to leave his TARP position by the end of the summer.

Exceptional Assistance Recipients

As of June 30, 2010, only AIG, Chrysler, GM, and Ally Financial (formerly GMAC) were still considered exceptional assistance recipients. Citigroup and Bank of America no longer fall under this designation because of repayments each made in December 2009.[294] (Although Citigroup no longer falls into this category, it still has outstanding TARP obligations. As long as the Government holds Citigroup common stock or trust preferred securities, Citigroup is subject to TARP executive compensation restrictions.) Chrysler Financial had been considered an exceptional assistance recipient even though it repaid its TARP loan because it was a subsidiary of Chrysler Holding, now CGI Holding, which had an outstanding obligation to Treasury. On May 14, 2010, CGI Holding repaid $1.9 billion to Treasury in satisfaction of the amount it owed and, therefore, Chrysler Financial is no longer deemed an exceptional assistance recipient.

As a result of these repayments, Citigroup, Chrysler Financial, and Bank of America are no longer under the Special Master's jurisdiction.[295]

Special Master "Look Back" Letter Findings

On March 23, 2010, the Special Master issued a letter to each of the 419 banks that had received TARP money before February 17, 2009, requesting information on the compensation paid prior to that date to their 25 most highly paid executives.[296] In an effort to ease the administrative burden on small banks, the Special Master limited the scope of his request, requiring the banks to provide detailed compensation data only for those executives earning more than $500,000 a year.[297] The banks' responses were due within 30 days. The Special Master is examining the payments and will decide whether any were not in the public interest.[298] If the Special Master concludes that any payment was contrary to the Public Interest Standard, he is required to seek to negotiate with the TARP recipient and the employee for appropriate reimbursements to the Government.[299]

SECTION 3

TARP IN CONTEXT: FINANCIAL INSTITUTION SUPPORT AND POLICIES OUTSIDE OF TARP—2010 UPDATE

SUMMARY OF FINANCIAL ASSISTANCE PROGRAMS

In response to a request from Senator Max Baucus, Chairman of the Senate Finance Committee, this section updates a summary of the financial institution assistance programs created or expanded because of the financial crisis, as initially presented in SIGTARP's Quarterly Report to Congress dated July 21, 2009 (the "July 2009 Quarterly Report").

The Troubled Asset Relief Program's ("TARP") goal of stabilizing financial institutions was but one component of the Government's broad response to the crisis. In many instances, TARP worked in concert with other Federal initiatives — either as a direct partner or as another option for the banking sector. This section attempts to place TARP in the broader context of the Government's overall response to the financial crisis.

As in the July 2009 Quarterly Report, in this section SIGTARP includes three estimates for each separate Federal Government program that was either initiated or expanded in response to the financial crisis: the program's maximum potential commitment since the onset of the crisis, its high-water mark (the maximum amount actually expended or guaranteed under the program at any one time), and the current outstanding balance of actual expenditures or guarantees. See Table 3.1 for a summary of these amounts.

With respect to current outstanding balances, the total amount related to TARP and TARP-related programs has decreased significantly in the past year, and many of the other programs described in the July 2009 Quarterly Report, particularly the extraordinary liquidity programs initiated by the Federal Reserve System ("Federal Reserve") through the Federal Reserve Bank of New York ("FRBNY"), have closed, with their outstanding balances either extinguished or significantly reduced. These reductions, however, have been more than offset in the past 12 months by significant increases in expenditures and guarantees in other programs, with the total current outstanding balance increasing 23%, from approximately $3.0 trillion to $3.7 trillion. This increase can largely be attributed to greater support for the Government-sponsored enterprises ("GSEs"), the housing market, and the financial institutions that participate in it. As discussed in greater detail below, the numbers set forth in this section are not a calculation of the risk of loss to the Federal Government (many of the transactions are collateralized, many of the programs were not fully implemented, and there are areas of significant overlap among several of the programs), but reflect the total amounts the various agencies have pledged or committed in response to the financial crisis.

Methodology for Estimating Government Financial Commitments

No official financial statements have been prepared for the combined Government response to the financial crisis, and this section is not intended to substitute for one. Instead it sets forth the scale and scope of those efforts. The numbers have been taken almost entirely from public sources — the agencies themselves — and the agencies were provided with an advance copy of this section for vetting. SIGTARP incorporated their comments, as appropriate. The program listings in this section are not intended to be comprehensive but instead strive to cover those programs that benefited or supported financial institutions. The data is broken down into the following categories:

- Current balance ($3.7 trillion) — the actual amount expended or guaranteed by the programs outstanding as of June 30, 2010. This figure includes only explicit guarantees of specific assets or actual expenditures, as the agencies themselves account for them. For example, the corporate debt guaranteed by the Federal Deposit Insurance Corporation's ("FDIC") Debt Guarantee Program is included in this amount because the FDIC is explicitly standing behind those assets, while the Federal Housing Finance Agency ("FHFA") and Treasury Department's implicit backing of the potential liabilities of the GSEs is not.
- Balance as of last year's report ($3 trillion) — the actual amount expended or guaranteed by the programs outstanding as of last year's report.
- High-water mark to date ($6.3 trillion) — the highest balance of actual amounts expended or guaranteed by each program to date. Many programs peaked in December 2008, and have since closed. The sum for each Federal agency reflects the sum of the individual high-water marks for each separate program under its supervision. This does not, of course, mean that at any single time there was an outstanding balance for the agency of this amount. Instead, this reflects the sum of the high-water marks for each program, typically at varying times.
- Maximum potential commitment related to crisis ($23.9 trillion) — each program's gross, not net, pledged commitment if all eligible applicants had requested the maximum assistance for each program at the same time. Implicit guarantees are included in these figures. When a program has no limit, such as Treasury's commitment to backstop losses for the GSEs, the high-water mark is used for this figure as well. To reemphasize, for the reasons detailed below, this number should not be considered as an estimate of total potential losses, but rather as the sum of all of the maximum pledged explicit and implicit commitments to support financial institutions and the broader financial markets since the inception of the crisis.

Several additional caveats should be applied to this methodology:

- In many cases, the totals reflect the gross maximum commitment each agency would have regardless of any offsetting assets or collateral. For almost all of the programs, there is collateral backing the financial commitments, such as securities or real estate. Accordingly, if a borrower or beneficiary of a particular program defaulted, the applicable agency would typically have recourse to assets that could mitigate or prevent losses.
- As noted above, several programs may involve significant overlap, resulting in the same guarantee or loan being double-counted in the totals. For example, when the Federal Reserve purchases mortgage-backed securities ("MBS") guaranteed by the GSEs, those purchases may be counted toward the current outstanding balance, high-water mark, and maximum potential commitment for the Federal Reserve, while the guarantee of those MBS also appears as part of the maximum potential commitment for FHFA's implicit backing of GSE liabilities. Similarly, a financial institution may be insured against loss on a mortgage by the Federal Housing Administration ("FHA"), and appear in the accounting for that program, while that same mortgage may be packaged into a security that is then guaranteed by the Government National Mortgage Association ("GNMA") (and also included in the totals). Further, several programs may have been implemented to replace other programs, such as with respect to support provided to American International Group, Inc. ("AIG") and Bear Stearns Companies Inc. ("Bear Stearns").
- Several program estimates are based on contingent rather than direct commitments and implied asset guarantees (such as the Government's backstop of the guarantees issued by the GSEs) rather than an explicit guarantee on an agency's balance sheet.
- Several of the programs were never implemented or were never fully drawn down, and many of the programs have since been closed.

Despite these caveats, this section tracks the historical commitment of the Federal Government to the financial system and the array of programs it deemed necessary to address the financial crisis, including in those areas where multiple agencies felt compelled to pledge overlapping support for the same asset or institution, albeit in different contexts.

TARP Programs in Context and Current Status

By itself, TARP remains a significant program, but the amount of funds outstanding in TARP and TARP-related programs has fallen significantly.[300] As of June 30, 2010, the amount of total potential funds related to these programs is $755.9 billion, down from an original estimate of $3 trillion, and this figure is expected

For a summary of the originally projected funding commitments under TARP, see SIGTARP's April 2009 Quarterly Report, page 38.

to decrease further over time. This decrease is due primarily to sharp reductions in the projected size and scope of the Term Asset-Backed Securities Loan Facility ("TALF") and the Public-Private Investment Program ("PPIP"). (See Section 2: "TARP Overview" of this report for an update on these programs.) TARP, however, is only a part of the combined efforts of the Federal Government to address the financial crisis. Approximately 50 initiatives or programs have been created by various Federal agencies since 2007.

The Federal Reserve assembled the largest support package of initiatives in response to the financial crisis. Its balance sheet has grown from $900 billion in 2007, prior to the financial crisis, to a peak of nearly $2.4 trillion in May 2010. It did so to provide liquidity to financial markets, stabilize prices of various asset classes, and intervene in specific situations.[301] This increase in its balance sheet does not represent the maximum potential commitment of the Federal Reserve, which is estimated to be approximately $6.7 trillion, because many of its efforts have involved guarantees not included on its balance sheet. The current balance for Federal Reserve programs has increased from $1.5 trillion to $1.7 trillion since last year, driven primarily by its increase in purchases of agency MBS (see Table 3.2).

The FDIC is another key player. Its maximum potential commitment increased from $2.3 trillion to $2.5 trillion in the past year as it has focused on providing a

TABLE 3.1

INCREMENTAL FINANCIAL SYSTEM SUPPORT, BY FEDERAL AGENCY SINCE 2007 ($ TRILLIONS)

	Balance as of 6/30/2009	Current Balance	High-Water Mark as of 6/30/2009*	High-Water Mark as of 6/30/2010*	Maximum Potential Commitment Related to Crisis
Federal Reserve	$1.5[a]	$1.7	$3.1	$4.0	$6.7
FDIC	0.3	0.3	0.3	0.4	2.5
Treasury — TARP (including Federal Reserve, FDIC components)	0.6	0.3	0.6	0.6	3.0
Treasury — Non-TARP	0.3	0.5	0.3	0.6	4.1
Other: FHFA, NCUA, GNMA, FHA, VA	0.3	0.8	0.3	0.8	7.7
Total	**$3.0**	**$ 3.7**	**$4.7**	**$6.3**	**$23.9**

Notes: Numbers affected by rounding. Amounts may include overlapping agency liabilities, "implied" guarantees, and unfunded initiatives. Maximum Potential Commitment does not account for collateral pledged. See the "Methodology for Estimating Government Financial Commitments" discussion in this section for details on the methodology of this chart. Other agencies include: FHFA, National Credit Union Administration ("NCUA"), Government National Mortgage Association ("GNMA"), Federal Housing Administration ("FHA"), and U.S. Department of Veterans Affairs ("VA").
* High-water mark means the highest outstanding balance during the entire history of the program as of the respective dates.
[a] This amount has changed from last year's report due to a change in methodology in accounting for the Federal Reserve's Maiden Lane facilities. See notes to Table 3.2 for further explanation.

Source: See respective source notes in the agency-specific tables later in this section.

higher deposit insurance ceiling, guaranteeing the debt of its member institutions, and stemming losses in the regional and community banking sectors. However, the FDIC's total outstanding balance has remained largely static, falling slightly from $339.4 billion to $309.6 billion since last year's report (see Table 3.4).

The increased importance of the FHFA — under whose auspices fall the GSEs such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and Federal Home Loan Banks ("FHLBs") — underscores the Government's efforts to backstop GSE liabilities and provide a floor under the housing market. The implied commitment to backstop the GSEs' debt obligations and MBS guarantees reached nearly $6.9 trillion last year but had declined to approximately $6 trillion by the end of 2009 as the GSEs reduced the overall size of their portfolios.

For more information on Federal support of the residential mortgage market, see SIGTARP's January 2010 Quarterly Report, pages 109–126.

The current balance for the Department of Housing and Urban Development ("HUD") has increased markedly since last year, with approximately $500 billion in additional guarantees from FHA and GNMA over its pre-crisis commitments. These guarantees directly assist financial institutions, insuring them against the risk of loss and allowing them to sell loans that they originate. Collectively, mortgage loan and MBS guarantee commitments increased from $283.7 billion last year to $764.2 billion above pre-crisis levels as the domestic mortgage market became increasingly dependent upon Government assistance (see Table 3.5).

Meanwhile, Treasury's outstanding balance for non-TARP programs increased from $257.1 billion to $533.5 billion over the past year. The increases have largely been driven by Treasury's continued purchasing of GSE-related assets, expansion of student loan purchasing programs, and commitment to supporting the International Monetary Fund's efforts to respond to the euro-zone debt crisis (see Table 3.3). An updated overview of the Government's current program commitments and continuing maximum potential commitments related to the financial crisis by Federal agency is provided in Table 3.1.

For more information on the Federal Reserve System, see "TARP Tutorial: The Federal Reserve System" in SIGTARP's July 2009 Quarterly Report, pages 130–136.

SPECIFIC INTERVENTIONS/PROGRAMS

Non-TARP Financial Assistance Programs

The Government has undertaken dozens of initiatives in response to the financial crisis since the summer of 2007, some with specific spending limits and others without any specific, quantifiable measurement appearing in the books of the responsible agency. Examples of the latter include:

- the FDIC's expansion of deposit insurance limits
- Treasury's agreement to backstop losses without limit for both Fannie Mae and Freddie Mac[302]

To the extent possible, SIGTARP has quantified the total support provided by these programs using publicly available information from the agencies responsible for the program or initiatives. Following each table are brief descriptions of key programs implemented by the agencies. The descriptions largely reflect the agencies' own program descriptions. Note that TARP-related programs, such as TALF and the Asset Guarantee Program, are not included here but addressed elsewhere in this report.

Summary and Update of Federal Reserve Assistance Programs

As the central bank of the United States, the Federal Reserve has exceptional responsibilities and powers to address systemic financial crises. As the financial crisis emerged, the Federal Reserve used its broad powers to implement a number of programs aimed at supporting the liquidity of financial institutions and foster improved conditions in financial markets, and promote a resumption of economic growth. Since 2007, the Federal Reserve has created 18 financial support programs outside of TARP.

These programs and tools can be divided into four groups. The first set of tools, which are closely related to the Federal Reserve's traditional role as lender of last resort, focused on the provision of short-term liquidity on a secured basis to banks and other depository institutions as well as the primary dealers. The traditional discount window, Term Auction Facility ("TAF"), Primary Dealer Credit Facility ("PDCF"), and Term Securities Lending Facility ("TSLF") programs fell into this category. Because bank funding markets are global in nature, the Federal Reserve also approved bilateral currency swap agreements with foreign counterparts. In response to continued improvement in financial market conditions, these programs — with the exception of the traditional discount window — were wound down or were allowed to expire. However, the Federal Reserve reestablished bilateral currency swaps arrangements with five foreign central banks in light of the recent euro-zone debt crisis.[303]

A second set of facilities was created to provide liquidity directly to borrowers and investors in key credit markets. These programs allowed the Federal Reserve to assure liquidity for institutions in the money market, commercial paper, and asset-backed securities (ABS) markets. The Commercial Paper Funding Facility ("CPFF"), Money Market Investor Funding Facility ("MMIFF"), Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AMLF"), and TALF fell into this category. These programs are closed, although TALF still has loans outstanding.

The third set of measures expanded the traditional role of the Federal Reserve in open market operations ("OMOs") to support the functioning of credit markets and to provide economic stimulus through the purchase of longer-term securities for the Federal Reserve's portfolio. The purchase of GSE debt and MBS as well as the purchase of longer-term Treasury securities (the Treasuries Purchase Program, or "TPP") are primary examples. These securities are currently the largest remaining items resulting from the financial crisis response programs on the Federal Reserve's balance sheet. The increase in assistance to the financial system through these holdings, from a total of $733.7 billion to $1.6 trillion, during the past year more than outweighed the reduction in guarantee amounts outstanding under the various liquidity programs described above.[304]

Finally, the Federal Reserve provided a financial backstop through various credit facilities to avoid the disorderly failure of two individual companies, AIG and Bear Stearns. These facilities have shrunk but continue to have balances outstanding.[305]

In aggregate, the Federal Reserve's crisis response programs authorized since 2007 represent a maximum potential commitment of approximately $6.7 trillion. The currently outstanding $1.7 trillion amount reflects a net increase of approximately $262 billion since the July 2009 Quarterly Report (see Table 3.2).

For a complete listing of financial crisis-related Federal Reserve programs and their status, see Table 3.2.

TABLE 3.2

NON-TARP GOVERNMENT SUPPORT OF THE FINANCIAL SECTOR FEDERAL RESERVE SYSTEM ($ BILLIONS)

Program	Coverage	Balance as of 6/30/2009	Current Balance	High-Water Mark as of 6/30/2010*	Maximum Potential Commitment Related to Crisis**
Term Auction Facility ("TAF") – CLOSED	Banks	$282.8	$—	$493.1[a]	$900.0[b]
Primary Credit Program of the Discount Window	Banks	39.1	0.2	111.9[c]	111.9
Repurchase Agreements	Banks	0.0	0.0	124.6[d]	124.6
Commercial Paper Funding Facility ("CPFF") – CLOSED	Commercial Paper Markets	128.1	0.0[e]	349.9[f]	1,800.0[g]
Money Market Investor Funding Facility ("MMIFF") – CLOSED	Money Market Mutual Funds	0.0	—	0.0	600.0[h]
Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AMLF") – CLOSED	Money Market Mutual Funds	16.7	—	145.9[i]	145.9
Term Securities Lending Facility ("TSLF"), TSLF Options Program ("TOP") – CLOSED	Primary Dealers	8.0	—	233.6[j]	250.0[k]
Expansion of System Open Market Account ("SOMA") Securities Lending[l]	Primary Dealers	14.3[m]	13.9[n]	30.8[o]	36.0[p]
Primary Dealer Credit Facility ("PDCF") – CLOSED	Primary Dealers	0.0	—	147.7[q]	147.7
Purchases of Direct Obligations of GSEs	GSEs, Housing Markets	92.1	165.2	169.0[r]	200.0[s]
Purchases of GSE-Guaranteed Mortgage-Backed Securities	GSEs, Housing Markets	467.1	1,119.3	1,128.4[t]	1,250[u]
Foreign Central Bank Currency Liquidity Swaps	U.S. Markets	114.6[v]	1.2[w]	586.1[x]	586.1
Treasuries Purchase Program	Private Credit Markets	174.5[y]	300.0	300.0[z]	300.0[aa]
Credit to AIG***	Specific Institution	43.5	50.4[bb]	90.3[cc]	122.8[dd]
Maiden Lane LLC (Bear Stearns)****	Specific Institution	29.2[ee]	29.3[ff]	29.3[gg]	30.0[hh]
Maiden Lane II LLC (AIG)****	Specific Institution	17.7[ii]	15.3[jj]	19.5[kk]	22.5[ll]
Maiden Lane III LLC (AIG)****	Specific Institution	22.6[mm]	17.3[nn]	24.4[oo]	30.0[pp]
Other Credit Extensions (JPMorgan, Bear Stearns bridge loan) – CLOSED	Specific Institution	—	—	12.9[qq]	12.9
Total		**$1,450.3**	**$1,712.1**	**$3,997.4**	**$6,670.4**

Notes: Numbers affected by rounding. If only one source is given for a program, it is the same source for all column headers. If only one source is given for "Balance as of 6/30/2009" and "High-Water Mark," it is the same source.
* High-water mark means the highest outstanding balance during the entire history of the program as of the respective date.
** Maximum Potential Commitment does not account for any collateral pledged; the high-water mark is used as the maximum potential support for programs that did not specify an upper limit.
*** Current credit to AIG balance includes the value of AIA and ALICO SPV preferred shares currently held by the Federal Reserve. This amount was not included in SIGTARP's July 2009 Quarterly Report.
**** All Maiden Lane LLC amounts represent the current outstanding principal balance (including accrued and capitalized interest) of funds borrowed from the Federal Reserve. Last year's report measured the value of the respective Maiden Lane asset portfolios.

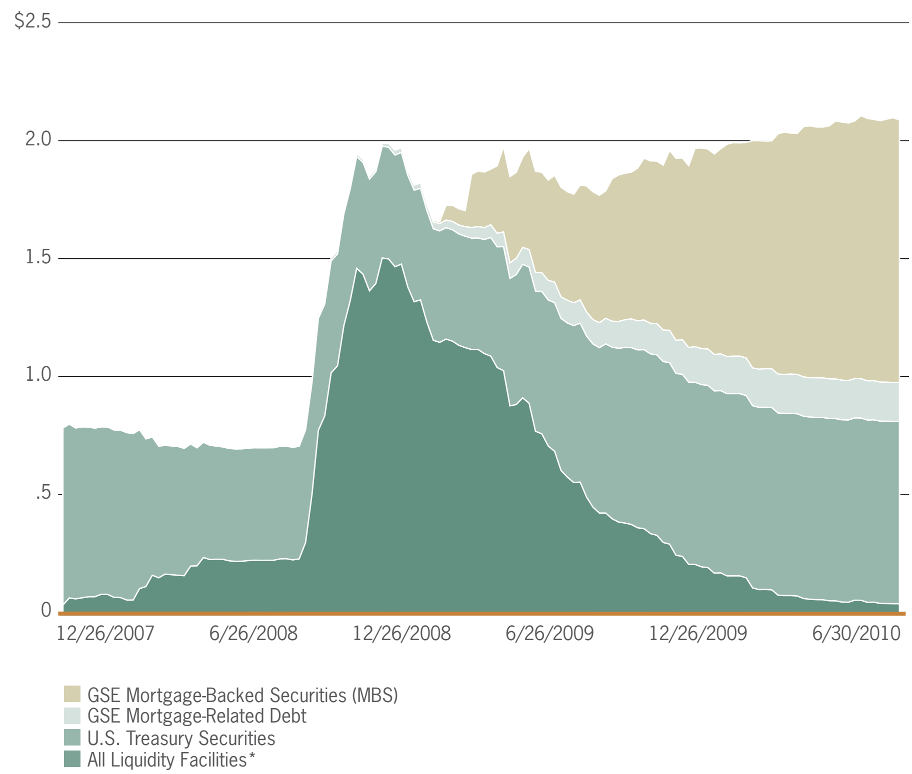
Sources:
[a] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WTERAUC.txt, accessed 7/6/2010.
[b] Federal Reserve Press Release, 10/6/2008, www.federalreserve.gov/newsevents/press/monetary/20081006a.htm, accessed 6/8/2010.
[c] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WPC.txt, accessed 7/6/2010.
[d] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WREPO.txt, accessed 7/6/2010.
[e] CPFF SPV is closed, but current balance of remaining assets includes about $1 million in other investments as of 6/30/2010.
[f] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WCPFF.txt, accessed 7/6/2010.
[g] FDIC, Supervisory Insights, Summer 2009, p. 4, www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/si_sum09.pdf, accessed 6/30/2010.
[h] FDIC, Supervisory Insights, Summer 2009, p. 4, www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/si_sum09.pdf, accessed 6/30/2010.
[i] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WABCMMF.txt, accessed 7/6/2010; FDIC Supervisory Insights, Summer 2009, p. 4, www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/si_sum09.pdf, accessed 6/30/2010.
[j] Week ending 6/30/2010: St. Louis Fed, http://research.stlouisfed.org/fred2/data/WTERMFAC.txt, accessed 7/6/2010.
[k] Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2009-2019, p. 39, accessed 6/23/2010; FDIC, Supervisory Insights, Summer 2009, p. 4, www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/si_sum09.pdf, accessed 6/23/2010.
[l] Maximum $5 billion per primary dealer; Fed's primary dealer list shows 18 dealers (www.newyorkfed.org/markets/pridealers_current.html). Limit was increased from $3 billion to $5 billion per dealer in 2008 and has remained at that level. Effective July 9, 2009, the SOMA expanded to include direct obligations of housing-related GSEs Fannie Mae, Freddie Mac, and the Federal Home Loan Banks held in the SOMA portfolio and offered them for loan in the daily SOMA securities lending auctions.
[m] This is an update to SIGTARP's July 2009 Quarterly Report: Federal Reserve Bank of New York, Securities Lending Activity, 6/30/2009, www.newyorkfed.org/markets/seclend/historical/results.cfm, accessed 7/9/2010.
[n] Federal Reserve Bank of New York, response to SIGTARP data call, 7/9/2010.
[o] This is an update to SIGTARP's July 2009 Quarterly Report: Federal Reserve Bank of New York, Securities Lending Activity, 10/23/2008, www.newyorkfed.org/markets/seclend/historical/results.cfm, accessed 7/9/2010.
[p] SOMA figures for "total support" are net of pre-existing lending limits. To estimate a total support amount of $36 billion, the increased facility of $2 billion per primary dealer was multiplied by the 18 primary dealers in the industry; historical data, www.federalreserve.gov/releases/h41/hist/h41hist1.pdf, accessed 6/11/2009.
[q] Technically unlimited potential, though usage peaked on 10/1/2008 at $147.7 billion. Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WPDF.txt, accessed 7/6/2010.
[r] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WFEDSEC.txt, accessed 7/6/2010.
[s] Maximum Potential Commitment extended to the program at any point was $200 billion; see Federal Reserve Board Press Release, 3/18/2009, http://federalreserve.gov/newsevents/press/monetary/20090318a.htm, accessed 6/30/2010.
[t] Week ending 6/30/2010: St. Louis Fed, www.research.stlouisfed.org/fred2/data/WMBSEC.txt, accessed 7/6/2010.
[u] FDIC, Supervisory Insights, Summer 2009, p. 4, www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/si_sum09.pdf, accessed 6/30/2010.
[v] This is an update to last year's report; Federal Reserve Bank of New York, response to SIGTARP data call, 7/10/2010.
[w] Week ending 6/30/2010: St. Louis Fed, http://research.stlouisfed.org/fred2/data/WLIQSWP.txt, accessed 7/6/2010.
[x] Last year's chart reflected an upper limit of $755 billion. The Federal Reserve Bank of New York now clarifies that current swap lines are unlimited. High-water mark and unlimited maximum potential commitment amount provided by Federal Reserve Bank of New York, response to SIGTARP data call, 7/10/2010.
[y] Data derived from taking the increase of U.S. Treasury securities held from 3/18/2009 (date of program announcement) to 6/3/2009 to data source: Federal Reserve, www.research.stlouisfed.org/fred2/categories/32215/downloaddata, accessed 6/11/2009.
[z] Purchase amount found by taking the difference of the current $777 billion of U.S. Treasury securities held and the amount held prior to the program's initiation in March 2009; Federal Reserve, March 2010,"Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201002.pdf, accessed 6/30/2010.
[aa] Federal Reserve Board of Governors, June 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monettarypolicy/files/monthlyclbsreport201006.pdf, accessed 6/23/2010.
[bb] Current Balance and Balance as of 6/30/2009 provided by Federal Bank of New York, response to SIGTARP draft, 7/10/2010.
[cc] Sum of AIG's Credit Facility and Securities Lending Facility. Federal Reserve Board, Statistical Release H.4.1, "Recent balance sheet trends," 7/13/2010, www.federalreserve.gov/monetarypolicy/bst_recenttrends_accessible.htm, accessed 7/13/2010.
[dd] Prior to restructuring of assistance, the Federal Reserve's maximum potential commitment to AIG peaked at $122.8 billion between two programs — an $85 billion credit facility and a $37.8 billion securities lending facility. Federal Reserve Board, Monetary Policy Report to the Congress, Appendix A, 2/24/2009, www.federalreserve.gov/monetarypolicy/mpr_20090225_appendixa.htm, accessed 6/23/2010.
[ee] Federal Reserve Board of Governors, February 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201002.pdf, accessed 6/24/2010.
[ff] Federal Reserve Board of Governors, June 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201006.pdf, accessed 6/23/2010.
[gg] Federal Reserve Bank of New York, "Maiden Lane Transactions," 3/31/2010, www.newyorkfed.org/markets/maidenlane_100331.html#begin, accessed 7/10/2010.
[hh] Federal Reserve, Monetary Policy Report to the Congress, Appendix A, 2/25/2009, www.federalreserve.gov/monetarypolicy/mpr_20090225_appendixa.htm, accessed 6/9/2010.
[ii] Federal Reserve Board of Governors, February 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201002.pdf, accessed 6/24/2010.
[jj] Federal Reserve Board of Governors, June 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201006.pdf, accessed 6/23/2010.
[kk] Federal Reserve Bank of New York, "Maiden Lane Transactions," 12/31/2008, www.newyorkfed.org/markets/maidenlane2_081231.html#begin, accessed 7/10/2010.
[ll] Federal Reserve, Monetary Policy Report to the Congress, Appendix A, 2/25/2009, www.federalreserve.gov/monetarypolicy/mpr_20090225_appendixa.htm, accessed 6/9/2010.
[mm] Federal Reserve Board of Governors, February 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201002.pdf, accessed 6/24/2010.
[nn] Federal Reserve Board of Governors, June 2010, "Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet," www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport201006.pdf, accessed 6/23/2010.
[oo] Federal Reserve Bank of New York, "Maiden Lane Transactions," 12/31/2008, www.newyorkfed.org/markets/maidenlane3_081231.html#begin, accessed 7/10/2010.
[pp] Federal Reserve, Monetary Policy Report to the Congress, Appendix A, 2/25/2009, www.federalreserve.gov/monetarypolicy/mpr_20090225_appendixa.htm, accessed 6/9/2010.
[qq] Initial outlay of March 14-16, 2008; repaid on March 17, 2009; Federal Reserve, Report Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008: Bridge Loan to The Bear Stearns Companies Inc. through JPMorgan Chase Bank N.A., www.federalreserve.gov/monetarypolicy/files/129bearstearnsbridgeloan.pdf, accessed 5/14/2010.

Although the Federal Reserve's remaining maximum potential commitments have fallen as many of its liquidity facilities have closed, the current balance of its securities held outright continues to rise. The majority of this increase is associated with the settlement of MBS purchases executed prior to the completion of the MBS purchase program on March 31, 2010, and the completion of TPP in October 2009. Figure 3.1 below shows the direction in which the Federal Reserve's commitments and liabilities have shifted during the financial crisis.

FIGURE 3.1

FEDERAL RESERVE BALANCE SHEET ASSETS (12/26/2007 – 6/30/2010)

$ Trillions



Note: The "All Liquidity Facilities" category includes various Federal Reserve programs such as the Term Auction Facility, the Commercial Paper Funding Facility, and the Money Market Investor Funding Facility.

Sources: Securities Holdings: Federal Reserve Board, Statistical Release H.4.1, "Factors Affecting Reserve Balances," 7/8/2010, www.federalreserve.gov/releases/h41/hist/h41hist11.txt, accessed 7/10/2010; All Liquidity Facilities: Federal Reserve Board, Recent Balance Sheet Trends, 7/10/2010, www.federalreserve.gov/monetary policy/bst_recenttrends.htm, accessed 7/10/2010.

Term-Auction Facility ("TAF") — Closed on March 8, 2010 — Maximum Potential Commitment: $900 Billion, Amount Outstanding: $0

The Term Auction Facility ("TAF") allowed depository institutions in generally sound condition to borrow funds by bidding at competitive auctions and putting up collateral. It was a new means of providing funds through the Federal Reserve's discount window. Although most instances of borrowing from the discount window are routine and short-term in nature, banks have also sometimes relied on the discount window as a source of funds for longer periods in an emergency. Because of its association with emergencies, borrowing at the discount window has carried a certain stigma. Because TAF funds were obtained through regular auctions, borrowing under TAF, by contrast, was perceived less as a sign of weakness.

TAF was created in December 2007 by the Federal Reserve Board of Governors to meet the short-term liquidity needs of banks. According to the Federal Reserve, "by increasing the access of depository institutions to funding, the TAF support[ed] the ability of such institutions to meet the credit needs of their customers."[306]

The funds were borrowed by banks in an auction that set the interest rate. The bank had to be in "generally sound financial condition" and post collateral — such as high-quality securities — that were subject to certain haircuts. Thus, a bank could borrow, for example, $0.92 after posting $1.00 worth of securities. The minimum interest rate a bank could bid was the interest rate paid by the Federal Reserve on excess reserve balances. Typically, the Federal Reserve conducted regular auctions of 28- and 84-day funds for $150 billion at a time.[307] The sum of all TAF credit authorized within these auctions reached a maximum potential commitment peak of $900 billion.[308] The outstanding balance of funds under TAF reached its $493 billion peak as capital markets bottomed out in March 2009.[309]

As financial market conditions improved in the second half of 2009, the Federal Reserve said it would scale back the amount of funds offered at TAF auctions and shorten the maturity of future auction terms. TAF's 84-day auctions were aligned with maturity dates of 28-day auctions; the auction amount for other 28-day auctions was gradually decreased, and the last auction was held March 8, 2010.[310] These final funds matured in early April 2010 and the TAF program's outstanding balance was zero as of June 30, 2010.[311]

Primary Credit Program of the Discount Window — Maximum Potential Commitment: $111.9 Billion, Amount Outstanding: $0.2 Billion

Primary credit loans are taken by banks at the Federal Reserve's discount window when they require short-term funds to meet the needs of their customers and creditors. Prior to the crisis, the Federal Reserve ordinarily lent on a very short-term basis, typically overnight, at 1.0% above the Federal Open Market Committee ("FOMC") target federal funds rate. The borrowing bank must provide suitable collateral, subject to a haircut. In August 2007, the Federal Reserve reduced the primary credit (discount) rate to 0.5% above the federal funds rate and extended the primary credit term to 30 days. Accessibility was broadened in March 2008, as the Federal Reserve further reduced the rate to 0.25% above the FOMC target federal funds range and lengthened the term to 90 days.

In response to improvement in financial markets in late 2009 and early 2010, the Federal Reserve twice reduced the maximum term of primary credit loans, first to 28 days, and then back to overnight, effective March 18, 2010. In addition, the Federal Reserve raised the rate to 0.5% above the target federal funds range, effective February 19, 2010.[312] The reduction of the lengthier term to overnight has essentially eliminated the modifications for emergency liquidity through this program. As of June 30, 2010, borrowing through the discount window had decreased from a crisis high point of $111.9 billion in October 2008 to approximately $200 million.

Repurchase Agreements ("Repos") — Maximum Potential Commitment: $124.6 Billion, Amount Outstanding: $0

According to the Federal Reserve, "repurchase agreements reflect some of the Federal Reserve's temporary [open market operations]. Repurchase agreements are transactions in which securities are purchased from a primary dealer under an agreement to sell them back to the dealer on a specified date in the future. The difference between the purchase price and the repurchase price reflects an interest payment. The Federal Reserve may enter into repurchase agreements for up to 65 business days, but the typical maturity is between one and 14 days. Federal Reserve repurchase agreements supply reserve balances to the banking system for the length of the agreement. The Federal Reserve employs a naming convention for these transactions based on the perspective of the primary dealers: the dealers receive cash while the Federal Reserve receives the collateral."[313]

During the years leading up to the financial crisis, non-banking institutions such as money market mutual funds, securities lenders, institutional investors, and businesses increasingly needed a means of safely depositing funds while earning interest but retaining easy access to their funds. Repurchase agreements developed to serve this need. However, the onset of the financial crisis and near failure of large financial institutions heightened counterparty risk as the value of collateral, such as AAA-rated subprime securities, used in repurchase agreements came increasingly into question. As a result, private lenders raised the haircuts required for the repo loans or refused to roll over the repo loans collateralized by subprime mortgage assets.[314]

As liquidity in the repo market subsequently dried up, the Federal Reserve became the preferred counterparty of primary dealers in the repo market. In an effort to supply reserve balances and additional liquidity to the banking system, the Federal Reserve increased the level of its repurchase agreements substantially beyond pre-crisis levels. The value of reserve bank credit provided through repurchase agreements reached its high-water mark of $124.6 billion in June 2008. The normalization of liquidity in the banking system reduced the need to further inject reserves and repurchase agreement balances have remained at zero since February 2009.[315]

Commercial Paper Funding Facility ("CPFF") — Closed on February 1, 2010 — Maximum Potential Commitment: $1.8 Trillion, Amount Outstanding: $0

The Commercial Paper Funding Facility ("CPFF") was created in October 2008 to provide an emergency source of funds to U.S. corporations that borrow short-term funds by issuing commercial paper ("CP"). CP is a short-term debt security commonly used by corporations to raise funds in what has historically been a liquid market. The market for these securities froze in the fall of 2008 following the failure of Lehman Brothers. CPFF was created to reassure investors and corporate issuers that the Federal Reserve was willing to act as a "buyer of last resort," maintaining the liquidity and functioning of this market. CPFF, according to the Federal Reserve Board's February 2009 Monetary Policy Report to the Congress, was "intended to improve liquidity in short-term funding markets and thereby increase the availability of credit for businesses and households."[316] Under the terms and conditions of CPFF, the Federal Reserve committed to lending funds to a special purpose vehicle ("SPV") that bought eligible CP from eligible issuers. Eligible CP was U.S.-dollar-denominated CP or asset-backed CP rated at least A-1/P-1/F1 (these are the top ratings of the different ratings agencies). Eligible issuers were U.S. corporations, including those with a foreign parent company. For any given issuer, the SPV's purchases were limited to the maximum amount of CP that issuer had outstanding between January 1 and August 31, 2008. Issuers paid a fee to FRBNY of 0.1% of the maximum of its CP the SPV could own. Under the program's guidelines, the amount of qualifying CP holdings the CPFF SPV was potentially authorized to purchase was approximately $1.8 trillion.[317] The SPV's holdings reached a peak of approximately $350 billion in January 2009 and steadily declined until its closure on February 1, 2010.[318]

Money Market Investor Funding Facility ("MMIFF") — Closed on October 30, 2009 — Maximum Potential Commitment: $600 Billion, Amount Outstanding: $0

Money market funds are investment funds that buy high-quality, short-term debt instruments such as Treasury securities and high-quality bank and corporate notes. Investments in money market funds are generally intended to provide a high degree of safety and relatively quick access to funds. In turn, banks and other financial intermediaries depend on the money market as a source of funds for their business and household customers. In 2008, this market also experienced the same liquidity problems as other markets — that is, money market investors could not find buyers for securities they were seeking to sell when needed.

To help meet this liquidity need, the Federal Reserve created the Money Market

Investor Funding Facility ("MMIFF") on October 21, 2008. According to the Federal Reserve Board's February 2009 Monetary Policy Report to the Congress, "the Federal Reserve Bank of New York [would] provide senior secured funding to a series of SPVs to facilitate an industry-supported private-sector initiative to finance the purchase of eligible assets from eligible investors. Eligible assets include[d] U.S. dollar-denominated certificates of deposit, bank notes, and commercial paper issued by highly rated financial institutions and having remaining maturities of 90 days or less."[319] The SPVs for MMIFF were similar to the SPV for CPFF in that they would purchase eligible money market paper using funds from MMIFF and through the issuance of asset-backed CP. FRBNY committed to lending the SPVs 90% of the purchase price of eligible assets; sellers of assets to the SPV would receive that much in cash and the remaining 10% in ABS from the SPV.[320] Under the program's guidelines, the amount of qualifying money market fund holdings the MMIFF SPV was potentially authorized to purchase was approximately $600 billion.[321] MMIFF was never used to fund any purchases of money market instruments, but it may have succeeded in providing confidence to this market through its existence alone. MMIFF expired on October 30, 2009.[322]

Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AMLF") — Closed on February 1, 2010 — Maximum Potential Commitment: $145.9 Billion, Amount Outstanding: $0

The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AMLF") was designed to assist money market funds holding asset-backed commercial paper ("ABCP") in meeting the liquidity demands of their investors. Through the facility, the Federal Reserve provided non-recourse loans at the primary credit rate to U.S. depository institutions and bank holding companies to finance their purchases of high-quality ABCP from money market mutual funds. The facility was intended "to assist money funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the ABCP markets and broader money markets."[323] AMLF was initially authorized on September 19, 2008, and although originally scheduled to terminate in January 2009, was extended to February 1, 2010.[324] The program's high-water mark of $145.9 billion was reached almost immediately upon its authorization, but its size gradually declined and remained relatively unused from August 2009 until its closure on February 1, 2010.[325]

Term Securities Lending Facility ("TSLF"), and Term Securities Lending Facility Options Program ("TOP") — Closed on February 1, 2010 — Maximum Potential Commitment: $250 Billion, Amount Outstanding: $0

In the securities markets, primary dealers are a group of securities broker-dealers that have the right to trade directly with the Federal Reserve System in connection with Federal Reserve OMO. They also participate directly in U.S. Treasury auctions, and are an important conduit for financial interactions between the Federal Government and the private capital markets. In early 2008, many primary dealers came under increasing liquidity pressure, which the Federal Reserve addressed through the creation of the Term Securities Lending Facility ("TSLF") on March 11, 2008. According to the Federal Reserve Board's February 2009 Monetary Policy Report to the Congress, "Under the TSLF, the Federal Reserve lends up to $200 billion of Treasury securities to primary dealers for a term of 28 days (rather than overnight, as in the regular securities lending program); the lending is secured by a pledge of other securities."[326] The facility allowed for the expansion of eligible collateral from Treasury and Federal agency securities and AAA-rated RMBS to include all investment-grade debt securities. The securities were then made available in weekly competitive auctions.[327] The program reached its high-water mark of $233.6 billion in October 2008 and steadily declined until reaching zero in August 2009. The program closed on February 1, 2010.[328]

An extension of the TSLF was TSLF Options Program ("TOP"), described by FRBNY as intended to "enhance the effectiveness of the TSLF by offering added liquidity over periods of heightened collateral market pressures, such as quarter-end dates."[329] The program "offer[ed] options on a short-term fixed rate of [TSLF] bond-for-bond loan of general Treasury collateral against a pledge of eligible collateral."[330] The Federal Reserve's Open Market Trading Desk offered a total of $50 billion in options for each targeted period in addition to the $200 billion authorized under TSLF.[331] TOP was suspended effective July 1, 2009, and did not resume before TSLF closed.[332]

Expansion of System Open Market Account ("SOMA") Securities Lending — Maximum Potential Commitment: $36.0 Billion Increase in Funding, Amount Outstanding: $13.9 Billion

The System Open Market Account ("SOMA") pre-dated the crisis and is managed by FRBNY. The account contains dollar-denominated assets purchased in OMO in the course of the Federal Reserve's implementation of U.S. monetary policy. Borrowing of securities in the SOMA is permitted "for the purpose of covering an expected fail to receive on the part of a dealer. In order to prevent lending activity from affecting reserves, Treasury securities, rather than cash, are posted with the Federal Reserve as collateral."[333] Under SOMA's Securities Lending Program, the Federal Reserve lends Treasury securities and agency direct obligations held in the System account on an overnight basis for a fee. Such loans are secured by Treasury securities pledged by the borrower.[334] In response to market pressures, the program was expanded on September 23, 2008, to raise the current dealer aggregate limit from $3 billion to $4 billion[335] and raised again on October 8, 2008, to $5 billion per dealer.[336] This $2 billion increase per dealer has resulted in an expansion of $36 billion spread across the 18 designated primary dealers.

On July 9, 2009, the Federal Reserve modified the SOMA securities lending program by offering direct GSE obligations in the program's daily lending auctions.[337] On June 30, 2010, securities loans outstanding to primary dealers through the securities lending program totaled approximately $13.9 billion.[338]

Primary Dealer Credit Facility ("PDCF") — Closed on February 1, 2010 — Maximum Potential Commitment: $147.7 Billion, Amount Outstanding: $0

The Federal Reserve Board's February 2009 Monetary Policy Report to the Congress states that "to bolster market liquidity and promote orderly market functioning, on March 16, 2008, the Federal Reserve Board voted unanimously to authorize the Federal Reserve Bank of New York to create a lending facility — the Primary Dealer Credit Facility ("PDCF") — to improve the ability of primary dealers to provide financing to participants in securitization markets."[339] Under the facility, loans were made to primary dealers, against which they had to post eligible collateral. Initially, eligible collateral was limited to investment-grade securities, but this was expanded in September 2008 to include "all collateral eligible for pledge in tri-party funding arrangements through the major clearing banks. The interest rate charged on such credit [was] the same as the primary credit rate at the Federal Reserve Bank of New York."[340] The first participants eligible to pledge this wider range of collateral were Merrill Lynch & Co., Inc. ("Merrill Lynch"), The Goldman Sachs Group, Inc. ("Goldman Sachs"), and Morgan Stanley; these collateral arrangements were later expanded to include other primary dealers. The program reached its high-water mark of $147.7 billion in October 2008 and steadily declined until reaching zero in May 2009. The program closed on February 1, 2010.[341]

Purchases of Direct Obligations of GSEs — Maximum Potential Commitment: $200.0 Billion, Amount Outstanding: $165.2 Billion

GSEs are private corporations created by Congress to fulfill certain social and financial policy goals, primarily in the housing finance markets. The most prominent are Fannie Mae, Freddie Mac, and the FHLBs. As Fannie Mae and Freddie Mac in particular encountered difficulty raising funds in 2008, their problems began affecting the cost and availability of credit within the housing markets, where the two agencies alone accounted for more than half of all domestic mortgage financing.

To help reduce the cost and increase the availability of credit in support of the housing and mortgage markets, the Federal Reserve announced on September 19, 2008, that it would commence purchasing debt and other instruments of the GSEs through its Open Market Trading Desk; these purchases are made in competitive auctions through primary dealers.

On November 25, 2008, the Federal Reserve announced a program to buy up to $100 billion in the GSEs' direct obligations. On March 18, 2009, the Federal Reserve's FOMC increased the size of this program to a total of $200 billion for direct obligations.[342] Prior to August 31, 2009, the purchase program had been focused on less liquid fixed-rate, non-callable, senior GSE securities. This policy was amended to include widely traded benchmark GSE securities in an effort to "mitigate market dislocations and promote overall market functioning."[343] Subsequently, on September 23, 2009, the FOMC announced its intention to gradually slow the pace of these purchases and to execute them by the end of the first quarter of 2010. On November 4, 2009, the Committee announced its intention for purchases to total about $175 billion.[344] As of June 30, 2010, the Federal Reserve held approximately $165.2 billion in GSE direct obligations on its balance sheet.[345]

Purchases of GSE-Guaranteed MBS — Maximum Potential Commitment: $1.25 Trillion, Amount Outstanding: $1.1 Trillion

In addition to purchasing the direct obligations of GSEs, the Federal Reserve provided further support to the mortgage markets by committing to purchase up to $1.25 trillion of MBS that have been guaranteed by GSEs. This purchase program was originally announced on November 25, 2008, with a maximum purchase limit of $500 billion, but was raised to $1.25 trillion on March 18, 2009.[346] Subsequently, on September 23, 2009, FOMC announced its intention to gradually slow the pace of its purchases of agency-guaranteed MBS by scaling back average weekly purchase amounts.[347] As anticipated by FOMC, these purchases were completed by March 31, 2010. As of June 30, 2010, the Federal Reserve held approximately $1.1 trillion in GSE-guaranteed MBS on its balance sheet.[348]

Foreign Central Bank Currency Liquidity Swaps — Maximum Potential Commitment: $586.1 Billion, Amount Outstanding: $1.2 Billion

On December 12, 2007, FOMC announced it had authorized dollar liquidity swap lines with the European Central Bank and the Swiss National Bank in order to "provide liquidity in U.S. dollars to overseas markets."[349] Subsequently, the program expanded to include additional central banks.

The Federal Reserve describes the transactions as follows: "These swaps involve two transactions. When a foreign central bank draws on its swap line with the Federal Reserve, the foreign central bank sells a specified amount of its currency to the Federal Reserve in exchange for dollars at the prevailing market exchange rate. The Federal Reserve holds the foreign currency in an account at the foreign central bank. The dollars that the Federal Reserve provides are deposited in an account that the foreign central bank maintains at the Federal Reserve Bank of New York. At the same time, the Federal Reserve and the foreign central bank enter into a binding agreement for a second transaction that obligates the foreign central bank to buy back its currency on a specified future date at the same exchange rate. The second transaction unwinds the first. At the conclusion of the second transaction, the foreign central bank pays interest, at a market-based rate, to the Federal Reserve.

"When the foreign central bank lends the dollars it obtained by drawing on its swap line to institutions in its jurisdiction, the dollars are transferred from the foreign central bank's account at the Federal Reserve to the account of the bank that the borrowing institution uses to clear its dollar transactions. The foreign central bank remains obligated to return the dollars to the Federal Reserve under the terms of the agreement, and the Federal Reserve is not a counter party to the loan extended by the foreign central bank. The foreign central bank bears the credit risk associated with the loans it makes to institutions in its jurisdiction."[350]

These temporary dollar liquidity swap arrangements reached a maximum amount of $586.1 billion in December 2008 and then gradually declined to zero until the arrangements first expired on February 1, 2010.[351] However, in response to the re-emergence of strains in offshore short-term U.S. dollar funding markets stemming from the euro-zone sovereign debt crisis, in May 2010, the Federal Reserve re-established temporary dollar liquidity swap lines with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank through January 2011.[352] These facilities are designed to help improve liquidity conditions in U.S. dollar funding markets and to prevent the spread of strains to other markets and financial centers.[353] The amount of credit being extended through this new round of liquidity swap agreements has been small so far and looks to remain relatively minor compared to the liquidity swap program arranged during the peak of the financial crisis. The pricing on the reopened swap lines is consistent with pricing under the previous swap lines, but is now above current market pricing and is largely pre-emptive in nature, looking to provide a backstop for dollar funding markets and bolster market confidence.[354] The first drawing on the new swap lines settled on May 12, 2010, and the aggregate outstanding swap balances stood at approximately $1.2 billion as of June 30, 2010.[355]

Treasury Purchase Program ("TPP") — Maximum Potential Commitment: $300.0 Billion, Amount Outstanding: $300.0 Billion

On March 18, 2009, FOMC announced that "to help improve conditions in private credit markets, the [FOMC] Committee decided to purchase up to $300 billion of longer-term Treasury Securities over the next six months."[356] The Federal Reserve stated that the goal of TPP was "to provide support to mortgage and housing markets and to foster improved conditions in financial markets more generally" by improving the functioning of the MBS market and so reducing the yields on the longer-term Government securities used as the benchmarks against which the rates of long-term loans, such as mortgages, are set. In August 2009, the FOMC announced it would gradually slow the pace of Treasury purchases in order to "promote a smooth transition in markets as purchases were completed." As anticipated, the purchases were completed by the end of October 2009 and currently stand at $300 billion.[357]

Non-TARP Credit to American International Group, Inc. — Maximum Potential Commitment: $122.8 Billion, Amount Outstanding: $50.4 Billion

The Federal Reserve Board's Monetary Policy Report to the Congress in February 2009 states that "In early September, the condition of American International Group, Inc. ('AIG'), a large, complex financial institution, deteriorated rapidly. In view of the likely systemic implications and the potential for significant adverse effects on the economy of a disorderly failure of AIG, on September 16, the Federal Reserve Board, with the support of Treasury, authorized the Federal Reserve Bank of New York to lend up to $85 billion to the firm to assist it in meeting its obligations and to facilitate the orderly sale of some of its businesses. This facility had a 24-month term, with interest accruing on the outstanding balance at a rate of 3-month LIBOR plus 850 basis points, and was collateralized by all of the assets of AIG and its primary non-regulated subsidiaries. On October 8, the Federal Reserve announced an additional program under which it would lend up to $37.8 billion to finance investment-grade, fixed-income securities held by AIG, for a total potential commitment amount of $122.8 billion. These securities had previously been lent by AIG's insurance company subsidiaries to third parties."[358] Federal Reserve support for AIG through these two credit facilities reached a combined high-water mark of approximately $90.3 billion on October 22, 2008.[359] The securities lending facility was repaid in full and terminated on December 12, 2008.[360] Subsequently, in November 2008, "Treasury, through TARP, purchased $40 billion of newly issued AIG preferred shares under the Systemically Significant Failing Institutions ('SSFI') program. The $40 billion allowed the Federal Reserve to reduce from $85 billion to $60 billion the total amount available under the credit facility."[361] In addition to reducing the line of credit, the Federal Reserve reduced the interest rate on the facility and extended the term of the facility from two years to five years.[362]

On December 1, 2009, the Federal Reserve completed two transactions previously announced as part of the restructuring of the U.S. Government's assistance to AIG. Under these agreements, the Federal Reserve received $25 billion in preferred interests in two SPVs formed to hold the outstanding stock of AIG's largest foreign insurance subsidiaries, American International Assurance Co., Ltd. ("AIA") and American Life Insurance Company ("ALICO"). In exchange, the credit facility available to AIG was reduced by $25 billion to a maximum of $35 billion.

As of June 30, 2010, the maximum amount available under the AIG credit facility was approximately $33.7 billion, with an outstanding balance of $24.7 billion.[363]

As of June 30, 2010, the outstanding balance on the AIA and ALICO SPVs was $25.7 billion.[364] The combined amount of remaining Federal Reserve support to AIG through these facilities totaled $50.4 billion.

Maiden Lane LLC (Bear Stearns) — Maximum Potential Commitment: $30.0 Billion, Amount Outstanding: $29.3 Billion

In mid-March 2008, Bear Stearns, a major investment bank and primary dealer, was in imminent danger of failure. According to the Federal Reserve Board's February 2009 Monetary Policy Report to the Congress, "A bankruptcy filing would have forced the secured creditors and counterparties of Bear Stearns to liquidate underlying collateral, and given the illiquidity of markets, those creditors and counterparties might well have sustained substantial losses. If they had responded to losses or the unexpected illiquidity of their holdings by pulling back from providing secured financing to other firms and by dumping large volumes of illiquid assets on the market, a much broader financial crisis likely would have ensued. Thus, the Federal Reserve judged that a disorderly failure of Bear Stearns would have threatened overall financial stability and would most likely have had significant adverse implications for the U.S. economy."[365] To prevent a complete collapse of Bear Stearns, therefore, the Federal Reserve invoked its emergency powers under Section 13(3) of the Federal Reserve Act to authorize a loan of up to $30 billion to facilitate JPMorgan Chase & Co.'s ("JPMorgan") purchase of Bear Stearns and its assumption of the company's financial obligations. A limited liability company, Maiden Lane LLC was created to facilitate these arrangements, particularly to hold and manage certain assets.[366] On June 26, 2008, Maiden Lane LLC purchased approximately $30 billion in Bear Stearns assets with approximately $29 billion of funding from the Federal Reserve to Maiden Lane LLC and a subordinated loan of approximately $1 billion from JPMorgan.[367] As of June 30, 2010, the outstanding principal balance (including accrued and capitalized interest) on the Federal Reserve's loan stood at $29.3 billion while the current fair market value of Maiden Lane LLC's assets stood at $28.4 billion.[368]

Maiden Lane II LLC and Maiden Lane III LLC (American International Group, Inc.) — Maximum Potential Commitment: $22.5 Billion and $30 Billion, Respectively, Amount Outstanding: $15.3 Billion and $17.3 Billion, Respectively

The Federal Reserve Board's April 2009 Monetary Policy Report to the Congress states that "In November 2008, the Federal Reserve also announced plans to restructure its lending related to AIG by extending credit to two newly formed limited liability companies. The first, Maiden Lane II LLC, received a $19.5 billion loan (the commitment was $22.5 billion) on December 12, 2008 from the Federal

Reserve and a $1 billion subordinated loan from AIG and purchased residential mortgage-backed securities from AIG. As a result of these actions, the securities lending facility established on October 8, 2008, was subsequently repaid and terminated. The second new company, Maiden Lane III LLC, received a $24.3 billion loan (the commitment was $30 billion) on November 25, 2008, from the Federal Reserve and a $5 billion equity funding from AIG and purchased multi-sector collateralized debt obligations on which AIG ha[d] written credit default swap contracts."[369] As of June 30, 2010, the outstanding principal balances (including accrued and capitalized interest) on the Federal Reserve's loans to Maiden Lane II LLC and Maiden Lane III LLC stood at $15.3 billion and $17.3 billion, respectively, while the current fair market value of Maiden Lane II LLC and Maiden Lane III LLC's assets stood at $15.7 billion and $23.2 billion, respectively.[370]

Bridge Loan to JPMorgan & Bear Stearns — Maximum Potential Commitment: $12.9 Billion, Amount Outstanding: $0

According to the Federal Reserve, on March 14, 2008, FRBNY made an overnight discount window loan of $12.9 billion to JPMorgan to facilitate its purchase of Bear Stearns; this was done simultaneously, in a back-to-back transaction, to provide secured financing to Bear Stearns. The loan was repaid in full the following Monday, March 17, 2008, "with interest of nearly $4 million."[371] The Federal Reserve Board describes this decision to extend credit as "designed to provide funding necessary for Bear Stearns to meet its obligations for that day and to give the company and policymakers additional time to develop a more permanent solution to the company's severe liquidity problems that threatened to cause its sudden default and bankruptcy."[372]

Non-TARP U.S. Department of the Treasury Programs

Outside of TARP, Treasury is using its non-EESA resources and authorities to support a number of other programs for the benefit of the financial industry. The Emergency Economic Stabilization Act of 2008 ("EESA"), the legislation that created TARP, was not the first financial rescue act of Congress in 2008. Prior to EESA, Congress passed the Housing and Economic Recovery Act of 2008 ("HERA") in July 2008. As such, many of Treasury's earlier efforts at restoring stability to the financial sector arose out of provisions in this law. Table 3.3 provides a summary of the key Treasury initiatives related to the financial crisis. In the year since the July 2009 Quarterly Report, Treasury's outstanding balance for non-TARP programs increased by $276 billion, to $533.5 billion. The increases derive from Treasury's open-ended support of the GSEs, support of the student loan industry, and support for the International Monetary Fund.

Table 3.3

NON-TARP GOVERNMENT SUPPORT OF THE FINANCIAL SECTOR — U.S. TREASURY ($ BILLIONS)

Program	Coverage	Balance as of 6/30/2009	Current Balance	High-Water Mark as of 6/30/2010*	Maximum Potential Commitment Related to Crisis**
Money Market Mutual Fund (“MMMF”) Program — CLOSED	Money Market Mutual Funds	$0.0	$0.0	$0.0	$3,355.3[a]
GSE Preferred Stock Purchase Agreements (“PSPA”)	Fannie/Freddie; Housing Markets	59.8[b]	144.9	144.9[c]	144.9[d]
GSE MBS Purchase Program	Fannie/Freddie; Housing Markets	145.7[e]	180.7[f]	198.0[g]	225.5[h]
GSE Credit Facility Program — CLOSED	Fannie/Freddie; Housing Markets	0.0	0.0	0.0	25.0[i]
New Issue Bond Program (“NIBP”)	Fannie/Freddie; Housing Markets	—	15.3	15.3	15.3[j]
Temporary Credit and Liquidity Program (“TCLP”)	Fannie/Freddie; Housing Markets	—	8.2	8.2	8.2[k]
Other HERA/Treasury (Tax Benefits and CDBG)	Housing Markets	19.0[l]	30.8	30.8	30.8[m]
Student Loan Purchases, and Asset-Backed Commercial Paper Conduits	Higher Education, Lending Institutions	32.6[n]	99.6	99.6[o]	112.0[p]
Potential International Monetary Fund Liabilities	International Agencies	—	54.0	54.0	154.0[q]
Total		**$257.1**	**$533.5**	**$550.8**	**$4,071.0**

Notes: Numbers affected by rounding.
* High-water mark means the highest outstanding balance during the entire history of the program as of the respective date.
** Maximum Potential Commitment does not account for collateral pledged.
[a] Per Treasury, the MMMF provided coverage to all participating money market mutual funds as of 9/19/2008. Treasury Press Release, “Treasury Announces Extension of Temporary Guarantee Program for Money Market Funds,” 3/31/2009, www.ustreas.gov/press/releases/tg76.htm, accessed 6/23/2010. The amount, $3.355 trillion, represents the total money market mutual funds outstanding at the end of Q3, 2008. Federal Reserve Board Statistical Release Z.1, “Flow of Funds Accounts of the United States,” 6/11/2009, Table L.206, www.federalreserve.gov/releases/z1/20090611/z1.pdf, accessed 6/23/2010.
[b] Data as of 4/16/2009. White House, FY 2010 Budget, www.whitehouse.gov/omb/budget/fy2010/assets/gov.pdf, accessed 6/15/2010.
[c] Data as of 3/31/2010. Federal Housing Finance Agency, “Capital Disclosures under Conservatorship (as of Q1 2010),” April 2010, www.fhfa.gov/webfiles/15747/1Q10CapitalDisclosure52010.pdf, accessed 6/30/2010.
[d] This amount is technically unlimited through December 31, 2012. Data as of 3/31/2010. Federal Housing Finance Agency, “Capital Disclosures under Conservatorship (as of Q1 2010),” April 2010, www.fhfa.gov/webfiles/15747/1Q10CapitalDisclosure52010.pdf, accessed 6/30/2010.
[e] Data as of 5/31/2009. Treasury, Monthly Treasury Statement, May 2009, www.fms.treas.gov/mts/mts0509.pdf, accessed 6/15/2010.
[f] Treasury, Monthly Treasury Statement, June 2010, www.fms.treas.gov/mts/mts0610.pdf, accessed 7/14/2010.
[g] Treasury, Monthly Treasury Statement, January 2010, www.fms.treas.gov/mts/mts0110.pdf, accessed 6/16/2010.
[h] This represents a decline from SIGTARP's July 2009 Quarterly Report due to lower Treasury budget estimates for purchases going forward. Treasury, “Budget in Brief FY 2010,” www.ustreas.gov/offices/management/budget/budgetinbrief/fy2010/BIB-HousingGSE.pdf, accessed 6/25/2009; Treasury, “Budget in Brief FY 2011,” www.ustreas.gov/offices/management/budget/budgetinbrief/fy2011/FY%202011%20BIB%20(2).pdf, accessed 6/8/2010; represents the sum of Treasury's actual FY 2008, actual FY 2009, and estimates for FY 2010 and FY 2011.
[i] House Committee on Financial Services Press Release, “Today: House to Consider H.R. 3221,” 7/23/2008, www.house.gov/apps/list/press/financialsvcs_dem/press072308.shtml, accessed 6/15/2010.
[j] Treasury, Press Release, “Administration Completes Implementation of Initiative to Support State and Local Housing Finance Agencies,” 1/13/2010, www.financialstability.gov/latest/tg_01132010.html, accessed 6/1/2010.
[k] Treasury Press Release, “Administration Completes Implementation of Initiative to Support State and Local Housing Finance Agencies,” 1/13/2010, www.financialstability.gov/latest/tg_01132010.html, accessed 6/1/2010.
[l] House Committee on Financial Services Press Release, “Today: House to Consider H.R. 3221,” 7/23/2008, www.house.gov/apps/list/press/financialsvcs_dem/press072308.shtml, accessed 6/8/2010.
[m] Total adds this year's estimates to last year's $19.0 billion estimate. For Homebuyer's Tax Credit Extension estimate, see U.S. Congress, Joint Committee on Taxation, “Estimated Revenue Effects of Certain Revenue Provisions Contained in the Worker, Homeownership, and Business Assistance Act of 2009, 11/3/2009, accessed 7/8/2010; for CDBG funds extension estimate, see Department of Housing and Urban Development, no date, “American Recovery and Reinvestment Act of 2009- Program-Level Plan Community Development Block Grants (CDBG) Entitlement Grants,” http://portal.hud.gov/portal/page/portal/RECOVERY/PLANS/Community%20Development%20Block%20Grant%20(CDBG)%20Entitlement%20Grants.pdf, accessed 6/16/2010.
[n] As of May 31, 2009. Treasury, Monthly Treasury Statement, May 2009, www.fms.treas.gov/mts/mts0509.pdf, accessed 7/5/2010.
[o] Department of Education, response to SIGTARP data call, 7/5/2010.
[p] This updates last year's estimate for maximum potential commitments. For estimate of total purchases, see Congressional Budget Office, March 2010, “Costs and Policy Options for Federal Student Loan Programs,” www.cbo.gov/ftpdocs/110xx/doc11043/03-25-StudentLoans.pdf, accessed 5/28/2010.
[q] CNBC, “US Exposure to EU Bailout is Big, but Risk is Limited,” 5/11/2010, www.cnbc.com/id/37084075/US_Exposure_to_EU_Bailout_Is_Big_But_Risk_Is_Limited, accessed 6/1/2010.

Money Market Mutual Fund Program ("MMMF") — Closed on September 18, 2009 — Maximum Potential Commitment: $3.4 Trillion, Amount Outstanding: $0

Treasury initiated the temporary Money Market Mutual Fund ("MMMF") guarantee program on September 29, 2008. The stated intent was to address temporary dislocations in credit markets by guaranteeing "the share price of any publicly offered eligible money market mutual fund — both retail and institutional — that applies for and pays a fee to participate in the program." According to Treasury, the program provided "coverage to shareholders for amounts that they held in participating money market funds as of the close of business on September 19, 2008. The guarantee will be triggered if a participating fund's net asset value [per share] falls below $0.995, commonly referred to as breaking the buck."[373] Originally designed to last for three months, the program was extended twice to September 18, 2009. Funding for the program was drawn not from TARP funds, but from the Exchange Stabilization Fund, which was established by the Gold Reserve Act of 1934.[374] The Exchange Stabilization Fund has assets of approximately $50 billion, and the maximum potential commitment provided to the MMMF program was approximately $3.4 trillion — the total amount of money market mutual funds outstanding as of the third quarter of 2008, when the program was created, and which were eligible for coverage.[375] Treasury announced the expiration of the program on September 18, 2009, without any losses and $1.2 billion earned in fund participation fees.[376]

GSE Preferred Stock Purchase Agreements ("PSPA") — Maximum Potential Commitment: $144.9 Billion, Amount Outstanding: $144.9 Billion

HERA provided temporary authority for Treasury to purchase obligations of the housing GSEs. In September 2008, FHFA, established under HERA to oversee the housing GSEs, put Fannie Mae and Freddie Mac under Federal conservatorship. Treasury entered into a Preferred Stock Purchase Agreement ("PSPA") with both Fannie Mae and Freddie Mac to make investments up to $100 billion each in their senior preferred stock as required to maintain positive equity.[377] On May 6, 2009, Treasury increased the funding commitments for the PSPAs to $200 billion for each of the entities. On December 24, 2009, Treasury announced that the funding commitments for both would be modified to allow for additional funding in the event that cumulative losses at Fannie Mae or Freddie Mac exceed $200 billion each before December 31, 2012, without limit. As of June 30, 2010, Fannie Mae and Freddie Mac had received $83.6 billion and $61.3 billion, respectively, under the PSPAs.[378]

GSE MBS Purchase Program — Maximum Potential Commitment: $225.5 Billion, Amount Outstanding: $180.7 Billion

HERA also gave Treasury the authority to purchase GSE MBS in the open market, and Treasury announced the program on September 7, 2008.[379] According to the

Treasury's FY 2011 budget, "The purpose of the program was to promote liquidity in the mortgage market and, thereby, affordable homeownership by stabilizing the interest rate spreads between mortgage rates and Treasury issuances."[380] The purchase of the securities would broaden access to mortgage funding for current and prospective homeowners as well as promote market stability.[381] According to Treasury's FY 2010 and 2011 budgets, the amount of actual expenditures and future allocations to GSE MBS purchases had been estimated at approximately $225.5 billion over the life of the program.[382] As of June 30, 2010, the Treasury held $180.7 billion in GSE MBS, down from a high-water mark of approximately $198 billion at the end of December 2009.[383] Treasury's authority to continue purchasing GSE MBS expired on December 31, 2009, and Treasury did not request additional funds for the program in FY 2011.[384]

GSE Credit Facility Program — Closed on December 31, 2009 — Maximum Potential Commitment: $25 Billion, Amount Outstanding: $0

The third Treasury program conducted under HERA relating to the GSEs was a program designed to "ensure credit availability to the housing GSEs by providing secured funding on an as-needed basis."[385] All of the GSEs would be able to borrow under the program if needed until December 31, 2009. The Congressional Budget Office ("CBO") estimated that, if used, the federal budgetary cost of this facility would be $25 billion over the fiscal years 2009-2010.[386] No loans were made under this program between its authorization on July 30, 2008, and its expiration on December 31, 2009.[387]

New Issuance Bond Program ("NIBP") — Maximum Potential Commitment: $15.3 Billion, Amount Outstanding: $15.3 Billion

In December 2009, Treasury initiated two new programs providing temporary financing for state and local Housing Financing Agencies ("HFAs") to issue housing bonds. Under the New Issuance Bond Program ("NIBP"), Treasury purchased securities of Fannie Mae and Freddie Mac backed by new HFA housing bonds, intended to support up to several hundred thousand new affordable mortgages and tens of thousands of new affordable rental housing units. HFAs will pay GSEs and Treasury an amount intended to cover both the cost of financing the newly issued bonds as well as a fee designed to cover risk posed by the HFA.[388] More than 90 state and local HFAs representing 49 states participated in the NIBP for an aggregate total new issuance of $15.3 billion before the expiration of Treasury's authorization to make these purchases expired on December 31, 2009.[389]

Temporary Credit and Liquidity Program ("TCLP") — Maximum Potential Commitment: $8.2 Billion, Amount Outstanding: $8.2 Billion

The Temporary Credit and Liquidity Program ("TCLP") was created alongside the NIBP in December 2009. The program provides HFAs with credit and liquidity facilities supporting up to $8.2 billion in existing HFA bonds. The TCLP is intended to reduce the costs of maintaining existing financing for HFAs, which will have to pay GSEs and Treasury a fee designed to cover risk posed by the program. This fee will rise over time to encourage HFAs to transition from the TCLP to private market financing alternatives as quickly as possible. All purchase commitments of related GSE securities were completed before the expiration of Treasury's authorization to make these purchases expired on December 31, 2009.[390]

Other HERA 2008 and ARRA 2009 Programs — Maximum Potential Commitment: $30.8 Billion, Amount Outstanding: $30.8 Billion

HERA focused on the early centers of the financial crisis — the home mortgage markets and the housing-related GSEs. Beyond the GSE programs, the other components pertaining to Treasury include measures to support home prices in general, which in turn support financial institutions holding mortgages and mortgage-backed securities, as well as to support families and communities harmed by the crisis. Specifically, the act introduced $15 billion in homebuyer tax credits, extension of the property tax deduction to non-itemizing filers, and $4 billion in emergency assistance for neighborhood real estate market stabilization.

The American Recovery and Reinvestment Act of 2009 ("ARRA") expanded on some of the HERA 2008's programs. An additional $990 million in funding was allocated through the Community Development Block Grant ("CDBG") to assist with neighborhood real estate market stabilization.[391] The First-Time Homebuyer's Tax Credit was also extended to April 30, 2010. CBO estimated the cost of extending and modifying the homebuyer's tax credit would add approximately $10.8 billion to the credits extended under HERA over the fiscal years 2010-2019.[392] In sum, the total estimated maximum potential commitment for these programs under both HERA and ARRA was approximately $30.8 billion as of June 30, 2010.

Joint Treasury/Department of Education Student Loan Programs — Maximum Potential Commitment: $112.0 Billion, Amount Outstanding: $99.6 Billion

Treasury and the Department of Education have jointly announced four programs to support the student loan markets, which have been affected by the credit crisis. The authority for these new programs is addressed in the Ensuring Continued Access to Student Loans Act of 2008 ("ECASLA"). The first of these programs is the Participation Program, under which the Government will buy participations in pools of student loans. The second is the Purchase Program, through which the Government will purchase individual loans from lenders so that the lender's balance sheets can be freed up to make new student loans. The third is the Short Term Purchase Program ("STPP"), which provided additional liquidity to lenders participating in the Purchase Program. The fourth new program is the Asset-Backed Conduit Program under which the Government will issue forward commitments to purchase Federal Family Education Loan ("FFEL") program loans from qualified ABS issuers.[393]

Due to concerns about the availability of private capital for student loans, Congress extended ECASLA to cover loans made for the 2009-2010 academic year. The Department of Education reported that it purchased roughly $50 billion in FFEL program loans through the end of fiscal year 2009. It estimated that it will buy another $62 billion in loans under the extended authority ending on July 1, 2010, for total purchases of about $112 billion.[394] As of June 30, 2010, the Department of Education had purchased $99.6 billion in loans under the original programs and their extensions for loans covering the 2009-2010 academic year.[395]

On March 21, 2010, Congress passed the Health Care and Education Affordability Reconciliation Act of 2010 that eliminated the FFEL program on July 1, 2010.[396]

Commitments to International Fund — Maximum Potential Commitment: Approximately $154 Billion, Amount Outstanding: $54.0 Billion

On April 2, 2009, the International Monetary Fund ("IMF") New Arrangements to Borrow ("NAB") increased by up to $500 billion, of which the United States committed up to $100 billion. According to Treasury, "expanding the NAB will ensure the IMF has adequate resources to play its central role in resolving and preventing the spread of international economic and financial crises. Large and urgent financing needs projected for emerging markets and developing countries cannot be met from pre-crisis IMF lending resources."[397]

The key elements of an expanded and more flexible NAB were agreed upon by the current 26 NAB participants and representatives of 13 potential new participants in November 2009.[398] However, NAB participants must consent to proposed amendments and increases in credit arrangements. For many of the current and potential participants, this will require legislative approval measures before NAB can formally be expanded. As of June 30, 2010, the process of reaching consents from all participants was still ongoing.[399]

Furthermore, the IMF and European Central Bank's debt support agreement for Greece includes a 250 billion euro loan from IMF. Though this amount is only a rough approximation, depending on a variety of circumstances, the various formulas and quota systems used by IMF to fund such loans would make Treasury responsible for at least $54 billion of the cost of funding the loan.[400] The expansion of the NAB and the estimated cost of the U.S. Government's contribution to IMF's support package for Greece represent $154 billion in potential commitments as of June 30, 2010.

Summary and Update of Federal Deposit Insurance Corporation (FDIC) Programs

The FDIC supports banks by insuring depositors against loss. Once depositors need not worry about the financial health of any particular bank, the entire banking system can avoid the destabilizing and dangerous potential for "runs on the bank" or other precipitous withdrawals of funds. Historically a standby guarantor of deposits, the current banking crisis has drawn the FDIC away from this core mandate and into the business of direct guarantees of debt instruments, investment funds, and asset values. Table 3.4 provides a summary of the key FDIC initiatives related to the financial crisis. Overall, the current outstanding balance of the FDIC's

TABLE 3.4

NON-TARP GOVERNMENT SUPPORT OF THE FINANCIAL SECTOR — FEDERAL DEPOSIT INSURANCE CORPORATION ($ BILLIONS)

Program	Coverage	Balance as of 6/30/2009	Current Balance	High-Water Mark as of 6/30/2010	Maximum Potential Commitment Related to Crisis*
Enhanced Deposit Insurance (to $250K/account)[a]	Depositors	$ —	$ —	$ —	$700.0[b]
Temporary Liquidity Guarantee Program – Debt Guarantees ("TLGP – DGP")	Participating insured depository institutions ("IDIs")**	339.0[c]	305.4[d]	345.8[e]	940.0[f]
Temporary Liquidity Guarantee Program – Transaction Account Guarantee Program ("TLGP – TAG")	Depositors***	0.4	0.4	0.4[g]	835.1[h]
FDIC Loss Share/Receivership Program	Purchasers of assets of failed insured depository institutions ("IDIs")	—	3.8	3.8	34.7[i]
Total		**$339.4**	**$309.6**	**$350.0**	**$2,509.8**

Note: Numbers affected by rounding.
* Total potential support does not account for collateral pledged.
** Also includes eligible bank and savings and loan holding companies, certain affiliates of IDIs.
*** Limited to noninterest-bearing accounts held at participating IDIs.
[a] As of 3/31/2010, the Deposit Insurance Fund ("DIF") remained solvent and the FDIC had yet to draw on any of the additional borrowing authority granted by Congress. FDIC, FDIC Quarterly Profile, Fourth Quarter 2009, www.fdic.gov/bank/analytical/quarterly/2010_vol4_1/FDIC_Quarterly_Vol4No1_Full.pdf, accessed 6/16/2010.
[b] Estimate as of 12/31/2008. Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2009-2019," 1/2009, www.cbo.gov/ftpdocs/99xx/doc9958/01-08-Outlook_Testimony.pdf, accessed 6/16/2010.
[c] This amount updates SIGTARP's July 2009 Quarterly Report with the latest available data as of 6/30/2009. Federal Deposit Insurance Corporation, Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program, 6/30/2009, www.fdic.gov/regulations/resources/tlgp/total_issuance6-09.html, accessed 6/16/2010.
[d] Federal Deposit Insurance Corporation, Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program, 5/31/2010, www.fdic.gov/regulations/resources/tlgp/reports.html, accessed 7/7/2010.
[e] Federal Deposit Insurance Corporation, Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program, 5/31/2009, www.fdic.gov/regulations/resources/tlgp/total_issuance5-09.html, accessed 6/16/2010.
[f] FDIC, Chief Financial Officer's Report to the Board, Q4 2008, www.fdic.gov/about/strategic/corporate/cfo_report_4qtr_08/sum_trends_results.html, accessed 6/16/2010.
[g] As of 3/31/2009, during 2008 the FDIC paid out $70 million in guaranteed claims of depositors. FDIC, Chief Financial Officer's Report to the Board, Q4 2008, www.fdic.gov/about/strategic/corporate/cfo_report_4qtr_08/sum_trends_results.html, accessed 6/30/2009; during Q1 2009, the FDIC paid out $323 million. FDIC, Chief Financial Officer's Report to the Board, Q1 2009, www.fdic.gov/about/strategic/corporate/cfo_report_1stqtr_09/corp_fund_fin_statement.html, accessed 6/30/2009. No payments have been made since Q1 2009.
[h] This amount represents the highest reported guaranteed deposit amount under the program since SIGTARP's July 2009 Quarterly Report. Data as of 3/31/2010, FDIC, "Quarterly Banking Profile: 1st Quarter 2010," http://www2.fdic.gov/qbp/2010mar/qbp.pdf, accessed 7/7/2010.
[i] FDIC, response to SIGTARP data call, 7/1/2010.

guarantees decreased in the past year from $339.4 billion to $309.6 billion. As with the Federal Reserve, any of the FDIC's TARP-related programs, such as its involvement in the Asset Guarantee Program, are omitted from this discussion because they are already mentioned in Section 2: "TARP Overview" of this report.

Enhanced Deposit Insurance — Maximum Potential Commitment: $700.0 Billion, Amount Outstanding: $0

Since the 1980s, the FDIC has insured deposits up to a maximum of $100,000 per depositor. In October 2008, EESA gave the FDIC statutory authority to increase its coverage to $250,000 for individual accounts.[401] On May 20, 2009, the temporary increase to $250,000 per depositor was extended through December 31, 2013. At the time of this increase, CBO estimated this would cover approximately $700 billion in additional deposits.[402] The standard insurance amount will return to $100,000 per depositor for all account categories on January 1, 2014, except Individual Retirement Accounts ("IRAs") and other certain retirement accounts, which will remain at $250,000 per depositor.[403] The increase in deposit insurance would become permanent retroactive to January 1, 2008, if the provision in the conference report of the Dodd-Frank Wall Street Reform and Consumer Protection Act becomes law.[404]

The CBO, in its "Budget and Economic Outlook: Fiscal Years 2009 to 2019," estimated that the temporary increase in the limit of deposit insurance from $100,000 to $250,000 will "increase the amount of insured deposits by about $700 billion, or 15 percent."[405] Claims on deposit insurance, including any losses stemming from the failure of insured depository institutions, are paid by the Deposit Insurance Fund ("DIF"), which is financed by fees levied on insured depository institutions. Estimated losses to DIF are expected to reach roughly $100 billion from 2009 through 2013, with $35.6 billion in estimated losses resulting from 140 insured depository institution failures in 2009.[406] The FDIC expects failures of insured depository institutions to reach their peak this year and has set aside approximately $41 billion to cover contingent future losses.[407] Losses have hit the insurance fund hard since the financial crisis began in 2007. The fund fell into negative territory in late 2009, prompting the FDIC to use extraordinary measures in an effort to restore the ratio of reserves to covered deposits above 1.15% — the minimum required by law.[408] On November 17, 2009, the FDIC required all member institutions to prepay their assessments through 2012 by the end of the year.[409] This $45 billion cash injection sufficiently restored DIF's liquidity levels to allow it to fund resolution activity.[410]

Temporary Liquidity Guarantee Program (Debt Guarantee Program) — Maximum Potential Commitment: $940 Billion, Amount Outstanding: $305.4 Billion

The Temporary Liquidity Guarantee Program ("TLGP") was established in October 2008 to address "disruptions in the credit market, particularly the interbank lending market, which reduced banks' liquidity and impaired their ability to lend. The goal of the TLGP is to decrease the cost of bank funding so that bank lending to consumers and businesses will normalize."[411] The program "does not rely on the taxpayer or the deposit insurance fund to achieve its goals"[412] and fees raised from participating entities are expected to cover any losses associated with the program's guarantees.[413]

The TLGP had two components, the Debt Guarantee Program ("DGP") discussed in this paragraph and the Transaction Account Guarantee ("TAG") program described in the following paragraph. DGP provided an FDIC guarantee of newly issued senior unsecured debt of participating insured depository institutions and other eligible entities. The goal of DGP was to "create significant investor demand, and dramatically reduce funding costs for eligible banks and bank holding companies."[414] All FDIC-insured institutions were automatically included in the program initially, but given the option not to participate. Participating institutions were allowed to issue debt under DGP until October 31, 2009, with the debt being guaranteed until "the earliest of the opt-out date, the maturity of the debt, the mandatory conversion date for mandatory convertible debt, or December 31, 2012."[415] On December 31, 2008, the FDIC estimated that if all eligible entities had issued debt up to the program's allowable limit, the maximum potential commitment would have been $940 billion.[416] The amount of debt outstanding issued under TLGP-DGP remained at approximately $305 billion as of May 31, 2010, but has gradually declined since peaking at $345.8 billion in May 2009.[417]

Temporary Liquidity Guarantee Program (Transaction Account Guarantee Program) — Maximum Potential Commitment: $835.1 Billion, Amount Outstanding: $0.4 Billion

On October 14, 2008, the FDIC announced the temporary Transaction Account Guarantee ("TAG") program, which is the second component of TLGP. It provides depositors with "unlimited coverage for non-interest-bearing transaction accounts if their bank is a participant in FDIC's TLGP. Non-interest-bearing checking accounts include Demand Deposit Accounts ("DDAs") and any transaction account that has unlimited withdrawals and that cannot earn interest. Also included are low-interest Negotiable Order of Withdrawal ("NOW") accounts that initially could earn no more than 0.5% interest and Interest on Lawyer Trust Accounts ("IOLTAs")."[418] The program was scheduled to end on December 31, 2009, but has been extended a second time to December 31, 2010, with the possibility of extending the program up to an additional 12 months to a date no later than December 31, 2011. As with the debt guarantee component, FDIC-insured institutions were given the option not to participate in the TAG program. Effective July 1, 2010, the maximum interest rate limit for NOW accounts guaranteed under the TAG program is currently 0.25%.[419] As of June 30, 2010, the amount of TAG guaranteed funds with participating FDIC-insured institutions had fallen to approximately

$279 billion after reaching a peak of approximately $835.1 billion at the end of 2009.[420] As of June 30, 2010, the FDIC had paid out approximately $393 million in guaranteed claims of depositors.[421]

Receivership Management Program — Maximum Potential Commitment: $34.7 Billion, Amount Outstanding: $3.8 Billion

Many FDIC-insured institutions continued to suffer from the lingering effects of the financial crisis. Insured depository institutions that were heavily involved in subprime mortgage lending and the financing of residential construction projects have continued to suffer significant loan losses in recent quarters, causing some to fail. Institutions that have significant concentrations of certain other loan products, such as credit card loans or commercial real estate loans, also could find themselves more vulnerable to losses in the event of a more serious economic downturn.[422]

The FDIC's Receivership Management Program focuses on attracting healthy institutions to assume deposits and purchase assets of failed banks and savings associations at the time of failure in order to minimize the disruption to customers and return some assets to the private sector immediately. Of the 249 banks that have failed since 2007, the FDIC has resolved 160 institutions using a Whole Bank Purchase and Assumption resolution transaction with an accompanying Loss Share Agreement on the assets purchased by the acquirer through June 30, 2010.[423] Typically, acquiring institutions have purchased the entirety of the failed banks' deposits in return for the FDIC agreeing to backstop 80% of losses on residential and commercial loan portfolios up to an agreed threshold amount, past which the FDIC would guarantee 95% of any additional losses.[424] The FDIC eliminated the 95% loss guarantee provision on loss share agreements signed after March 26, 2010.[425] As of June 30, 2010, DIF receiverships are estimated to pay approximately $34.7 billion over the term of these loss-share agreements (typically 5 to 10 years) on approximately $175.2 billion in total covered assets.[426] As of June 30, 2010, DIF receiverships made loss-share payments totaling $3.8 billion.[427]

Summary and Update of Other Federal Agency Programs

In addition to the Federal Reserve, Treasury, and the FDIC, the Federal Government operates a number of financial agencies, many of which have loan or deposit guarantee programs that have experienced large increases in guarantees during the course and aftermath of the financial crisis. These programs are outlined in Table 3.5.

Federal Housing Finance Agency ("FHFA") — Fannie Mae and Freddie Mac — Maximum Potential Commitment: $5.5 Trillion

FHFA was created on July 30, 2008, as part of HERA. The agency is an independent regulator of the housing-related GSEs: Fannie Mae, Freddie Mac, and the

TABLE 3.5

NON-TARP GOVERNMENT SUPPORT OF THE FINANCIAL SECTOR — OTHER FEDERAL HOUSING AND FINANCIAL SYSTEM SUPPORT ($ BILLIONS)

Agency/Program	Coverage	Balance as of 6/30/2009	Current Balance	High-Water Mark as of 6/30/2010	Maximum Potential Commitment Related to Crisis as of 6/30/2010*
FHFA —Fannie Mae / Conservatorship[a]	Fannie Mae and Freddie Mac	$ —	$ —	$ —	$5,500[b]
FHFA — Implied Guarantee of FHLB liabilities[a]	Federal Home Loan Banks	—	—	—	1,300[b]
National Credit Union Administration ("NCUA") Temporary Corporate Credit Union Liquidity Guarantee Program ("TCCULGP")	Credit Unions	15.2[c]	17.1	17.4[d]	22.4
NCUA Homeowners Affordability Relief Program ("HARP") and Credit Union System Investment Program ("CUSIP")	Credit Unions	8.4[e]	0.1	8.4[f]	43.8[g]
Dept. of Housing and Urban Development ("HUD") Increase in Guarantees by Government National Mortgage Assoc. ("GNMA")[h]	Federal Mortgage Guarantors	149.2[i]	398.4	398.4	398.4[j]
HUD Increase in Guarantees by Federal Housing Authority ("FHA")[h]	Federal Mortgage Guarantors	134.5[k]	365.9	365.9	365.9[l]
Increase in Guarantees by Dept. of Veterans Affairs ("VA")[h]	Federal Mortgage Guarantors	11.8	43.6	43.6	43.6[m]
Total		**$319.1**	**$825.1**	**$833.1**	**$7,674.1**

Note: Numbers affected by rounding.
*Total potential support does not account for any collateral pledged.
[a] These obligations have been viewed as enjoying an "implied" guarantee because of historical U.S. Government involvement and support. In 2001, CBO stated: "CBO attributes the greater liquidity of GSE securities over those of other financial firms to the implicit guarantee, much as the Government guarantee of Treasury securities is often cited as the reason for their liquidity." Congressional Budget Office, "Federal Subsidies and the Housing GSEs, Appendix A: Responses to Analyses of the Congressional Budget Office's 1996 Subsidy Estimates," 5/2001, www.cbo.gov/doc.cfm?index=2841&type=0&sequence=7, accessed 6/16/2010.
[b] FHFA, "The Housing GSE's," Presentation by James Lockhart, Executive Director, 12/10/2008, www.fhfa.gov/webfi les/216/WHF121008webversion.pdf, accessed 6/16/2010.
[c] NCUA, "Preliminary NCUA Financial Highlights," 3/31/2009, www.ncua.gov/Resources/Reports/ncusif/2009/Mar09PRELIMNETREPORT.pdf, accessed 6/2/2010.
[d] For loss provisions and current borrowing from the Stabilization Fund, see NCUA, Office of Public & Congressional Affairs, "Board Action Bulletin: NCUA Board Meeting Results for May 20, 2010," 5/20/2010, www.ncua.gov/GenInfo/BoardandAction/reports/2010/BAB10-0520.pdf, accessed 6/2/2010; for outstanding $10 billion loan, see NCUA, "Preliminary NCUA Financial Highlights," 5/31/2010, www.ncua.gov/Resources/Reports/ncusif/2010/10MayNetReport.pdf, accessed 6/24/2010.
[e] NCUA, "Monthly CLF Reports," 6/30/2009, www.ncua.gov/Resources/CLF/Files/CLF9-06.pdf, accessed 6/16/2010; see also NCUA, "Statement of Michael E. Fryzel, Chairman, National Credit Union Administration, on HR 2351, The Credit Union Share Insurance Stabilization Act," 5/20/2009, www.house.gov/apps/list/hearing/financialsvcs_dem/fryzel_testimony.pdf, accessed 7/14/2009.
[f] NCUA, "Monthly CLF Reports," 5/31/2010, www.ncua.gov/Resources/CLF/Files/CLF10-05.pdf, accessed 7/7/2010.
[g] Credit Union National Association, Inc., "CUNA Issue Summary: Credit Liquidity Facility," 2/19/2010, www.cuna.org/gov_affairs/legislative/issues/download/clf.pdf, accessed 7/14/2010.
[h] Balance as of 6/30/2009 represents increase in FY 2008 from FY 2007. Current Balance amount represents aggregate increase between FY 2009 and FY 2007.
[i] GNMA, Report to Congress, Fiscal Year 2008, 11/7/2008, www.ginniemae.gov/reporttocongress/,www.ginniemae.gov/about/ann_rep/ReportToCongress08.pdf, accessed 6/3/2010.
[j] Current, High-Water Mark, and Maximum Potential Commitment amounts represent cumulative FY 2008 and FY 2009 guarantees above FY 2007 level. Maximum Potential Commitment will change with every annual increase. For FY 2009 guarantees, see GNMA, Report to Congress, Fiscal Year 2009, 12/6/2009, www.ginniemae.gov/reporttocongress, accessed 6/3/2010.
[k] FHA, "Message from the Chief Financial Officer," 11/17/2008, p. 323, www.hud.gov/offices/cfo/reports/section3.pdf, accessed 6/4/2010.
[l] Current, High-Water Mark, and Maximum Potential Commitment amounts represent cumulative FY 2008 and FY 2009 guarantees above FY 2007 level. Maximum Potential Commitment will change with every annual increase. For FY 2009 guarantees, see Office of Housing and Urban Development, Fiscal Year 2009 Report, 11/16/2009, p. 250, www.hud.gov/offices/cfo/reports/hudfy2009par.pdf, accessed 6/4/2010.
[m] All amounts provided by Department of Veterans Affairs, response to SIGTARP data call, 7/10/2010.

FHLBs.[428] The financial markets have historically viewed the GSEs as quasi-governmental, and awarded them high ratings and low borrowing costs in the anticipation that the U.S. Government would bail them out if they were ever in trouble.

In August and September of 2008, Fannie Mae and Freddie Mac lost market confidence as their losses grew and their financial situations became uncertain, and both had difficulty raising funds. Instead of shutting down the companies, FHFA brought them into Federal conservatorship and worked with Treasury and the Federal Reserve to institute the various purchase and credit programs mentioned above. By providing support to Fannie Mae and Freddie Mac, the Government reinforced the market's assumptions that the obligations of the GSEs are its own implied liabilities.[429] The total outstanding debt obligations and MBS guarantees of those two firms alone have shrunk from last year's estimate of $5.5 trillion to approximately $5.0 trillion as of June 30, 2010.[430]

FHFA — Federal Home Loan Banks ("FHLBs") — Maximum Potential Commitment: $1.3 Trillion

The Federal Home Loan Banks ("FHLBs") are a system of 12 regional banks from which local lending institutions borrow funds to finance housing and other lending. The FHLBs are organized as member-owned cooperatives, focused on providing low-cost funding for their members.

It is true that FHFA, and by extension Treasury, do not have full legal liability for all of Fannie Mae's and Freddie Mac's losses, but it has created a very strong implied guarantee by taking responsibility for the entities and increasing their participation in the financial markets, instead of closing them. By providing support to Fannie Mae and Freddie Mac, the Government created an assumption in the market that it would do the same for the FHLBs.

As of March 31, 2010, the FHLBs had successfully reduced their total liabilities to approximately $923 billion, a decrease of nearly $380 billion from SIGTARP's July 2009 Quarterly Report estimate of $1.3 trillion.[431] This reduction can be attributed to an increase in deposits at member banks and a decrease in mortgage originations, coupled with the support of Federal liquidity programs and changing market conditions.[432]

NCUA — Temporary Corporate Credit Union Liquidity Guarantee Program ("TCCULGP") and Temporary Corporate Credit Union Share Guarantee Program ("TCCUSGP") — Maximum Potential Commitment: $22.4 Billion, Amount Outstanding: $17.1 Billion

The National Credit Union Administration ("NCUA") essentially acts as the FDIC of the nation's credit unions. The independent agency charters and supervises credit unions, as well as insures their depositors (technically, "shareholders") against loss through the National Credit Union Share Insurance Fund ("NCUSIF").[433] As of April 30, 2010, NCUA insured approximately $726.9 billion of deposits.[434]

NCUA has initiated several programs to address financial system difficulties, in addition to its normal deposit insurance programs. The first is the Temporary Corporate Credit Union Liquidity Guarantee Program ("TCCULGP"), under which NCUA insures the senior unsecured debt of member institutions experiencing temporary liquidity difficulties.[435] On May 21, 2009, TCCULGP was extended to June 30, 2010, for new issuances, with the debt being guaranteed until June 30, 2017. Further, the guaranteed debt limit was revised to "the greater of: 1) 100% of maximum unsecured debt obligations outstanding from September 30, 2007, to September 30, 2008, limited to no more than $10 billion, 2) amount approved by the Office of Corporate Credit Unions not to exceed the greater of $100 million or 5% of liabilities and shares."[436]

TCCULGP was modified and extended in June 2009. Corporate credit unions are now able to issue new TCCULGP-guaranteed debt through September 30, 2011. However, new issuances after June 30, 2010, must mature prior to September 30, 2012, to receive the TCCULGP guarantee. The June 30, 2017, maturity end date guarantee requirement has been eliminated. This change will allow corporate credit unions continued access to more liquidity sources going forward.[437]

The Temporary Corporate Credit Union Share Guarantee Program ("TCCUSGP") was established by NCUA on January 28, 2009, as a complementary program to TCCULGP. The program originally included a temporary guarantee of all shares at all corporate credit unions through December 31, 2010. The NCUSIF guarantee applied to all share amounts above $250,000 while the NCUSIF insurance coverage applied to all amounts below $250,000 with the combined effect that the entire share account would be treated by NCUSIF as if it had been insured. On April 21, 2009, the program was extended to September 30, 2011, with the option for quarterly extensions of the expiration date and a maximum maturity of two years for any share subject to the program.[438] The program has been extended each quarter, most recently on June 2, 2010, so that the current expiration date is September 30, 2012. The new extension will fully cover existing deposits as well as new investments with maturities less than two years in participating corporate credit unions made before September 30, 2010.[439]

The Temporary Corporate Credit Union Stabilization Fund ("TCCUSF") was established on May 20, 2009, to absorb losses related to corporate credit union investments under both TCCULGP and TCCUSGP. Treasury will provide this fund with a lending limit of $6 billion to be repaid over seven years, giving NCUA time to assess credit unions for corporate losses over a longer time frame instead of all at once. As of June 30, 2010, NCUSIF had not paid back a $10 billion loan from NCUA to provide liquidity to two problem credit unions.[440] Furthermore, the

TCCUSF's reserve for corporate credit union losses stood at $6.4 billion. The fund also had not paid back $690 million borrowed from the Treasury's $6 billion credit line as June 30, 2010.[441] In aggregate, NCUA's outstanding loans and loss provisions equaled $17.1 billion and maximum potential commitments totaled $22.4 billion as of June 30, 2010.

NCUA Homeowners Affordability Relief Program ("HARP") and Credit Union System Investment Program ("CUSIP") — Maximum Commitment: $43.8 Billion, Amount Outstanding: $95.7 Million

The other major financial rescue programs initiated by NCUA were the Homeowners Affordability Relief Program ("HARP") and the Credit Union System Investment Program ("CUSIP"). These programs intend to help members avoid delinquency and default (HARP) and increase the liquidity in the credit union system (CUSIP). The NCUA's Credit Liquidity Facility ("CLF"), which was established in 1978 to provide emergency back-up liquidity to credit unions, receives an annual appropriation from Congress. In response to rising concerns about the liquidity needs of member credit unions, Congress raised the borrowing authority for the CLF from $1.5 billion to its full statutory authority of $41 billion in March 2009. This was raised again to $43.8 billion on December 16, 2009 as part of the House Omnibus Appropriations bill.[442] The amount of loans outstanding under these programs stood at $95.7 million as of June 30, 2010.[443]

HUD Increase in Guarantees by Government National Mortgage Association ("GNMA") — Maximum Potential Commitment: $398.4 Billion, Amount Outstanding: $398.4 Billion

GNMA guarantees investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans, thus helping to provide liquidity to the housing markets, ensure the institutions that purchase these securities receive timely payments and suffer no losses, and enable the institutions that originate the loans to sell them quickly. The largest housing agency that supplies mortgages to GNMA-backed MBS is FHA. Other Federal mortgage programs participating in GNMA's programs include those of the Department of Veterans Affairs.[444] The guarantees are thus redundant, in the sense that another Federal program is already insuring much of the principal amount, but the ultimate potential losses to the Federal Government depend on the particulars of the individual losses. Outstanding single-family guarantees in September 2009 were $784.2 billion, and outstanding multi-family guarantees were $41.8 billion. Collectively, those amounts were up $249.2 billion in 2009 and $149.2 billion in 2008, for a total increase in guarantees since 2007 of $398.4 billion, an approximate increase of 93.2%.[148] As described in SIGTARP's January 2009 Quarterly Report, following the onset of the financial crisis, the Government support and guarantee programs stepped in as private players fled the industry with the Government essentially becoming the mortgage market.

HUD Increase in Guarantees by Federal Housing Administration ("FHA") — Maximum Potential Commitment: $365.9 Billion, Amount Outstanding: $365.9 Billion

FHA provides home mortgage insurance to lenders; if the borrower should fail to make payments and goes into foreclosure, FHA will insure the lender against most of its losses. FHA is the oldest of the Federal housing agencies. In 2009, it had outstanding liabilities of more than $807.7 billion in single-family and multi-family mortgage programs, an increase of $231.3 billion from the previous year and $365.9 billion from the end of 2007, an approximate increase of 83%.[445]

Increase in Guarantees by Department of Veterans Affairs ("VA") Home Loan Guarantee Program — Maximum Potential Commitment: $43.6 Billion, Amount Outstanding: $43.6 Billion

The Department of Veterans Affairs ("VA") has run a long-standing home loan guarantee program similar to FHA's, but limited to eligible service members and veterans of the U.S. military and eligible surviving spouses. The purpose of the VA's loan guarantee program is to encourage lenders to make loans to eligible borrowers by protecting the lenders/loan holders against loss, up to the amount of the guarantee, in the event of foreclosure.[446] Additionally, the VA provides lenders with 100% financing (no down payment is required) providing certain criteria are met.[447] The reduction in the availability of private-sector home mortgage loans has made the VA's loan guarantee program increasingly attractive to a number of eligible VA members since the financial crisis began in late 2007. As a result, the amount of annual guaranteed home loan disbursements made to the VA increased from approximately $24.2 billion in FY 2007 to $36.0 billion in FY 2008 to $67.8 billion in FY 2009, an increase of $43.6 billion.[448] As of June 30, 2010, the amount of new guaranteed home loan disbursements in FY 2010 had reached $46.1 billion, nearly matching the previous year's estimate for all of FY 2010.[449]

TARP TUTORIAL: HOW BANKS PROFIT FROM LOW INTEREST RATES

Introduction

As discussed earlier in this section, in response to the financial crisis, the Government implemented a number of programs intended to increase short-term liquidity within financial markets and return credit markets to normal functioning. Below are some of the programs, listed by administrator:

Federal Reserve:

- Term Auction Facility
- Term Securities Lending Facility
- Commercial Paper Funding Facility
- Money Market Investor Funding Facility
- Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility

Treasury:

- Money Market Mutual Fund
- GSE Preferred Stock Purchase Agreements

FDIC:

- Temporary Liquidity Guarantee – ("TLGP-DGP") Debt Guarantees
- Temporary Liquidity Guarantee – Transaction Account Guarantee

Many of these programs, along with others discussed in this section, have increased money flow within the financial system, which has contributed to lower interest rates. This tutorial explores how low interest rates have contributed to an increase in bank profits.

Firms in the financial services industry, particularly the institutions that were among the largest TARP recipients, have posted improved profits in recent quarters despite lingering signs of economic weakness.[450] Revenues derived from trading in securities such as bonds helped offset ongoing weakness in consumer loans, such as mortgages and credit cards. Reflecting the strength of trading results, four major banks (Bank of America Corp., Citigroup Inc., The Goldman Sachs Group, Inc., and JPMorgan Chase & Co.) made money in their trading operations during each business day of the first calendar quarter in 2010.[451]

What Is Driving These Profits?

One factor behind these profits is access to cheap money. Short-term interest rates remain at record lows. The federal funds rate ("FFR") is the interest rate that commercial banks and other depository institutions charge each other to borrow money on a short-term basis. The amounts borrowed, known as federal funds, are held at the Federal Reserve on behalf of its member banks.[452]

The FFR is controlled by the Federal Reserve, which sets a "federal funds target rate" that it maintains through open market operations ("OMOs"), *i.e.*, the purchase and sale of securities in the open market, and by paying interest on reserves.[453] Through OMOs, the Federal Reserve buys securities in order to inject cash into the financial system and sells securities to remove cash from the system.[454]

The FFR is a key indicator of the Federal Reserve's monetary policy and serves as a benchmark that generally influences short-term interest rates. According to the Federal Reserve, "changes in the federal funds rate trigger a chain of events that affect other short-term interest rates, foreign exchange rates, long-term interest rates, the amount of money and credit, and, ultimately, a range of economic variables, including employment, output, and prices of goods and services."[455] Lowering the FFR normally encourages businesses and households to take out loans and spend more liberally.

The Federal Reserve usually determines the target FFR at its regular monetary policy meetings. Between late 2007 and the end of 2008, the Federal Reserve steadily lowered

Federal Funds Rate ("FFR"): Rate charged by a depository institution on an overnight loan of federal funds to another depository institution; the rate may vary from day to day and from bank to bank.

Federal Funds: Funds deposited by commercial banks at the Federal Reserve banks, thereby enabling banks temporarily falling short of reserve requirements to borrow funds from banks with excess reserves.

Reserve Requirements: Amount of money a depository institution must keep in reserve against specified deposit liabilities. The reserves must be in the form of vault cash or deposits held at the Federal Reserve banks.

Open Market Operations ("OMOs"): OMOs involve the purchase and sale of securities in the open market by a central bank. These transactions are a key tool used by the Federal Reserve to adjust the supply of reserve balances so as to keep the effective federal funds rate near the targeted rate. OMOs are conducted by the trading desk at the Federal Reserve Bank of New York.

Monetary Policy: Measures undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals.

Quantitative Easing: Monetary policy used occasionally in which the Government increases the money supply by buying Government or other securities from the market. Quantitative easing aims to increase the money supply by flooding financial institutions with reserves in an effort to promote lending and liquidity. Such actions are conducted through OMOs.

Federal Funds Transactions: Short-term transactions in immediately available funds — made between depository institutions and certain other institutions that maintain accounts with the Federal Reserve — that involve lending balances at the Federal Reserve; such transactions are usually not collateralized.

Required Reserves: Balances held within the Federal Reserve System to satisfy reserve requirements.

Excess Reserves: Balances held within the Federal Reserve System in excess of the required reserve and any other contractually required balances.

its target FFR in 0.25–0.75% increments from 5.25% to a record-low range between 0.0% and 0.25%, where it remains.[456] The Federal Reserve acted to lower short-term interest rates to stimulate economic activity and, therefore, increase employment.

In addition to these actions, the Federal Reserve has undertaken quantitative easing measures to promote the flow of money and credit through the economy, primarily through large-scale asset purchases. For example, in November 2008, the Federal Reserve announced plans to purchase up to $100 billion in Government-sponsored enterprise ("GSE") debt and up to $500 billion in mortgage-backed securities.[457] Then, in March 2009, the Federal Reserve said it would purchase up to $300 billion of longer-term Treasury securities and increase its total purchases of GSE debt and mortgage-backed securities to up to $200 billion and $1.25 trillion, respectively.[458] Such actions change the quantity of reserves in the banking system — as more cash is injected into the financial markets, banks ultimately keep more excess reserves at the Federal Reserve. Banks, seeking to maximize profits, then lend the excess funds to one another on a short-term basis.[459] Such transactions are called federal funds transactions. The banks borrowing funds from other banks then use the money to finance projects, make investments, and meet reserve requirements.[460]

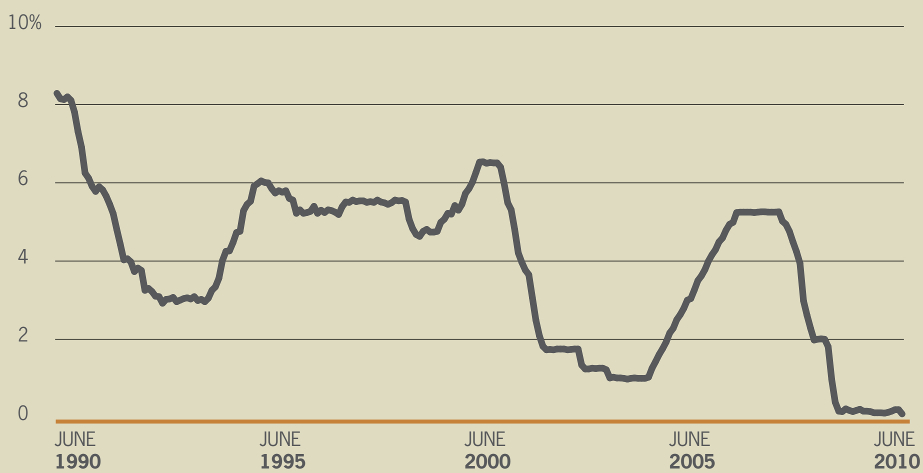
According to the Federal Reserve Bank of New York ("FRBNY"), actions by the Federal Reserve that change the quantity of reserves in the banking system also tend to change interest rates by encouraging funds to trade at a particular level.[461] OMOs change the supply of reserve balances in the system and, by affecting the supply of balances, the Federal Reserve creates upward or downward pressure on the FFR.[462] Historically, reserves held at the Federal Reserve did not earn any interest.[463] As a result, banks had an incentive to lend excess reserves or use the money to buy other short-term assets.[464] An increase in such activities will cause a decrease in short-term market interest rates.[465]

As a response to the current crisis, Congress granted the Federal Reserve the authority to pay interest on reserves beginning in October 2008. The Federal Reserve utilized that authority to begin paying interest on required reserves and excess reserves for the first time in its history.[466] According to the Federal Reserve, this action was taken to "give the Federal Reserve greater scope to use its lending programs to address conditions in credit markets while also maintaining the federal funds rate close to its target."[467] When a bank earns interest on the excess funds held in reserve, however, it has no incentive to lend these funds at rates lower than the rate being paid by the Federal Reserve, and thus banks maintain higher levels of reserves. The Federal Reserve paid interest on excess reserves to steer the market interest rate toward its target level, stating that "paying interest on excess balances would help to establish a lower bound on the FFR."[468]

Figure 3.2 illustrates the FFR from June 1990 through June 2010. According to available Federal Reserve statistics dating back to 1954, as of June 30, 2010, the FFR stood at 0.09%, just off early January 2010's 0.05% record for the lowest federal funds rate in the past 56 years.[469] The Federal Reserve has signaled its intention to keep the FFR at a low level for "an extended period," pointing to continuing challenges to economic growth and subdued inflation.[470] On June 23, 2010, the Federal Reserve announced that its target range for the FFR will remain between 0.0% and 0.25%.[471]

FIGURE 3.2

FEDERAL FUNDS EFFECTIVE RATE, 6/1990 – 6/2010



Sources: Federal Reserve Statistical Release, H.15 Selected Interest Rates, www.federalreserve.gov/releases/h15/data.htm, accessed 5/29/2010; Federal Reserve Statistical Release, H.15 Selected Interest Rates, Federal Funds Rate, www.federal reserve.gov/releases/h15/data/Daily/H15_FF_O.txt, accessed 6/10/2010; Board of Governors of the Federal Reserve System, Data Download Program, 7/8/2010, www.federalreserve.gov/datadownload/Download.aspx?rel=H15&series =3c9ca1f47ce74d 0ff1d0c81bb011a891&filetype=spreadsheetml&label=include&layout=seriescolumn&from=06/01/1990&to=06/30/2010, accessed 7/8/2010.

In addition to maintaining the target FFR, the Government's response to the financial crisis, as detailed in this section, included many different programs designed to lower the cost of borrowing and promote lending within financial markets, such as providing below-market bank capital through CPP; the FDIC's guarantee of bank debt (thus enabling financial institutions to borrow funds more cheaply though TLGP-DGP); the downward pressure on interest rates through the Federal Reserve's purchase of GSEs and GSE-guaranteed mortgage-backed securities; and the Federal Reserve's purchase of longer-term Treasury securities. This is just a sampling; for more information on these programs as well as on additional programs implemented to lower the cost of bank capital and the cost of borrowing for businesses and households, see "Specific Interventions/Programs" earlier in this section. Note that TARP-related programs, such as CPP, are addressed in Section 2: "TARP Overview" of this report.

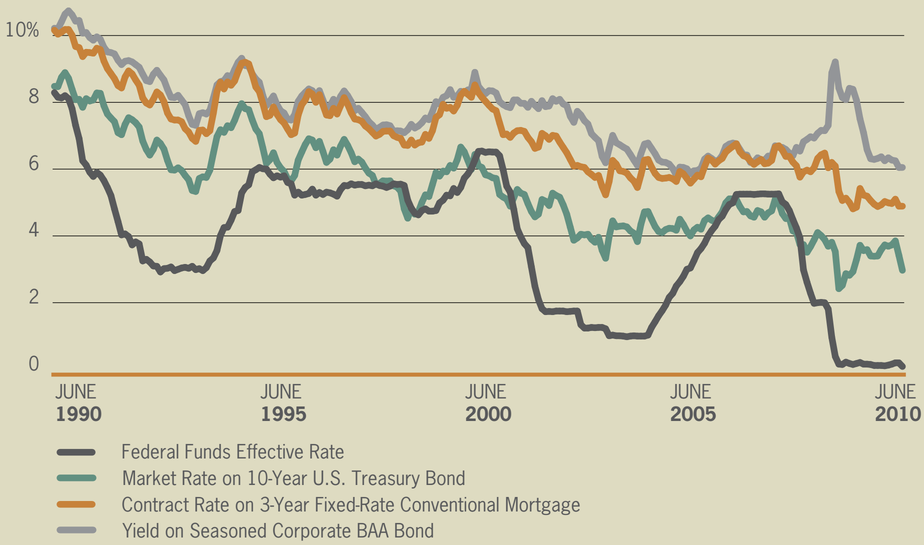
How Do Banks Profit from Low Short-Term Funding Costs?

The fall of banks' short-term borrowing costs to these historic lows has offered banks an unusually broad range of profitable trading and investment opportunities. As Figure 3.3 illustrates, the difference between available returns on fixed-income investments and the cost of funding (as indicated by the FFR) has remained at or near its high over the past 20 years for a variety of asset classes, including corporate debt, residential mortgages, and even U.S. Treasury obligations. Moreover, in recent months, the yields (and prices, which correlate directly) of these assets have returned to relative stability after experiencing unusually high volatility in late 2008 and early 2009. Given the opportunity to invest in assets using cheap money at a low and stable cost in the near term, these straightforward investments can become highly profitable.

In simpler terms, the Federal Reserve actions to lower the FFR enables institutions to borrow money at an extremely low rate and then lend that money, through investments in private or Government bonds, at a higher rate, ensuring a profit if interest rates stay at these current historically low levels. Of course, institutions adopting this strategy face the risk that the value of longer-term assets could decline if interest rates increase.

FIGURE 3.3

COMPARISON OF FIXED INCOME INVESTMENT RETURNS AND COST OF FUNDING, 6/1990 – 6/2010



Source: Board of Governors of the Federal Reserve System, Data Download Program, 7/8/2010, www.federalreserve.gov/datadownload/ Download.aspx?rel=H15&series=3c9ca1f47ce74d0ff1d0c81bb011a891&filetype =spreadsheetml&label=include&layout=seriescolumn&from=06/01/1990&to=06/30/2010, accessed 7/8/2010.

Empirical Evidence

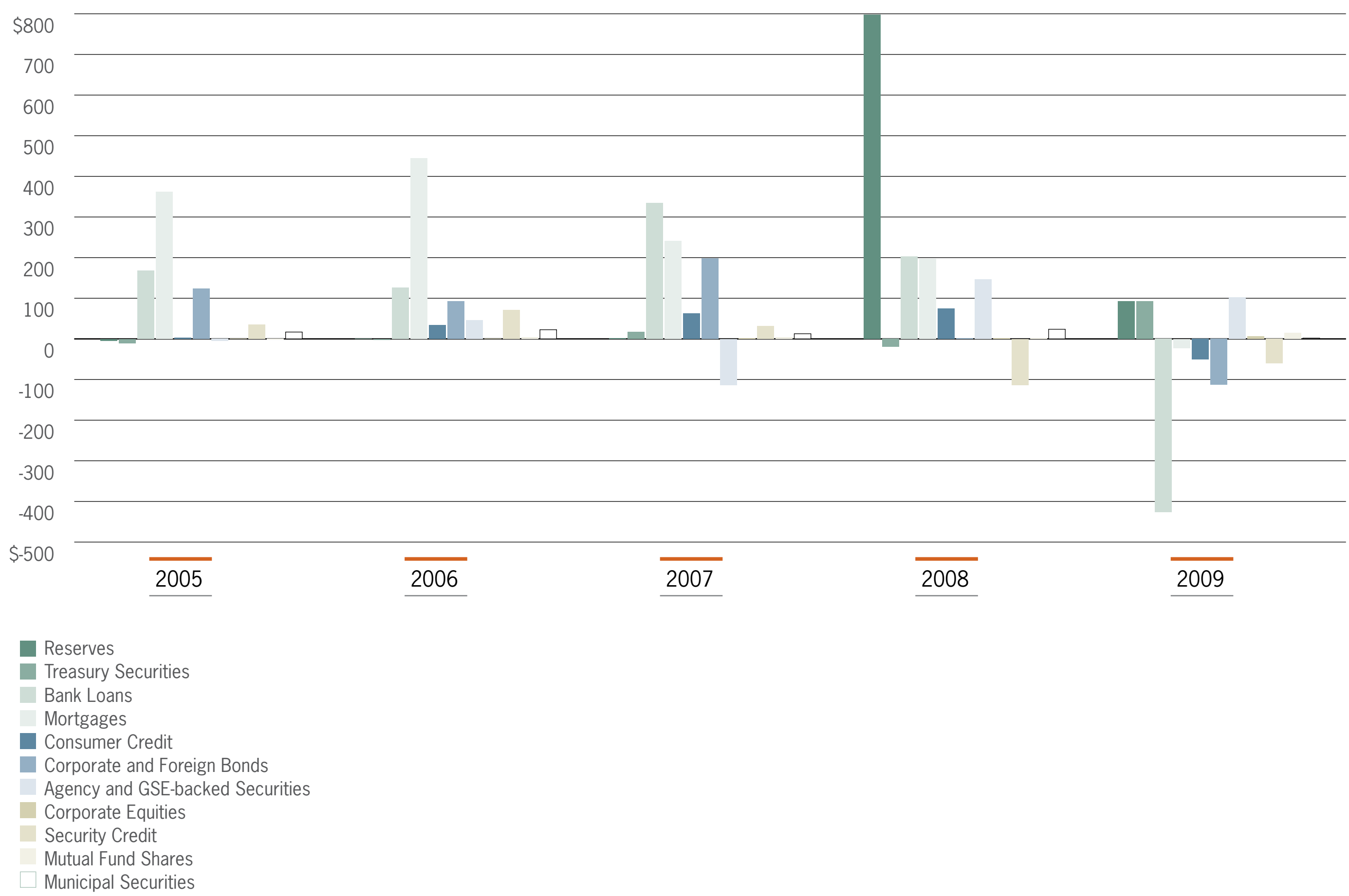
As discussed, the banking industry has traditionally been a conduit through which the Federal Reserve manages the availability of credit to businesses and consumers throughout the U.S. economy. However, one characteristic of this recession is that the low short-term market interest rates fostered by the Federal Reserve have so far not produced plentiful lending for consumers and businesses. Although there are many theories offered for this, one possible contributing factor is that banks have an array of profitable alternatives, such as lending money to the Government through Treasury investments. These securities provide attractive returns, given current low borrowing costs, without the default risk associated with lending to businesses or consumers. Indeed, from January through

June of this year, bank holdings of Treasury bonds have risen 3% while banks' commercial and industrial loan portfolios have dropped 4% and real estate loans have contracted by 2%.[472]

Additionally, banks (and bank regulators) have become stricter about maintaining capital levels, resulting in less money available for lending. Moreover, in an economy still perceived as sluggish and uncertain, consumers and businesses have curtailed their demand for loans.[473] The overall result is that lending activity remains subdued despite the Federal Reserve's maintenance of historically low short-term interest rates. Figure 3.4 tracks the changes in commercial banks' holdings in various assets from 2005 to 2009 — positive values represent increases in holdings and negative values represent decreases. It shows that the commercial banking industry increased its lending activity in mortgages in 2005 and 2006 but then curtailed its mortgage lending starting in 2007. Banks also increased loan activities from 2006 through 2007 and then decreased such activities in 2008; by 2009, banks had significantly curtailed their investment in bank loans. Also of note is the tremendous growth in the banking industry's holdings of reserves from 2007 to 2008, reflecting the Federal Reserve's lending programs and asset purchases. Low market interest rates and uncertainty have supported deposits, and with loan demand weak, banks have also increased securities holdings.

FIGURE 3.4

COMMERCIAL BANKING FLOW OF FUNDS FOR SELECT FINANCIAL ASSETS, 2005 – 2009 ($ BILLIONS)



Note: Numbers affected by rounding.

Source: Federal Reserve Statistical Release, Z.1 Flow of Funds Accounts of the United States, F.109 Commercial Banking, 6/10/2010, www.federalreserve.gov/releases/z1/current/, accessed 6/23/2010.

SECTION 4

TARP OPERATIONS AND ADMINISTRATION

Under the Emergency Economic Stabilization Act of 2008 ("EESA"), Congress authorized the Secretary of the Treasury ("Treasury Secretary") to create the operational and administrative mechanisms to carry out the Troubled Asset Relief Program ("TARP"). EESA established the Office of Financial Stability ("OFS") within the U.S. Department of the Treasury ("Treasury"), which is responsible for administering TARP.[474] Treasury has authority to establish program vehicles, issue regulations, directly hire or appoint employees, enter into contracts, and designate financial institutions as financial agents of the Government.[475] In addition to permanent and interim staff, OFS relies on contractors and financial agents for legal services, investment consulting, accounting, and other key services.[476]

TARP ADMINISTRATIVE AND PROGRAM EXPENDITURES

As of June 30, 2010, Treasury had spent $126.4 million administering TARP.[477] Table 4.1 provides a summary of expenditures and obligations through June 30, 2010. These costs are categorized as "personnel services" and "non-personnel services," with a few exceptions.

Treasury released a summary of programmatic expenditures, including costs to hire financial agents and legal firms. Treasury had spent an additional $352 million on such expenses as of June 30, 2010.[478]

TABLE 4.1

TARP ADMINISTRATIVE EXPENDITURES AND OBLIGATIONS

Budget Object Class Title	Obligations for Period Ending 6/30/2010	Expenditures for Period Ending 6/30/2010
Personnel Services		
Personnel Compensation & Services	$36,800,151	$36,563,564
Total Personnel Services	**$36,800,151**	**$36,563,564**
Non-Personnel Services		
Travel & Transportation of Persons	$706,381	$667,339
Transportation of Things	11,960	11,960
Rents, Communications, Utilities & Misc. Charges	675,334	576,832
Printing & Reproduction	395	395
Other Services	140,447,681	87,849,234
Supplies & Materials	481,656	469,377
Equipment	232,054	222,675
Land & Structures	—	—
Dividends and Interest	15	15
Total Non-Personnel Services	**$142,555,476**	**$89,797,827**
Grand Total	**$179,355,627**	**$126,361,391**

Notes: Numbers affected by rounding.
The costs associated with the "Other Services" category are related to agreements to provide various support, including: financial, administrative, IT, and legal.

Source: Treasury, response to SIGTARP data call, 7/7/2010.

CURRENT CONTRACTORS AND FINANCIAL AGENTS

As of June 30, 2010, Treasury retained 54 private vendors, including 15 financial agents and 39 contractors, to help administer TARP.[479] Treasury streamlined solicitation procedures and structured several agreements and contracts pursuant to Federal Acquisition Regulations to allow for flexibility in obtaining the required services expeditiously. Table 4.2 includes service providers retained as of June 30, 2010.[480]

TABLE 4.2

OFS SERVICE CONTRACTS

Date	Vendor	Purpose	Type of Transaction	Obligate Value	Expended Value
10/8/2008	PricewaterhouseCoopers	Internal Control Services	Contract	$24,593,177	$18,366,795
10/10/2008	Simpson, Thacher & Bartlett LLP	Legal services for the implementation of TARP	Contract	1,025,000	931,090
10/11/2008	Ennis, Knupp & Associates Inc	Investment and Advisory Services	Contract	2,715,965	2,512,742
10/14/2008	The Bank of New York Mellon Corporation	Custodian	Financial Agent	21,254,387	17,603,593
10/18/2008	Ernst & Young LLP	Accounting Services	Contract	11,493,786	9,606,445
10/23/2008	GSA - Turner Consulting	Archiving Services	Other	9,000	9,000
10/29/2008	Hughes Hubbard & Reed LLP	Legal services for the Capital Purchase Program	Contract	7,109,312	2,796,644
10/29/2008	Squire, Sanders & Dempsey LLP	Legal services for the Capital Purchase Program	Contract	6,985,000	2,682,999
10/31/2008	Lindholm & Associates, Inc	Human resources services	Contract	751,302	577,465
11/7/2008	Sonnenschein Nath & Rosenthal LLP	Legal services related to auto industry loans	Contract	2,722,326	2,722,326
11/14/2008	Security and Exchange Comm. U.S.	Detailees and Study per ESSA	Interagency Agreement	586,859	430,000
11/14/2008	CSC Systems and Solutions	IT Services	Other	8,095	8,095
12/3/2008	Alcohol and Tobacco Tax and Trade Bureau	IAA - TBB Development, MGMT & Operation of SharePoint	Interagency Agreement	67,489	67,489
12/5/2008	Department of Housing and Urban Development	Detailees	Interagency Agreement	$142,863	$124,773

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligate Value	Expended Value
12/5/2008	Washington Post	Vacancy Announcement	Other	$395	$395
12/10/2008	Sonnenschein Nath & Rosenthal LLP	Legal services for the purchase of asset-backed securities	Contract	249,999	82,884
12/24/2008	Cushman and Wakefield of VA Inc	Painting services for TARP offices	Contract	8,750	8,750
1/6/2009	Office of the Comptroller of the Currency	Detailees	Interagency Agreement	561,568	501,118
1/7/2009	Colonial Parking Inc	Lease of parking spaces	Contract	191,650	95,494
1/27/2009	Cadwalader, Wickersham & Taft LLP	Bankruptcy legal sercices	Contract	417,563	409,955
1/27/2009	Whitaker Brothers Bus Machines Inc	Paper Shredder	Contract	3,213	3,213
2/9/2009	Pat Taylor & Associates, Inc	Temporary services for document production, Freedom of Imformation Act ("FOIA") Assistance, and Program Support	Contract	799,960	692,108
2/12/2009	Locke Lord Bisell & Liddell LLP	Initiate interim legal services in support of Treasury investments under EESA	Contract	693,600	272,225
2/18/2009	Fannie Mae	Homeownership Preservation Program	Financial Agent	103,865,363	88,458,941
2/18/2009	Freddie Mac	Homeownership Preservation Program	Financial Agent	96,444,455	64,348,035
2/20/2009	Simpson, Thacher & Bartlett LLP	Capital Assistance Program (II)	Contract	2,796,180	1,363,085
2/20/2009	Venable LLP	Capital Assistance Program (I)	Contract	1,770,750	1,394,724
2/20/2009	Congressional Oversight Panel	Oversight	Interagency Agreement	4,000,000	3,394,348
2/20/2009	Office of Thrift Supervision (OTS)	Detailees	Interagency Agreement	226,931	189,533
2/28/2009	Pension Benefit Guaranty Corporation	Legal services	Interagency Agreement	8,220,000	7,750,000
3/6/2009	The Boston Consulting Group	Management consulting relating to the auto industry	Contract	1,000,000	991,169
3/16/2009	Earnest Partners	Small Business Assistance Program	Financial Agent	4,050,000	1,560,000
3/30/2009	Cadwalader, Wickersham & Taft LLP	Auto investment legal services	Contract	23,069,119	16,942,023
3/30/2009	Haynes and Boone, LLP	Auto investment legal services	Contract	532,175	345,746
3/30/2009	McKee Nelson LLP	SBA Initiate Legal Services - Contract Novated to TOFS-10-D-0001 with Bingham McCutcheon	Contract	$149,349	$126,631

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligate Value	Expended Value
3/30/2009	Sonnenschein Nath & Rosenthal LLP	Auto investment legal services	Contract	$2,159,709	$1,834,193
3/31/2009	FI Consulting Inc	Credit reform modeling and analysis	Contract	2,037,325	1,246,996
4/3/2009	The Boston Consulting Group	Management consulting relating to the auto industry	Contract	6,142,689	3,845,462
4/3/2009	American Furniture Rentals*	Office Furniture	Other	35,187	25,808
4/17/2009	Herman Miller, Inc	Chairs	Contract	53,799	53,799
4/17/2009	Bureau of Printing and Engraving	Detailee	Interagency Agreement	45,822	45,822
4/21/2009	AllianceBertstein LP	Asset Management Services	Financial Agent	20,435,000	18,556,420
4/21/2009	FSI Group, LLC	Asset Management Services	Financial Agent	11,102,500	9,075,000
4/21/2009	Piedmont Investment Advisors, LLC	Asset Management Services	Financial Agent	5,615,000	4,354,999
4/30/2009	Department of State	Detailees	Interagency Agreement	45,492	45,492
5/4/2009	Federal Reserve Board	Detailees	Interagency Agreement	48,422	48,422
5/11/2009	Alcohol Tobacco and Firearms	Detailee - Pavel Facilities Officer	Interagency Agreement	132,416	130,395
5/14/2009	Department of Treasury - US Mint	Administrative Support	Interagency Agreement	975	325
5/15/2009	Phacil, Inc	FOIA Analylysts to support the Disclosure Services, Privacy and Treasury Records	Contract	103,427	90,304
5/26/2009	Anderson, McCoy & Orta	Legal work for work under Treasury's Public-Private Investment Fund ("PPIF") program	Contract	4,923,940	716,074
5/26/2009	Simpson, Thacher & Bartlett LLP	Legal work for work under Treasury's Public-Private Investment Fund ("PPIF") program	Contract	9,781,301	3,118,729
6/1/2009	Department of Justice	Detailees	Interagency Agreement	63,219	33,496
6/8/2009	Financial Management Services	Development of an Information Management Plan to articulate strategies to be used by the Office of Financial Stability ("OFS") to manage its portfolio on information management transformation activities	Interagency Agreement	167,042	163,186
7/1/2009	Department of the Interior	Administrative support	Interagency Agreement	24,000	24,000
7/15/2009	Judicial Watch	Legal Advisory	Other	$1,500	$1,500

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligate Value	Expended Value
7/17/2009	Korn/Ferry International	Executive search services for the OFS Chief Investment Officer Position	Contract	$75,017	$75,017
7/20/2009	National Aeronautics and Space Administration	Detailees	Interagency Agreement	146,986	138,492
7/30/2009	Cadwalader, Wickersham & Taft LLP	Restructuring legal services	Contract	4,382,790	1,317,308
7/30/2009	Debevoise & Plimpton LLP	Restructuring legal services	Contract	—	—
7/30/2009	Fox, Hefter, Swibel, Levin & Carol, LLP	Restructuring legal services	Contract	—	—
8/18/2009	Mercer LLC	Executive-Compensation data subscription	Contract	3,000	3,000
9/2/2009	Knowledge Mosaic Inc.	SEC filings subscription service	Contract	5,000	5,000
9/10/2009	Equilar, Inc.	Executive-Compensation data subscription	Contract	59,990	59,990
9/11/2009	PricewaterhouseCoopers	PPIP compliance	Contract	1,446,150	863,800
9/30/2009	NNA INC.	Newspaper delivery	Contract	8,479	7,765
9/30/2009	SNL Financial LC	SNL Unlimited, a web-based financial analytics service	Contract	110,000	110,000
10/1/2009	US Government Accountability Office	Oversight	Interagency Agreement	20,360,000	12,859,077
10/25/2009	Internal Revenue Service	Detailees	Interagency Agreement	46,202	—
12/22/2009	Hughes Hubbard & Reed LLP	Document production services and litigation support	Contract	658,277	—
12/22/2009	Avondale Investments LLC	Asset Management Services	Financial Agent	750,000	375,000
12/22/2009	Bell Rock Capital, LLC	Asset Management Services	Financial Agent	750,000	375,000
12/22/2009	Howe Barnes Hoefer & Arnett, Inc.	Asset Management Services	Financial Agent	1,250,000	625,000
12/22/2009	KBW Asset Management, Inc	Asset Management Services	Financial Agent	3,803,333	2,818,750
12/22/2009	Lombardia Capital Partners, Inc.	Asset Management Services	Financial Agent	1,250,000	625,000
12/22/2009	Paradigm Asset Management Co. LLC	Asset Management Services	Financial Agent	1,250,000	625,000
1/15/2010	Association of Government Accountants	CEAR Program Application	Contract	$5,000	$5,000

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligate Value	Expended Value
1/19/2010	Bingham Mccutchen LLP	SBA Initiate Legal Services - Contract Novated to TOFS-10-D-0005 with McKee Nelson	Contract	$750,651	$130,400
2/16/2010	The MITRE Corporation	FNMA IR2 Assessment	Contract	408,075	309,952
2/16/2010	Internal Revenue Service	Detailees	Interagency Agreement	52,742	52,742
3/8/2010	Qualx Corporation	FOIA support services	Contract	230,438	76,867
3/26/2010	Federal Maritime Commission (FMC)	Detailees	Interagency Agreement	104,054	78,958
3/29/2010	Morgan Stanley & Co	Asset Management Services	Financial Agent	23,577,000	8,969,546
4/2/2010	Congressional Oversight Panel	Oversight	Interagency Agreement	4,800,000	3,541,421
4/8/2010	Squire, Sanders & Dempsey LLP	Legal Advisory	Contract	1,229,350	276,874
4/12/2010	Ennis, Knupp & Associates Inc	Financial Advisory	Contract	82,050	—
4/22/2010	Digital Management	Administrative support	Contract	—	—
4/22/2010	MicroLink, LLC	Administrative support	Contract	1,306,760	30,000
4/23/2010	RDA	Administrative support	Contract	—	—
5/17/2010	Lazard Freres & Co. LLC	Financial Advisory	Financial Agent	7,500,000	716,667
6/24/2010	Reed Elselvier INC	Administrative support	Contract	8,208	—
6/30/2010	The George Washington University	Administrative support	Contract	5,000	—
Date Not Available	Departmental Offices	Administrative Support	Interagency Agreement	$42,909,699	$26,175,368

Source: Treasury, response to SIGTARP data call, 7/7/2010.

Asset Managers

EESA requires SIGTARP to provide biographical information for each person or entity hired to manage assets acquired through TARP.[481] From April 1 through June 30, 2010, no new asset managers were hired.

SECTION 5 SIGTARP RECOMMENDATIONS

One of the critical responsibilities of the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") is to provide recommendations to the U.S. Department of the Treasury ("Treasury") and other Federal agencies managing Troubled Asset Relief Program ("TARP") initiatives so that the various TARP programs can be designed or modified to facilitate transparency and effective oversight and to prevent fraud, waste, and abuse. SIGTARP has made such recommendations in its quarterly reports to Congress and in several of its audit reports. This section discusses developments with respect to SIGTARP's prior recommendations, including recommendations made over the previous quarter, and, in the table at the end of this section, summarizes SIGTARP's recommendations from past quarters and notes the extent of their implementation. Appendix G: "Correspondence" includes Treasury's written responses to this section.

RECOMMENDATIONS RELATING TO TREASURY'S PROCESS FOR SELLING WARRANTS RECEIVED FROM TARP RECIPIENTS

As discussed in Section 1, "The Office of the Special Inspector General for the Troubled Asset Relief Program," on May 10, 2010, SIGTARP released an audit report entitled "Assessing Treasury's Process to Sell Warrants Received from TARP Recipients." The audit examined, first, the process and procedures Treasury has established to ensure that the Government receives fair market value for the warrants; and second, the extent to which Treasury follows a consistent and well-documented process in reaching its decision to sell warrants back to recipient institutions. The audit concluded that Treasury has generally succeeded in negotiating prices for warrant repurchases at or above Treasury's own internal estimates of their value. It also observed, however, that Treasury does not sufficiently document important parts of the negotiation process and lacks sufficient guidelines or internal controls governing how those negotiations are conducted, especially with respect to how much information it shares with TARP recipients repurchasing their warrants.

The audit noted, for example, Treasury provided some TARP recipients with information about what price would likely be acceptable to Treasury; for other recipients, no such information was provided. Without established guidelines or internal controls governing how those negotiations are conducted, Treasury is vulnerable to charges of arbitrariness and favoritism.

In light of these findings, SIGTARP made a series of recommendations to improve transparency in the decision-making process and consistency in the negotiations. Each recommendation, along with Treasury's response, is discussed in turn below:

Treasury should ensure that more detail is captured by the Warrant Committee meeting minutes. At a minimum, the minutes should include the members' qualitative considerations regarding the reasons bids were accepted or rejected within fair market value ranges.
Treasury has indicated that it will adopt this recommendation.

Treasury should document in detail the substance of all communications with recipients concerning warrant repurchases.
With respect to this recommendation, Treasury has indicated that "it will maintain a record of communications with each institution concerning the negotiations of warrant repurchases." Treasury has refused to specify, however, how much detail will be included in such a record. A mere recitation of dates and participants would not remedy the material deficiency in transparency described in the report, nor would it address the inherent problem that SIGTARP faced in trying to reconstruct months-old conversations that involved tens of millions of taxpayer dollars and that involved discrepancies in the amount of information regarding Treasury's bargaining position provided to different TARP recipients. In follow-up conversations, Treasury has refused to commit to SIGTARP that it will require documentation of all material aspects of these conversations, and it has stated that it is unwilling to go beyond the language quoted above. SIGTARP maintains that the failure to note the substance of such discussions is an unwarranted failure in transparency.

Treasury should develop and follow guidelines and internal controls concerning how negotiations will be pursued, including the degree and nature of information to be shared with repurchasing institutions concerning Treasury's valuation of the warrants.
Treasury has not yet indicated its position with respect to this recommendation, instead stating that it is currently reviewing its procedures for sharing information with institutions. More than two months have elapsed since SIGTARP issued its report; Treasury should commit to adopt this recommendation fully without further delay. This recommendation resulted from the audit's findings that Treasury was inconsistent in the quality and quantity of information that it shared with apparently similarly situated TARP recipients, with some receiving, in undocumented negotiations, very specific information about the price that Treasury would likely accept to repurchase the warrants, and others receiving no information at all. To avoid such inconsistent treatment, SIGTARP made the recommendation listed above to ensure that the fate of any given negotiation would not be guided by the personality or gut reaction of a Treasury official, but rather on a principled and well-considered policy. It is a matter of fundamental fairness that, in any Government program, similarly situated participants should be treated the same. The inconsistencies found in the

audit are likely to continue absent a framework for how the negotiations should be conducted.

Indeed, in its response, Treasury appears to misunderstand fundamentally the significance of this recommendation. Treasury suggests, for example, that the "consistency" urged by SIGTARP should not be judged by whether it treats counterparties impartially, but instead that "[c]onsistency should be measured by outcomes." Treasury then cites its belief that it "has succeeded in obtaining consistently positive results" as evidence that it has in fact acted consistently in its negotiations. Treasury apparently offers this "ends justify the means" rationale to avoid a uniform set of rules, asserting that the varying conditions for each negotiation mandate the need to "maintain flexibility in the way it responds while maximizing overall returns for taxpayers." There may be legitimate reasons to treat firms differently during these negotiations, but, if so, Treasury should articulate those reasons to its personnel through consistently applied guidelines so that the negotiation process remains successful not only in terms of financial results, but also in upholding the Government's reputation for fair and principled administration of its programs. Inconsistent treatment of counterparties might be acceptable for a Wall Street hedge fund, where bottom line results are the paramount consideration, but policymakers and negotiators working on behalf of the United States Government simply must meet a higher standard. To protect both taxpayers (from receiving a less advantageous deal from a particular bank) and Treasury itself (from accusations of treating one bank more favorably than another), in both fact and perception, Treasury must apply its policies in the fairest, most impartial manner possible to all parties concerned. To accomplish this goal, SIGTARP reiterates its recommendation that there must be clearly articulated negotiating parameters assuring that Treasury officials remain consistent in the amount and type of information they provide to similarly situated TARP recipients.

In sum, to minimize the significant reputational risk presented by potential allegations that Treasury has been picking winners and losers throughout its administration of TARP, it must no longer engage in undocumented negotiations with counterparties and must take steps to ensure that all similarly situated entities are treated the same during these negotiations. Treasury's response letter, dated June 11, 2010, is reproduced in full in Appendix G: "Correspondence."

RECOMMENDATIONS REGARDING THE HOME AFFORDABLE MODIFICATION PROGRAM ("HAMP")

As discussed in greater detail in Section 1 of SIGTARP's Quarterly Report to Congress dated April 20, 2010 (the "April 2010 Quarterly Report"), on March 25, 2010, SIGTARP released an audit report entitled "Factors Affecting the Implementation of the Home Affordable Modification Program" (the "HAMP

For further discussion of recommendations from the HAMP Audit, see SIGTARP's April 2010 Quarterly Report, page 134.

Audit"). Among other things, the HAMP Audit questioned Treasury's emphasis on the number of offers for trial modification rather than executed permanent modifications and observed that the number of permanent modifications had been, by Treasury's own evaluation, "disappointing." In the HAMP Audit, to improve HAMP's administration and effectiveness, SIGTARP made the following recommendations to Treasury:

- rectify the confusion that its own statements have caused for HAMP by prominently disclosing its goals and estimates (updated over time, as necessary) of how many homeowners the program will help through permanent modifications and report monthly on its progress toward meeting that goal
- set other performance benchmarks and publicly report against them to measure over time the implementation and success of HAMP
- undertake a sustained public service campaign as soon as possible, both to reach additional borrowers who could benefit from the program and to arm the public with complete, accurate information; this will help to avoid confusion and delay, and prevent fraud and abuse
- reconsider its policy that allows servicers to substitute alternative forms of income verification based on subjective determinations by the servicer
- re-examine HAMP's structure to ensure that it is adequately minimizing the risk of re-default driven by negative equity, high non-first-mortgage debt service, and other risk factors

To address some of the vulnerabilities identified by SIGTARP in its audit report, Treasury announced its intention to adopt several significant modifications to HAMP, as detailed more completely in the April 2010 Quarterly Report, including the following:

- requiring that servicers "consider" principal reductions at their option as part of the loan modification process when indicated by program guidelines, with increased incentives for successful principal reductions
- a new program, backed by up to $14 billion in TARP funds and managed by both Treasury and the Federal Housing Administration ("FHA"), that will enable severely underwater borrowers to refinance their mortgages so that the total amount they owe on their homes will not exceed 115% of its value
- the Home Affordable Unemployment Program ("UP"), which offers assistance to unemployed homeowners through temporary forbearance of a portion of their payments
- increased incentives for servicers to provide permanent loan modifications in order to compensate them for costs associated with the revisions to the program, including assistance to unemployed homeowners

- expansion of HAMP to include borrowers with FHA loans and borrowers in active bankruptcy proceedings
- improved requirements for borrower solicitations, stating performance timeframes for all parties and prohibiting new foreclosure referrals during the HAMP modification process
- additional assistance for homeowners who lose their homes through a short sale or deed in lieu, including increased financial assistance for moving and incentives to servicers and second-lien holders for use of foreclosure alternatives

Although the modifications represented a significant step forward, SIGTARP noted several issues with the modifications in its April 2010 Quarterly Report that could impede HAMP's effectiveness and efficiency; SIGTARP thus made a series of additional recommendations. Each of those recommendations is set forth below, followed by a discussion of Treasury's responses, which were set forth in letters dated May 20, 2010, and June 30, 2010. Treasury's letters are reproduced in full in Appendix G: "Correspondence." Treasury's responses to the prior recommendations contained in the March 2010 HAMP audit are detailed in the table set forth at the end of this section.

For each HAMP-related program and subprogram, Treasury should publish the anticipated costs and expected participation in each and that, after each program is launched, it report monthly as to the programs' performance against these expectations.

This recommendation echoes previous recommendations from SIGTARP, the Government Accountability Office ("GAO") and the Congressional Oversight Panel that Treasury must finally adopt meaningful benchmarks and goals for HAMP, including setting forth its expectation and goals for the most meaningful aspect of HAMP — permanent modifications. Although in its March 22, 2010, response to the audit Treasury stated that it "agrees that performance goals and metrics are critical to the effective administration of any program," in its more recent written responses, Treasury essentially ignores this recommendation, merely noting its plans to continue monthly updates on aspects of HAMP (including expansion on the types of information published) without disclosing its formal projections and goals for permanent modifications or other HAMP components. SIGTARP subsequently confirmed with Treasury officials that they are, in fact, rejecting these recommendations and will not detail Treasury's participation goals for permanent modifications or any other HAMP-related program or subprogram. Instead, it will continue defining the program's success against only one benchmark — its goal of making offers to three to four million homeowners. This "goal," which SIGTARP has already described as essentially meaningless and which Treasury itself has previously acknowledged has led to "confusion," simply does not provide the necessary transparency or accountability.

First, American taxpayers and their representatives in Congress have an absolute right to know what the Government's specific expectations and goals are for using the $50 billion that will be added to the national debt as a result of this program. Instead, Treasury only offers a goal — regarding offers of assistance — that is completely disconnected from the actual expenditure of taxpayer money. No HAMP funds will be spent on an "offer" but rather on what happens after it is made. The measurement of such offers is becoming even more meaningless over time as HAMP expands to provide different kinds of relief to homeowners and as the number of trial modifications canceled continues to skyrocket.

Second, the failure to provide meaningful benchmarks is contributing to the negative public perception of the program. The stated goal for offers of assistance has either been ignored or misunderstood, and, without a clear sense of the program's intended direction, taxpayers and their representatives in Congress are understandably focusing on the program's shortcomings, such as that substantially more trial modifications have failed than have successfully been made permanent, or that foreclosure filings have increased dramatically while HAMP has been in place, with permanent modifications constituting just a few drops in an ocean of foreclosure filings. Moreover, Treasury's continued refusal to provide benchmarks for itself leaves it vulnerable to accusations that it is simply trying to avoid accountability. If Treasury sets no meaningful goals, it cannot be held accountable for failing to meet those goals and instead can continue claiming each incremental increase in participation a success, irrespective of the program's cost or whether it could have been designed to help more homeowners.

Treasury should re-evaluate the voluntary nature of its principal reduction program and, irrespective of whether it is discretionary or mandatory, consider changes to better maximize its effectiveness, ensure to the greatest extent possible the consistent treatment of similarly situated borrowers, and address potential conflict of interest issues.

In response to SIGTARP's recommendation in the HAMP Audit that Treasury needed to re-evaluate the vulnerability of HAMP to rampant re-defaults, Treasury announced that it would initiate a Principal Reduction Alternative ("PRA") program within HAMP. However, unlike other aspects of HAMP, the decision whether to provide this benefit to struggling homeowners would be left to the servicer, irrespective of whether Treasury's Net Present Value ("NPV") test indicated that a principal reduction modification would be in the best financial interest of the investor who owned the mortgage. Citing concerns about the potential arbitrariness and effectiveness of a voluntary PRA program and the inherent conflict of interest for servicers who might have a financial incentive to avoid principal reductions, SIGTARP recommended that Treasury reconsider its decision to make principal reduction discretionary.

Treasury has declined to make principal reduction mandatory within PRA, offering three separate arguments:

- the potential moral hazard of strategic default, i.e., that homeowners able to make their house payments would stop doing so in order to receive principal forgiveness
- the objections of responsible borrowers who continue to make their mortgage payments but believe that their tax dollars are being used to subsidize principal reductions even in instances where investors would not otherwise offer this benefit
- the prospect that servicers, on behalf of investors, would opt out of HAMP entirely due to its perceived financial impact and therefore would reduce availability of HAMP to borrowers

Although each of these issues is important, and, in the final analysis, it is up to Treasury to weigh the competing interests involved, SIGTARP remains concerned that Treasury may be overestimating the problems with a mandatory PRA and discounting the problems with a voluntary one. With respect to moral hazard, although it is certainly true that mandatory principal reduction carries moral hazard risks, HAMP already has mitigating protections that would ameliorate the risks. It is difficult to see how such risks would be materially different from the risks posed by a voluntary program, or even from HAMP without principal reductions. As noted in the April 2010 Quarterly Report, those mitigating factors include: Treasury's existing safeguards against moral hazard, such as income verification and hardship affidavits, and the requirement for three years of annual payments before the principal reduction is fully implemented. Treasury makes the conclusory assertion that the mandatory nature of the program would "promote strategic default among homeowners" without explaining how these current safeguards (or other potential measures) are inadequate. This argument presumes that potential strategic defaulters: (1) can bypass the safeguards and are willing to commit a federal crime by knowingly executing a false hardship affidavit and/or arranging for fraudulent third-party verification of their income; and (2) have such intimate knowledge of HAMP that they could determine that, if they were to strategically default, they would fall into the category of homeowners for which the two NPV tests (which are incredibly complex and not publicly available) would yield the desired result (*i.e.*, that the PRA NPV test would both be positive and yield a greater financial benefit for the investor than the standard NPV test).

In light of these practical impediments, it is unclear that making PRA mandatory would have any more than a small, incremental impact on moral hazard. To be clear, SIGTARP is not discounting moral hazard risks generally, but merely pointing out, as emphasized in prior quarterly reports, that Treasury has already jumped into the deep end of the moral hazard pool through TARP in general. Any incremental moral hazard implicated by making principal reductions for homeowners mandatory pales in comparison to the moral hazard caused by TARP assistance to Wall Street, particularly when the difference here might be between a successful HAMP and an unsuccessful HAMP.

Treasury deems equally serious "the recognition of the very real frustration on the part of responsible homeowners who, although they are overleveraged, are continuing to make their scheduled payments but believe that taxpayers are being used to subsidize principal reduction in instances where investors would otherwise be unwilling to offer this benefit." Although there is no doubt that HAMP, as a whole, potentially fuels such frustration, it is difficult to see how making principal reduction mandatory instead of discretionary contributes any significant amount, if at all, to such anger. For responsible borrowers who continue to meet their obligations, using tax dollars to subsidize a principal reduction program (including the announced $14 billion TARP-funded FHA refinance program as well as the current version of PRA) would likely not be significantly more offensive than using tax dollars to subsidize interest rate reductions for homeowners, or to pay homeowners to leave homes on which they had already stopped making mortgage payments, or to subsidize with incentive payments the banks and other investors that made the poor investment decisions to acquire these mortgages, all of which already exists under HAMP. In the final analysis, all of the Government's financing of HAMP could reasonably be deemed offensive to responsible homeowners who have continued to meet their obligations without Government assistance, but any small incremental additional offense involved in a mandatory PRA versus a voluntary one would not appear to be dispositive, particularly in light of the problems with the voluntary system.

Treasury's third justification for the voluntary nature of principal reduction is that servicers may opt out of HAMP entirely if reduction is made mandatory. One, from a legal perspective, this appears to be erroneous. Under their agreements with Treasury, if servicers choose not to participate in PRA, they could do so without leaving HAMP entirely. Two, Treasury's argument is squarely inconsistent with several other aspects of HAMP, which generally require mandatory action for participating servicers. For example, the standard HAMP modification is already mandatory if the NPV test is positive, and, indeed, Treasury has made principal reduction for second mortgages mandatory in the event that the first mortgage is so modified.

Finally, Treasury's argument is inconsistent with its own stated reasons as to why servicers would voluntarily want to offer principal reductions (and therefore, presumably, be less inclined to opt out): (a) "where a modification with principal reduction has a higher NPV than a standard NPV modification, servicers may be required by investor guidelines or other legal obligations to perform the modification that yields the highest NPV for the investor"; (b) the program "includes significant financial incentives to offer principal reduction"; and (c) the "increased transparency" of the program "should cause the industry to make better decisions for homeowners and investors." Indeed, the observation that many servicers might already be legally required "to perform the modification that yields the highest NPV for the investor" only further emphasizes the reasonableness of applying that standard to the program as a whole.

At the same time that Treasury is overstating the problems with a mandatory PRA program, it appears to continue to disregard the substantial problems associated with a voluntary one. As discussed more fully in the April 2010 Quarterly Report, a voluntary program is susceptible to inconsistent results for similarly situated homeowners (one HAMP participant could receive principal reduction, while the next-door neighbor in the same financial position might not), all based on the decisions of a servicer that may be acting under a conflict of interest (because servicers are paid based in part on principal balance). These arbitrary results and potential abuses are a risk in a voluntary program.

More fundamentally, making principal reductions mandatory would better address the danger of re-defaults in HAMP, *i.e.*, when a homeowner who has received a HAMP modification ends up unable or unwilling to make the modified payments and defaults again. As GAO noted in a June 2010 report, the current average loan-to-value ratio (a key predictor of re-default) for homeowners in HAMP modifications is, incredibly, 150%, meaning that the average HAMP participant owes over 50% more than the home is worth.

At its core, PRA represents an opportunity to address a significant danger for HAMP — that modifications will fail and borrowers re-default because the borrowers are simply too deeply underwater, thereby wasting taxpayers' money with little actual benefit. There is a growing consensus that re-defaults will indeed be a problem in HAMP. For example, Fitch Ratings Ltd. estimates that, under the program as currently constructed, 65%-75% of HAMP borrowers will re-default. Moody's Investors Service, Inc. projects, that without principal reduction, 50%-70% of borrowers receiving permanent HAMP modifications will re-default, adding that "the ultimate level of re-defaults will depend heavily on the successful implementation of principal forgiveness." As the Federal Reserve Bank of New York noted in a recent paper: "Clearly, a loan modification program that lowers the principal balance on a mortgage will do more to support homeownership than a program that simply eases the terms of the loan." Failure to make PRA mandatory may severely undercut the ability of HAMP to meet this challenge.

Moreover, when purely voluntary, the program is vulnerable to selective use by servicers and investors to subsidize only those principal reductions that they would have made even in the absence of taxpayer assistance. Many banks are already implementing principal reduction as part of their own non-HAMP mortgage modifications. As just one example, shortly before Treasury's announcement of PRA, Bank of America announced a program under which it would forgive principal for a select group of borrowers who had taken out certain types of mortgages from Countrywide, which Bank of America acquired. Bank of America announced that it would fund this program without Government support. Shortly after the announcement of HAMP's principal reduction program, however, Bank of America indicated that it would be shifting its existing program into HAMP so that it could benefit from taxpayer subsidies, without committing that it will offer principal reductions to all homeowners outside of this initiative who qualify for PRA and for which the NPV tests yield a more positive result. Simply put, a Government program that does no more than subsidize activity that would have occurred in its absence is not an efficient or effective use of taxpayer dollars, and the voluntary nature of the principal reduction program risks encouraging that result.

Treasury should adopt a uniform appraisal process across all HAMP and HAMP-related short-sale and principal reduction programs consistent with FHA's procedures.

In the April 2010 Quarterly Report, SIGTARP warned that Treasury's Home Affordable Foreclosure Alternative ("HAFA") program, which provides incentives for short sales and surrenders of deeds in lieu of foreclosure, had a potentially significant fraud vulnerability arising out of its failure to require full appraisals before authorizing payments for short sales. Specifically, SIGTARP warned of the rising prevalence of short sale-related fraud and noted that other short sale-related programs, such as the Department of Housing and Urban Development's ("HUD") FHA program, require full appraisals. SIGTARP further warned that PRA could also be subject to valuation fraud. In its response, Treasury has indicated that it will reject this recommendation, referring in its response only to its standard mortgage modification protocols and largely ignoring the fraud concerns raised with respect to the increased vulnerability to valuation fraud raised by its short-sale and principal reduction programs. Treasury cited cost and timeliness considerations in its decision to permit the use of automated valuation models or broker price opinions for home valuations. It asserted that its guidance is consistent with that provided by the Office of the Comptroller of the Currency ("OCC") for mortgage modifications, and that FHA does not require valuations when modifying delinquent loans.

Although it is true that FHA does not require appraisals for standardized loan modifications (for which the incentive to commit valuation fraud is far less) it does require them for short sales (*i.e.*, the subject of SIGTARP's recommendation) which are far more vulnerable to this type of fraud. Treasury offers no explanation as to why taxpayers who stand behind FHA-supported short sales should be better protected from short-sale schemes than when they stand behind the TARP-supported HAFA short sales.

Treasury also cites investor agreements, which may not require full appraisals. It is not at all clear why taxpayers' protections should be determined by the contractual rights of those who invested in failing mortgages — SIGTARP deems it axiomatic that all reasonable steps should be taken to safeguard taxpayers from fraud. Whether a fraud prevention measure is cost effective is a determination that Treasury should make, not investors. Furthermore, when the investor agreements were conceived, the widespread home depreciation associated with the financial crisis was not contemplated, let alone that as a result of that crisis there would be a subsequent Government program that would spend billions of taxpayer dollars to encourage widespread short sales. Nor was it contemplated that short-sale fraud schemes, such as the "flopping" schemes described in the April 2010 Quarterly Report, would arise out of the crisis. In light of the dramatic change in circumstances since those agreements were forged, the protections that were deemed commercially prudent in the agreements have little bearing to what would be prudent to protect taxpayer interests now. SIGTARP remains convinced that a HAMP requirement for certified appraisers, at least in those portions of HAMP most vulnerable to valuation fraud, would add useful rigor and consistency to this process. Allowing servicers themselves the discretion to value homes in declining or depressed markets will leave the program vulnerable to fraud and create the strange incongruity that tax dollars will be substantially better protected in an FHA-run short-sale program than in the Treasury-run one.

Treasury should reconsider the length of the minimum term of HAMP's unemployment forbearance program.

In response to this recommendation, Treasury noted that it has considered extending the UP term limits in response to the growing incidence of long-term unemployment. Following SIGTARP's recommendation, Treasury issued Supplemental Directive 10-04, which removes the six-month cap for forbearance but retains the original three-month minimum. Treasury stated that it would not increase the three-month minimum, however, because "the OCC does not encourage unemployment forbearance longer than three months," and because "[i]f the forbearance period lasts longer than six months, generally accepted accounting standards may require a financial institution to write down the value of the loan." Neither of these concerns satisfactorily explains Treasury's actions. First, what OCC "encourages" (as opposed to what it prohibits) is obviously of little relevance, otherwise Treasury would presumably cap its unemployment-forbearance program at three months. Furthermore, to the extent that Treasury is concerned that it might be imposing a requirement that one of the regulators would outright reject, it could make the higher minimum period subject to regulatory override. Second, logically, Treasury's concerns about what "may" or may not happen under general accounting standards after a *six-month* forbearance is simply not a relevant explanation as to why it is imposing only a *three-month* minimum.

In light of the continuing distress caused by record long-term unemployment (indeed, since the date of Treasury's response, the Bureau of Labor Statistics has released June 2010 figures, seasonally adjusted, indicating that the median period of unemployment has increased to 25 weeks and that the average has increased to 35 weeks) SIGTARP continues to encourage Treasury to reconsider extending its three-month minimum forbearance period.

Treasury should launch a broad-based information campaign, including public service announcements in target markets that focus on warnings about potential fraud, and include conspicuous fraud warnings whenever it makes broad public announcements about the program.

To its credit, Treasury pointed out in its response that, along with HUD and other Federal agencies, it is participating in the "Loan Scam Alert" anti-fraud campaign being led by NeighborWorks America and the Ad Council, as well as another joint effort with the Ad Council to educate homeowners about HAMP's availability and key provisions. Treasury indicates that, in addition to advertisements, representatives of the campaign attend MHA events where they work with homeowners who have been victimized by scams and seek to raise awareness about mortgage modification frauds. Treasury also notes that it is running additional advertisements through the Ad Council. Treasury thus appears to be striving to implement this recommendation.

RECOMMENDATIONS CONCERNING TREASURY'S MONITORING OF COMPLIANCE WITH TARP REQUIREMENTS BY COMPANIES RECEIVING EXCEPTIONAL ASSISTANCE

As discussed in Section 1, "The Office of the Special Inspector General for the Troubled Asset Relief Program," on June 29, 2010, SIGTARP released an audit report entitled "Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance." The audit examined the extent to which Treasury follows a clear, consistent, and effective process to ensure that a company receiving exceptional assistance adheres to the requirements of its TARP agreement. The audit found that Treasury's staffing and policies have not been robust enough to meet this obligation fully in a number of key respects:

First, Treasury's compliance implementation has been too slow, requiring from 6 to 14 months after the companies' obligations commenced to even request the companies' compliance frameworks, and 7 to 15 months to meet initially with the companies' compliance officials. To date, Treasury has only begun its review of three of the companies' audit documentation and does not expect to complete this final process step for the remaining three firms until well over a year after their entry into TARP. In the context of companies that might not have survived absent TARP's infusion of tens of billions of taxpayer dollars, the risks posed by such companies' non-compliance with these important conditions (both financial and to the credibility of the Government's stabilization efforts) are too great to countenance such delays.

Second, Treasury's compliance procedures rely too heavily on the companies themselves. To date, decisions on whether a violation is serious enough to report have effectively been left to their own judgment, so that Treasury relies upon TARP participants (and sometimes upon the same managers who presided over the companies as they reached the brink of failure) to abide by their various requirements in a diligent and well-judged manner. Treasury has not provided basic guidance on materiality standards for compliance breaches and has no plans to conduct its own audits or otherwise test these companies' compliance independently. Under these circumstances, only one participant of extraordinary public assistance, American International Group, Inc. ("AIG"), has reported violations to Treasury. Even then, AIG's reporting was made months after the events in question and included an unconvincing explanation of one of the violations (regarding the CEO's personal use of a corporate jet).

Third, Treasury's compliance staffing levels continue to be inadequate. Although the Office of Financial Stability-Compliance ("OFS-Compliance") has continued to add staff over time, its shortages of qualified compliance personnel persist. Indeed, Treasury itself has stated that it would like to add 15 compliance staff members, but that it has been unable to do so. Twenty months into its administration of TARP, Treasury simply has no legitimate excuses as to why it has still failed to accomplish the critically important task of assembling a robust compliance staff.

In sum, Treasury has not adopted the rigorous approach or developed the professional team necessary for an adequate compliance system to ensure that companies receiving exceptional assistance under TARP adhere to the special restrictions that were imposed to protect taxpayer interests. In light of these findings, SIGTARP recommended that Treasury undertake the following steps to address the issues identified:

- First, Treasury should promptly take steps to verify TARP participants' conformance to their obligations, not only by ensuring that they have adequate compliance procedures but also by independently testing participants' compliance.
- Second, Treasury should develop guidelines that apply consistently across TARP participants for when a violation is sufficiently material to merit reporting, or, in the alternative, require that all violations be reported.

- Third, SIGTARP reiterates its previous recommendation concerning the need to add enough infrastructure and staff at OFS-Compliance to ensure TARP recipients' adherence to their compliance obligations.

Treasury responded to the audit's recommendations with a letter dated June 29, 2010, a copy of which is reproduced in Appendix G: "Correspondence." The letter noted that, "[a]lthough we agree with a portion of your third recommendation regarding increasing the Office of Financial Stability's compliance staff, we strongly disagree with many of the statements and two of your recommendations in this report." Treasury expects to provide a fuller response to the audit within 30 days of the letter's date.

TRACKING THE IMPLEMENTATION OF RECOMMENDATIONS IN PREVIOUS REPORTS

SIGTARP has now made dozens of individual recommendations; updating compliance with each one in narrative form would be impractical. The following table, Table 5.1, summarizes SIGTARP's prior recommendations, gives an indication of SIGTARP's view of the level of implementation to date, and provides a brief explanation for that view where necessary. For more details on the recommendations, see SIGTARP's earlier quarterly reports to Congress. Treasury's views on the level of implementation of the recommendations are set forth in Appendix G: "Correspondence."

SIGTARP RECOMMENDATIONS TABLE

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
1	*	Treasury should include language in the automobile industry transaction term sheet acknowledging SIGTARP's oversight role and expressly giving SIGTARP access to relevant documents and personnel.	X					
2	*	Treasury should include language in new TARP agreements to facilitate compliance and oversight. Specifically, SIGTARP recommends that each program participant should (1) acknowledge explicitly the jurisdiction and authority of SIGTARP and other oversight bodies, as relevant, to oversee compliance of the conditions contained in the agreement in question, (2) establish internal controls with respect to that condition, (3) report periodically to the Compliance department of the Office of Financial Stability ("OFS-Compliance") regarding the implementation of those controls and its compliance with the condition, and (4) provide a signed certification from an appropriate senior official to OFS-Compliance that such report is accurate.		X				Although Treasury has made substantial efforts to comply with this recommendation in many of its agreements, there have been exceptions, including in its agreements with servicers in MHA. Treasury has further stated that it will continue to implement this recommendation with respect to new TARP programs going forward as it deems "appropriate."
3	*	All existing TARP agreements, as well as those governing new transactions, should be posted on the Treasury website as soon as possible.	X					
4	*	Treasury should require all TARP recipients to report on the actual use of TARP funds.			X			Treasury sent all CPP recipients a use of TARP funds survey and states that it will post the responses on its website in July 2010.
5	*	Treasury quickly determines its going-forward valuation methodology.	X					
6	*	Treasury begins to develop an overall investment strategy to address its portfolio of stocks and decide whether it intends to exercise warrants of common stock.	X					
7	*	In formulating the structure of TALF, Treasury should consider requiring, before committing TARP funds to the program, that certain minimum underwriting standards and/or other fraud prevention mechanisms be put in place with respect to the ABS and/or the assets underlying the ABS used for collateral.	X					The Federal Reserve has adopted mechanisms that address this recommendation.
8	*	Agreements with TALF participants should include an acknowledgment that: (1) they are subject to the oversight of OFS-Compliance and SIGTARP, (2) with respect to any condition imposed as part of TALF, that the party on which the condition is imposed is required to establish internal controls with respect to each condition, report periodically on such compliance, and provide a certification with respect to such compliance.				X		

Note: *Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
9	*	Treasury should give careful consideration before agreeing to the expansion of TALF to include MBS without a full review of risks that may be involved and without considering certain minimum fraud protections.	X					This recommendation has been implemented with respect to CMBS, and the Federal Reserve has announced that it will not be expanding TALF to RMBS.
10	*	Treasury should oppose any expansion of TALF to legacy MBS without significant modifications to the program to ensure a full assessment of risks associated with such an expansion.	X					This recommendation has been implemented with respect to CMBS, and the Federal Reserve has announced that it will not be expanding TALF to RMBS.
11		Treasury should formalize its valuation strategy and begin providing values of the TARP investments to the public.	X					Treasury has committed to publish its valuation estimates four times each year.
12	*	Treasury and the Federal Reserve should provide to SIGTARP, for public disclosure, the identity of the borrowers who surrender collateral in TALF.				X		The Federal Reserve and Treasury continue to oppose this basic aspect of transparency in the TALF program. SIGTARP intends to revisit this issue with the Federal Reserve once a collateral surrender takes place.
13	*	In TALF, Treasury should dispense with rating agency determinations and require a security-by-security screening for each legacy RMBS. Treasury should refuse to participate if the program is not designed so that RMBS, whether new or legacy, will be rejected as collateral if the loans backing particular RMBS do not meet certain baseline underwriting criteria or are in categories that have been proven to be riddled with fraud, including certain undocumented subprime residential mortgages.					X	The Federal Reserve has announced that RMBS will not be eligible for TALF loans, rendering this recommendation moot.
14	*	In TALF, Treasury should require significantly higher haircuts for all MBS, with particularly high haircuts for legacy RMBS, or other equally effective mitigation efforts.	X					This recommendation has been implemented with respect to CMBS, and the Federal Reserve has announced that it will not be expanding TALF to RMBS.
15	*	Treasury should require additional anti-fraud and credit protection provisions, specific to all MBS, before participating in an expanded TALF, including minimum underwriting standards and other fraud prevention measures.	X					The Federal Reserve has adopted mechanisms that address this recommendation with respect to CMBS, and has announced that it will not be expanding TALF to RMBS.
16	*	Treasury should design a robust compliance protocol with complete access rights to all TALF transaction participants for itself, SIGTARP, and other relevant oversight bodies.				X		
17	*	Treasury should not allow Legacy Securities PPIFs to invest in TALF unless significant mitigating measures are included to address these dangers.	X					

Note: *Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
18	*	All TALF modeling and decisions, whether on haircuts or any other credit or fraud loss mechanisms, should account for potential losses to Government interests broadly, including TARP funds, and not just potential losses to the Federal Reserve.	X					
19	*	Treasury should address the confusion and uncertainty on executive compensation by immediately issuing the required regulations.	X					
20		Treasury should significantly increase the staffing levels of OFS-Compliance and ensure the timely development and implementation of an integrated risk management and compliance program.				X		See discussion in this section.
21	*	Treasury should require CAP participants to (1) establish an internal control to monitor their actual use of TARP funds, (2) provide periodic reporting on their actual use of TARP funds, (3) certify to OFS-Compliance, under the penalty of criminal sanction, that the report is accurate, that the same criteria of internal controls and regular certified reports should be applied to all conditions imposed on CAP participants, and (4) acknowledge explicitly the jurisdiction and authority of SIGTARP and other oversight bodies, as appropriate, to oversee conditions contained in the agreement.					X	Treasury closed the program with no investments having been made, rendering this recommendation moot.
22	*	Treasury should impose strict conflict-of-interest rules upon PPIF managers across all programs that specifically address whether and to what extent the managers can (1) invest PPIF funds in legacy assets that they hold or manage on behalf of themselves or their clients or (2) conduct PPIF transactions with entities in which they have invested on behalf of themselves or others.		X				Treasury has adopted some significant conflict-of-interest rules related to this recommendation, but has failed to impose other significant safeguards.
23	*	Treasury should require that all PPIF fund managers (1) have stringent investor-screening procedures, including comprehensive "Know Your Customer" requirements at lease as rigorous as that of a commercial bank or retail brokerage operation to prevent money laundering and the participation of actors prone to abusing the system, and (2) be required to provide Treasury with the identities of all the beneficial owners of the private interests in the fund so that Treasury can do appropriate diligence to ensure that investors in the funds are legitimate.		X				Treasury's agreements with PPIF managers include investor-screening procedures such as "Know Your Customer" requirements. Treasury has agreed that it will have access to any information in a fund manager's possession relating to beneficial owners. However, Treasury is not making an affirmative requirement that managers obtain and maintain beneficial owner information.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
24	*	Treasury should require most-favored-nation clauses, PPIF managers to acknowledge that they owe Treasury a fiduciary duty, and that each manager adopt a robust ethics policy and compliance apparatus.	X					
25		Treasury should require servicers in MHA to submit third-party verified evidence that the applicant is residing in the subject property before funding a mortgage modification.			X			Treasury has decided to adopt this important SIGTARP recommendation and stated that its program administrator Fannie Mae is in the process of hiring a third-party entity to perform a fraud-detection surveillance process to review loan level data to check for owner occupancy and identity of the borrower.
26	*	In MHA, Treasury should require a closing-like procedure be conducted that would include (1) a closing warning sheet that would warn the applicant of the consequences of fraud; (2) the notarized signature and thumbprint of each participant; (3) mandatory collection, copying, and retention of copies of identification documents of all participants in the transaction; (4) verbal and written warnings regarding hidden fees and payments so that applicants are made fully aware of them; (5) the benefits to which they are entitled under the program (to prevent a corrupt servicer from collecting payments from the Government and not passing the full amount of the subsidies to the homeowners); and (6) the fact that no fee should be charged for the modification.		X				See discussion in Section 5: "SIGTARP Recommendations" of SIGTARP's October 2009 Quarterly Report.
27		Additional anti-fraud protections should be adopted in MHA to verify the identity of the participants in the transaction and to address the potential for servicers to steal from individuals receiving Government subsidies without applying them for the benefit of the homeowner.			X			Treasury stated that its program administrator Fannie Mae is in the process of hiring a third party entity to perform a fraud detection surveillance process to review loan level data to check for owner occupancy and identity of the borrower.
28	*	In MHA, Treasury should require the servicer to compare the income reported on a mortgage modification application with the income reported on the original loan applications.				X		Treasury has rejected SIGTARP's recommendation and does not require income reported on the modification application to be compared to income reported on the original loan application.
29	*	In MHA, Treasury should require that verifiable, third-party information be obtained to confirm an applicant's income before any modification payments are made.	X					
30	*	In MHA, Treasury should defer payment of the $1,000 incentive to the servicer until after the homeowner has verifiably made a minimum number of payments under the mortgage modification program.				X		Rather than deferring payment of the incentive until after the homeowner has verifiably made a minimum number of payments on its permanent modification, Treasury will pay the incentive after the servicer represents that the homeowner has made three payments during the trial period.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
31	*	In MHA, Treasury should proactively educate homeowners about the nature of the program, warn them about modification rescue fraudsters, and publicize that no fee is necessary to participate in the program.	X					
32	*	In MHA, Treasury should require its agents to keep track of the names and identifying information for each participant in each mortgage modification transaction and to maintain a database of such information.		X				While Treasury's program administrator, Fannie Mae, has developed a HAMP system of record that maintains the servicers' and investors' names and participating borrowers' personally identifiable information, such as names and addresses, the database is not constructed to maintain other information that may assist in detecting insiders who are committing large-scale fraud.
33	*	Treasury should require the imposition of strict information barriers or "walls" between the PPIF managers making investment decisions on behalf of the PPIF and those employees of the fund management company who manage non-PPIF funds.				X		Treasury has refused to adopt this significant anti-fraud measure designed to prevent conflicts of interest. This represents a material deficiency in the program.
34	*	Treasury should periodically disclose PPIF trading activity and require PPIF managers to disclose to SIGTARP, within seven days of the close of the quarter, all trading activity, holdings, and valuations so that SIGTARP may disclose such information, subject to reasonable protections, in its quarterly reports.				X		Treasury has committed to publish on a quarterly basis certain high-level information about aggregated purchases by the PPIFs, but not within seven days of the close of the quarter. Treasury has not committed to providing full transparency to show where public dollars are invested by requiring periodic disclosure of every trade in the PPIFs. SIGTARP will report all transactions conducted in PPIP starting next quarter.
35		Treasury should define appropriate metrics and an evaluation system should be put in place to monitor the effectiveness of the PPIF managers, both to ensure they are fulfilling the terms of their agreements and to measure performance.			X			See discussion in section 1 of this report.
36	*	The conditions that give Treasury "cause" to remove a PPIF manager should be expanded to include a manager's performance below a certain standard benchmark, or if Treasury concludes that the manager has materially violated compliance or ethical rules.				X		Treasury has refused to adopt this recommendation relying solely on Treasury's right to end the investment period after 12 months, during which time the PPIF manager's performance may continue to fall below a standard benchmark potentially putting significant Government funds at risk.
37	*	Treasury should require PPIF managers to disclose to Treasury, as part of the Watch List process, not only information about holdings in eligible assets but also holdings in related assets or exposures to related liabilities.	X					

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
38		Treasury should require PPIF managers to obtain and maintain information about the beneficial ownership of all of the private equity interests, and Treasury should have the unilateral ability to prohibit participation of private equity investors.				X		Treasury has agreed that it can have access to any information in a fund manager's possession relating to beneficial owners. However, Treasury is not making an affirmative requirement that managers obtain and maintain beneficial owner information. Treasury will not adopt the recommendation to give itself unilateral ability to deny access to or remove an investor, stating that such a right would deter participation.
39	*	Treasury and FRBNY should (1) examine Moody's assertions that some credit rating agencies are using lower standards to give a potential TALF security the necessary AAA rating and (2) develop mechanisms to ensure that acceptance of collateral in TALF is not unduly influenced by the improper incentives to overrate that exist among the credit agencies.	X					Treasury and the Federal Reserve have discussed concerns about potential overrating or rating shopping with the rating agencies, and have agreed to continue to develop and enhance risk management tools and processes, where appropriate.
40	*	Treasury should more explicitly document the vote of each Investment Committee member for all decisions related to the investment of TARP funds.	X					
41	*	Treasury should improve existing control systems to document the occurrence and nature of external phone calls and in-person meetings about actual and potential recipients of funding under the CPP and other similar TARP-assistance programs to which they may be part of the decision making.	X					
42	*	The Secretary of the Treasury should direct the Special Master to work with FRBNY officials in understanding AIG compensation programs and retention challenges before developing future compensation decisions that may affect both institutions' ability to get repaid by AIG for Federal assistance provided.	X					
43	*	Treasury should establish policies to guide any similar future decisions to take a substantial ownership position in financial institutions that would require an advance review so that Treasury can be reasonably aware of the obligations and challenges facing such institutions.					X	Treasury stated that it does not anticipate taking a substantial percentage ownership position in any other financial institution pursuant to EESA.
44	*	Treasury should establish policies to guide decision making in determining whether it is appropriate to defer to another agency when making TARP programming decisions where more than one Federal agency is involved.		X				Treasury has agreed to work closely with other Federal agencies that are involved in TARP.

Note: *Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
45	Treasury should rectify the confusion that its own statements have caused for HAMP by unambiguously and prominently disclosing its goals and estimates (updated over time, as necessary) of how many homeowners will actually be helped through permanent modifications, and report monthly on its progress toward meeting that goal.				X		See discussion in this section.
46	Treasury should develop other performance metrics and publicly report against them to measure over time the implementation and success of HAMP.				X		Treasury has indicated that it is developing certain metrics for servicers, but not similar performance goals for itself. See discussion in this section for details.
47	Treasury should undertake a sustained public service campaign as soon as possible both to reach additional borrowers that could potentially be helped by the program and to arm the public with complete, accurate information about the program to avoid confusion and delay, and prevent fraud and abuse.			X			See discussion in this section.
48	Treasury should reconsider its position that allows servicers to substitute alternative forms of income verification based on subjective determinations by the servicer.				X		
49	Treasury should re-examine HAMP's structure to ensure that it is adequately minimizing the risk of re-default stemming from non-mortgage debt, second liens, partial interest rate resets after the five-year modifications end, and from many borrowers being underwater.			X			See discussion in this section.
50	Treasury should institute careful screening before putting additional capital into an institution with insufficient capital to ensure that the TARP matching funds are not flowing into an institution that is on the verge of failure.			X			Treasury has stated that it has developed a screening and approval process in which it will seek a recommendation from the appropriate Federal regulator in determining eligibility for CDCI, similar to Treasury's screening process for CPP.
51	Treasury should develop a robust procedure to audit and verify the bona fides of any purported capital raise and to establish adequate controls to verify the source, amount and closing of all claimed private investments.			X			Treasury has stated that it will work with Federal regulators to develop adequate controls to verify the source, amount and closing of all purported claimed private investments. Treasury has also stated that it is considering options to identify funds and obtain a confirmation of receipt for the source of the capital raises. SIGTARP will continue to monitor to determine the effectiveness of any procedures that Treasury designs to audit and verify the bona fides of any purported capital raise.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
52	Treasury should revise CDCI terms to clarify that Treasury inspection and copy rights continue until the entire CDCI investment is terminated. Additionally, consistent with recommendations made in connection with other TARP programs, the terms should be revised to provide expressly that SIGTARP shall have access to the CDFI's records equal to that of Treasury.	X					
53	Treasury should consider more frequent surveys than annually as currently contemplated. Quarterly surveys would more effectively emphasize the purpose of CDCI.				X		

1. In October 2009, Treasury started to encounter challenges with its website counting system, and, as a result, it changed to a new system in January of 2010. SIGTARP has calculated the total number of website hits reported herein based on the number reported to SIGTARP as of September 30, 2009, plus an archived number provided by Treasury for the period of October–December 2009, and information generated from Treasury's new system for the period of January–June 2010.
2. Treasury Press Release, "Treasury Department Releases Text of Letter from Secretary Geithner to Hill Leadership on Administration's Exit Strategy for TARP," 12/9/2009, www.financialstability.gov/latest/pr_12092009.html, accessed 6/25/2010.
3. Office of Management and Budget, "Mid-Session Review, Budget of the U.S. Government – Fiscal Year 2010," 8/25/2009, www.whitehouse.gov/omb/assets/fy2010_msr/10msr.pdf, accessed 6/23/2010.
4. Treasury, "Troubled Assets Relief Program (TARP) Monthly 105(a) Report – May 2010," 6/10/2010, www.financialstability.gov/docs/May%202010%20105(a)%20Report_final.pdf, accessed 6/14/2010; Office of Management and Budget, "Budget of the U.S. Government – Fiscal Year 2011," 2/1/2010, www.whitehouse.gov/omb/budget/fy2011/assets/budget.pdf, accessed 7/10/2010.
5. Treasury, "Troubled Assets Relief Program (TARP) Monthly 105(a) Report – May 2010," 6/10/2010, www.financialstability.gov/docs/May%202010%20105(a)%20Report_final.pdf, accessed 6/14/2010.
6. Commitment source: Treasury, response to SIGTARP data call, 7/7/2010. The $699 billion represents the $700 billion authorized for TARP by EESA less the $1.2 billion reduction as a result of the Helping Families Save Their Homes Act of 2009, P.L. 111-22.
7. From a budgetary perspective, what Treasury has committed to spend (*e.g.*, signed agreements with TARP fund recipients). Treasury, *Transactions Report*, 6/30/2010, http://financialstability.gov/docs/transaction-reports/7-1-10%20Transactions%20Report%20as%20of%206-30-10.pdf, 7/12/2010; Treasury, response to SIGTARP data call, 7/7/2010.
8. As of June 30, 2010, 87 TARP recipients in various programs had repaid their TARP funds. Under the Capital Purchase Program ("CPP"), 84 TARP recipients had repaid a total $138.4 billion. Chrysler Financial, LLC, General Motors Co., and Chrysler had repaid their TARP funds under the Automotive Industry Financing Program ("AIFP") totaling $11.2 billion. Under the Targeted Investment Program ("TIP"), Bank of America and Citigroup had repaid $40 billion. Treasury and Citigroup also terminated their agreement under the Asset Guarantee Program ("AGP"), reducing Treasury's exposure by $5 billion.
9. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008; Treasury, response to SIGTARP draft report, 1/15/2010.
10. Treasury, response to SIGTARP data call, 7/7/2010.
11. Treasury, response to SIGTARP data call, 7/7/2010.
12. Treasury Press Release, "Relief for Responsible Homeowners One Step Closer Under New Treasury Guidelines," 3/4/2009, www.financialstability.gov/latest/tg48.html, accessed 7/7/2010.
13. Treasury, "Making Home Affordable Updated Detailed Program Description," 4/28/2009, www.treas.gov/press/releases/reports/housing_fact_sheet.pdf, accessed 7/7/2010.
14. Treasury, response to SIGTARP data call, 7/7/2010.
15. Treasury, "Update on HFA hardest hit fund," 3/5/2010, www.makinghomeaffordable.gov/pr3052010.htm, accessed7/12/2010; Treasury, "Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets," 3/29/2010, www.makinghomeaffordable.gov/docs/HFA%20FAQ%20--%20030510%20FINAL%20(Clean).pdf, accessed 7/12/2010.
16. Treasury, "Factsheet on Capital Purchase Program," 3/17/2009, www.financialstability.gov/roadtostability/CPPfactsheet.htm, accessed 7/7/2010.
17. Treasury, response to SIGTARP data call, 7/7/2010.
18. Treasury, "Community Development Capital Initiative," 2/18/2010, http://financialstability.gov/roadtostability/comdev.html, accessed 7/7/2010.
19. Treasury, response to SIGTARP data call, 7/7/2010.
20. Treasury Press Release, "Statement of Secretary Geithner on House Passage of the Small Business Lending Fund Act," 6/17/2010, www.treas.gov/press/releases/tg749.htm, accessed 6/23/2010.
21. U.S. House of Representatives, "111th Congress, 2nd Session, H.R. 5297 Small Business Lending Fund Act of 2010," 5/13/2010, www.house.gov/apps/list/speech/financialsvcs_dem/hr_5297.pdf, accessed 6/2/2010.
22. Treasury, "Programs," 5/7/2009, www.financialstability.gov/roadtostability/programs.htm, accessed 7/7/2010.
23. The $40 billion Series D cumulative preferred shares were effectively converted to $41.6 billion Series E non-cumulative preferred without any cash outlay by Treasury. Treasury, *Transactions Report*, 6/30/2010, http://financialstability.gov/docs/transaction-reports/7-1-10%20Transactions%20Report%20as%20of%206-30-10.pdf, accessed 7/7/2010.
24. Treasury, response to SIGTARP data call, 7/7/2010.
25. Treasury, "Agency Financial Report, Fiscal Year 2009," 12/10/2009, www.treas.gov/press/releases/OSF%20AFR%2009.pdf, accessed 7/7/2010.
26. Treasury, *Transactions Report*, 6/30/2010, http://financialstability.gov/docs/transaction-reports/7-1-10%20Transactions%20Report%20as%20of%206-30-10.pdf, accessed 7/7/2010.
27. Treasury, "Agency Financial Report, Fiscal Year 2009," 12/10/2009, www.treas.gov/press/releases/OSF%20AFR%2009.pdf, accessed 7/7/2010.
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41. Concerning the principal, see Treasury, *Transactions Report*, 2/25/2010, www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf, accessed 3/4/2010; for interest amounts, see Treasury, Dividends and Interest Reports, 2/19/2010, www.financialstability.gov/docs/dividends-interest-reports/January%202010_Dividends%20and%20Interest%20Report.pdf, accessed 3/4/2010.
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APPENDICES

* **Visit www.sigtarp.gov to view Appendix A: Glossary, Appendix B: Acronyms and Abbreviations, Appendix E: Public Announcement of Audits, Appendix F: Key Oversight Reports and Testimonies, and for further reference material.**

GLOSSARY

This appendix provides a glossary of terms that are used throughout the context of this report.

504 Community Development Loan Program: SBA program combining Government-guaranteed loans with private-sector mortgage loans to provide loans of up to $10 million for community development.

7(a) Program: SBA loan program guaranteeing a percentage of loans for small businesses that cannot otherwise obtain conventional loans at reasonable terms.

Asset Backed Securities ("ABS"): Bonds backed by a portfolio of non-mortgage consumer or corporate loans, *e.g.,* credit card, auto, or small business loans. Financial companies typically issue ABS backed by existing loans in order to fund new loans for their customers.

Auction Agent: Firms (such as investment banks) that buy a series of securities from one institution for resale — also called "underwriters."

Collateral: Asset pledged by a borrower to a lender until a loan is repaid.

Commercial Mortgage-Backed Securities ("CMBS"): Bonds backed by one or more mortgages on commercial real estate (*e.g.,* office buildings, rental apartments, hotels) rather than by residential real estate loans.

Common Stock: Equity ownership entitling an individual to share in corporate earnings and voting rights.

Community Development Financial Institutions ("CDFIs"): Financial institutions eligible for Treasury funding to serve the CDCI's targeted demographic under the CDFI Fund. CDFIs were created in 1994 by the Riegle Community Development and Regulatory Improvement Act.

Cumulative Preferred Stock: Stock requiring a defined dividend payment. If the company does not pay the dividend on schedule, it still owes the missed dividend to the preferred stock's owner.

Custodian Bank: Bank (for TALF the custodian is BNY Mellon) holding the collateral and managing accounts for FRBNY.

Debtor-in-Possession ("DIP"): Company operating under Chapter 11 bankruptcy protection that technically still owns its assets but is operating them to maximize the benefit to its creditors.

Dutch Auction: For a Treasury warrant auction (which has multiple bidders bidding for different quantities of the asset) the accepted price is set at the lowest bid of the group of high bidders, whose collective bids fulfill the amount offered by Treasury.

Equity Capital Facility: Commitment to invest equity capital in a firm under certain future conditions.

Exceptional Assistance Recipients: Companies receiving assistance under SSFI, TIP, AIFP, and any future Treasury program designated by the Treasury Secretary as providing exceptional assistance. Current recipients are AIG, Chrysler, GM, and Ally Financial (formerly GMAC).

Excess Reserves: Balances held in within the Federal Reserve System excess of the required reserve and any other contractually required balances.

Federal Funds: Funds deposited by commercial banks at the Federal Reserve banks, thereby enabling banks temporarily falling short of reserve requirements to borrow funds from banks with excess reserves.

Federal Funds Rate: Rate charged by a depository institution on an overnight loan of federal funds to another depository institution; the rate may vary from day to day and from bank to bank.

Federal Funds Transactions: Short-term transactions in immediately available funds — made between depository institutions and certain other institutions that maintain accounts with the Federal Reserve — that involve lending balances at the Federal Reserve; such transactions are usually not collateralized.

Haircut: Difference between the value of the collateral and the value of the loan (the loan value is less than the collateral value).

Illiquid Assets: Assets that cannot be quickly converted to cash.

Legacy Assets: Commonly called troubled or toxic assets, these are real estate-related loans and securities issued before the financial institutions' balance sheets. Legacy assets lost significant value at the onset of the financial crisis and were difficult to price because of market disruption.

Legacy Securities: Real estate-related securities lingering on the balance sheets of financial institutions because of pricing difficulties resulting from market disruption.

Limited Partnership: Partnership in which there is at least one partner whose liability is limited to the amount invested (limited partner), and at least one partner whose liability extends beyond monetary investment (general partner).

London Interbank Offered Rate ("LIBOR"): Interest rate that large banks in London charge each other for dollar-denominated funds.

Mandatorily Convertible Preferred Stock ("MCP"): Preferred share that can be converted to common stock at the issuer's discretion if specific criteria are met by a certain date.

Monetary Policy: Measures undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Credit rating agency registered with the SEC. Credit rating agencies provide their opinion on the creditworthiness of companies and the financial obligations issued by companies. The ratings distinguish between investment grade and non-investment grade equity and debt obligations.

Non-Agency Residential Mortgage- Backed Securities ("non-agency RMBS"): Financial instrument backed by a group of residential real estate mortgages not guaranteed by a Government-sponsored enterprise, such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

Non-cumulative Preferred Stock: Type of preferred stock that also features a defined dividend but the company has no obligation to pay any dividends it misses.

Non-recourse Loan: Secured loan whereby the borrower is relieved of the obligation to repay the loan upon surrender of the collateral.

Open Market Operations ("OMO"): OMOs involve the purchase and sale of securities in the open market by a central bank. These transactions are a key tool used by the Federal Reserve to adjust the supply of reserve balances so as to keep the effective federal funds rate near the target rate. OMOs are conducted by the trading desk at the Federal Reserve Bank of New York.

Preferred Stock: Equity ownership that usually pays a fixed dividend prior to distributions for common stock owners but only after payments due to holders of debt and depositors. It typically confers no voting rights. Preferred stock also has priority over common stock in the distribution of assets when a bankrupt company is liquidated.

Pro Rata: Refers to dividing something among a group according to the proportionate share that each participant holds as a part of the whole.

Prompt Corrective Action Order: Federal law requires that Federal bank regulators take necessary actions to resolve the problems of insured depository institutions at the least possible long-term loss to the Deposit Insurance Fund.

Public Interest Standard: Regulatory standard that the Special Master is required to apply in making determinations. It refers to the determination of whether TARP-recipient compensation plans are aligned with the best interests of the U.S. taxpayer, based on a balancing of specific principles set forth in the Rule.

Quantitative Easing: Monetary policy used occasionally in which the Government increases the money supply by buying Government or other securities from the market. Quantitative easing aims to increase the money supply by flooding financial institutions with reserves in an effort to promote lending and liquidity. Such actions are conducted through OMOs.

Required Reserves: Balances held within the Federal Reserve System to satisfy reserve requirements.

Reserve Requirements: Amount of money a depository institution must keep in reserve against specified deposit liabilities. The reserves must be in the form of vault cash or deposits held at the Federal Reserve banks.

Residential Mortgage-Backed Securities ("RMBS"): Bonds backed by a pool of mortgages for residential real estate (*e.g.*, home mortgages for residences occupied by up to four families) rather than by commercial real estate loans.

Revolving Credit Facility: Line of credit for which the borrower pays a commitment fee and is then allowed to use up to a guaranteed maximum amount of funds as needed.

SBA Pool Certificate: Ownership interest in a bond backed by SBA-guaranteed loans.

Senior Executive Officer ("SEO"): "Named executive officer" of a TARP recipient as defined under Federal securities law, which generally includes the principal executive officer, principal financial officer, and the next three most highly compensated executive officers.

Senior Preferred Stock: Shares that give the stockholder priority dividend and liquidation claims over junior preferred and common stockholders.

Senior Subordinated Debenture: Debt instrument ranking below senior debt but above equity with regard to investors' claims on company assets or earnings. Senior debt holders are paid in full before subordinated debt holders are paid. There may be additional distinctions of priority among subordinated debt holders.

Skin in the Game: Equity stake in an investment; down payment; the amount an investor can lose.

Special Purpose Vehicle ("SPV"): Off-balance-sheet legal entity that holds the transferred assets presumptively beyond the reach of the entities providing the assets, and is legally isolated.

Spread: Difference between two interest rates or the excess of return on a particular security or instrument relative to a benchmark.

Synthetic ABS: Security deriving its value and cash flow from sources other than from a physical set of reference assets.

Systemically Significant: Term referring to any financial institution whose failure would impose significant losses on creditors and counterparties, call into question the financial strength of similar institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth (also commonly used to describe institutions known as "too big to fail").

TALF Agent: Financial institution that is party to the TALF Master Loan and Security Agreement and which occasionally acts as an agent to the borrower. TALF Agents include primary and nonprimary broker-dealers.

Total Risk-Weighted Assets: Financial institutions' total assets after making adjustments based on each individual asset's risk factor.

Trial Modification: Under the design of HAMP, a trial modification is generally intended to last three months.

Trust Preferred Securities: Securities that have both equity and debt characteristics created by establishing a trust and issuing debt to it.

Undercapitalized: Condition in which a financial institution does not meet its regulator's requirements for sufficient capital to operate under a defined level of adverse conditions.

Under-Served Communities: Either geographic areas or demographic groups that Treasury's CDFI Fund division determines lack adequate access to financial services.

Underwater Mortgage: When a homeowner owes more on the mortgage than the home is worth. When a home's value drops and/or when mortgage debt increases significantly, the homeowner has "negative equity" in that home.

Warrant: Right, but not an obligation, to purchase a certain number of shares of common stock at a fixed price. Because warrants rise in value as the company's share price rises, Treasury (and the taxpayer) can benefit from a firm's potential recovery.

ACRONYMS AND ABBREVIATIONS

2MP	Second Lien Modification Program
ABCP	asset-backed commercial paper
ABS	asset-backed securities
AGP	Asset Guarantee Program
AHR	American Home Recovery
AIA	AIA Group, Limited
AIFP	Automotive Industry Financing Program
AIG	American International Group, Inc.
ALICO	American Life Insurance Company
Ally Financial	Ally Financial Inc. (formerly GMAC Inc.)
AMLF	Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility
APR	annual percentage rate
ARM	adjustable-rate mortgage
ARRA	American Recovery and Reinvestment Act of 2009
ASSP	Auto Supplier Support Program
AWCP	Auto Warranty Commitment Program
Bank of America	Bank of America Corporation
BlackRock	BlackRock Financial Management, Inc.
CAP	Capital Assistance Program
CBO	Congressional Budget Office
CDBG	Community Development Block Grant
CDCI	Community Development Capital Initiative
CDFI	Community Development Financial Institution
CEO	chief executive officer
CGI Holding	CGI Holding LLC
Chrysler Financial	Chrysler Financial Services Americas LLC
Citigroup	Citigroup, Inc.
CMBS	commercial mortgage-backed securities
Colonial	Colonial Bancgroup
COP	Congressional Oversight Panel
CP	commercial paper
CPFF	Commercial Paper Funding Facility
CPP	Capital Purchase Program
CUSIP	Credit Union System Investment Program
DDA	Demand Deposit Account
DGP	Debt Guarantee Program
DIF	Deposit Insurance Fund
DIL	deed-in-lieu of foreclosure
DIP	debtor-in-possession
DOJ	Department of Justice
DTI	debt-to-income ratio
ECASLA	Ensuring Continued Access to Student Loans Act of 2008
EESA	Emergency Economic Stabilization Act of 2008
Fannie Mae	Federal National Mortgage Association
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FDIC OIG	Office of the Inspector General of the Federal Deposit Insurance Corporation
Federal Reserve	Federal Reserve System
FFEL	Federal Family Education Loan
FFETF	Financial Fraud Enforcement Task Force
FFR	federal funds rate
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FOMC	Federal Open Market Committee
FRBNY	Federal Reserve Bank of New York
Freddie Mac	Federal Home Loan Mortgage Corporation
FTC	Federal Trade Commission
GAO	Government Accountability Office
GM	General Motors Corporation
GMAC	GMAC Inc.
GNMA	Government National Mortgage Association
GSE	Government-sponsored enterprise
HAFA	Home Affordable Foreclosure Alternatives
HAMP	Home Affordable Modification Program
HARP	Homeowners' Affordability Relief Program
HERA	Housing and Economic Recovery Act
HFA	Housing Finance Agency
HHF	Hardest Hit Fund

HPDP	Home Price Decline Protection
HUD	Department of Housing and Urban Development
HUD OIG	Office of the Inspector General of the Department of Housing and Urban Development
IG	Inspector General
ILFC	International Lease Finance Corporation
IMF	International Monetary Fund
Initial Report	SIGTARP's Initial Report to Congress
IOLTA	Interest on Lawyers Trust Accounts
IPO	initial public offering
IRA	Individual Retirement Account
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service Criminal Investigations Division
LIBOR	London Interbank Offered Rate
LLC	limited liability company
LTV	loan-to-value ratio
MBS	mortgage-backed securities
MCP	mandatorily convertible preferred shares
Merrill Lynch	Merrill Lynch & Co. Inc.
MHA	Making Home Affordable Program
Midwest	Midwest Banc Holdings, Inc.
MMIFF	Money Market Investor Funding Facility
MMMF	Money Market Mutual Fund program
MVMC	Mt. Vernon Money Center
Nan Shan	Nan Shan Insurance Ltd.
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Share Insurance Fund
New Chrysler	Chrysler Group LLC
NIBP	New Issuance Bond Program
Non-Agency RMBS	non-agency residential mortgage-backed securities
NPV	net present value
NRSRO	nationally recognized statistical rating organization
Ocala Funding	Ocala Funding, LLC
OCC	Office of the Comptroller of the Currency
OFS	Office of Financial Stability
Old Chrysler	Chrysler LLC
OMB	Office of Management and Budget
Omni	Omni National Bank
OMO	open market operations
Pacific	Pacific Capital Bancorp of Santa Barbara California
PDCF	Primary Dealer Credit Facility
PPIF	Public-Private Investment Fund
PPIP	Public-Private Investment Program
PRA	Principal Reduction Alternative
Prudential	Prudential PLC, Inc.
PSPA	preferred stock purchase agreement
QFI	qualifying financial institution
REPOS	repurchase agreements
RMBS	residential mortgage-backed securities
S&P	Standard & Poor's
SBA	Small Business Administration
SBIC	Small Business Investment Company
SBLF	Small Business Lending Fund
SEC	Securities and Exchange Commission
SEO	senior executive officer
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
SOMA	System Open Market Account
South Financial	South Financial Group Inc.
Special Master	Office of the Special Master for the Troubled Asset Relief Program
SPV	special purpose vehicle
SS/DIL	Short Sales/Deed-In-Lieu of Foreclosure program
SSFI	Systemically Significant Failing Institutions program
Sterling	Sterling Financial Corporation
STPP	Short Term Purchase Program
TAF	Term Auction Facility
TAG	Transaction Account Guarantee
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TCCULGP	Temporary Corporate Credit Union Liquidity Guarantee Program
TCCUSF	Temporary Corporate Credit Union Stabilization Fund

TCCUSGP	Temporary Corporate Credit Union Share Guarantee Program
TCLP	Temporary Credit and Liquidity Program
TD	Toronto-Dominion Bank
THL	Thomas H. Lee Partners L.P.
TIP	Targeted Investment Program
TLGP	Temporary Liquidity Guarantee Program
TOP	Term Securities Lending Facility Options Program
TPP	Treasuries Purchase Program
Treasury	U.S. Department of the Treasury
TSLF	Term Securities Lending Facility
UAW	United Auto Workers
UCSB	Unlocking Credit for Small Businesses
UGC	United Guaranty Corporation
UP	Home Affordable Unemployment Program
UPB	unpaid principal balance
USPIS	U.S. Postal Inspection Service
VA	U.S. Department of Veterans Affairs
Warbug Pincus	Warbug Pincus Investments

REPORTING REQUIREMENTS

This appendix provides Treasury's responses to data call questions regarding the reporting requirements of the Special Inspector General for the Troubled Asset Relief Program outlined in the Emergency Economic Stabilization Act of 2008 section 121, as well as a cross-reference to related data presented in this report and prior reports. Italics style indicates narrative taken verbatim from source documents.

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
1	Section 121(c)(A)	A description of the categories of troubled assets purchased or otherwise procured by the Secretary.	*Treasury posts several documents on its public website that are responsive to this question, available at http://www.financialstability.gov/latest/reportsanddocs.html. Specifically, tranche reports and reports required under section 105(a) of the Emergency Economic Stabilization Act of 2008 (EESA) describe, at a high level, Treasury's programs and troubled asset purchases. The transaction reports describe these purchases in detail, including the type of asset purchased, the identity of the institution selling the asset, and the price Treasury paid for the asset.* *We describe assets purchased under TARP during the period from April 1, 2010 through June 30, 2010 in the Monthly 105(a) reports for April 2010, May 2010 and June 2010 and in separate transaction reports posted on http://www.financialstability.gov/latest/reportsanddocs.html. The most recent Monthly 105(a) report for June 2010 will be posted on July 12.* Below are program descriptions from Treasury's FinancialStability.gov website, as of 6/30/2010: CPP: *Treasury created the Capital Purchase Program (CPP) in October 2008 to stabilize the financial system by providing capital to viable financial institutions of all sizes throughout the nation. With a strengthened capital base, financial institutions have an increased capacity to lend to U.S. businesses and consumers and to support the U.S. economy.* SSFI: *Systemically Significant Failing Institution Program (SSFI) was established to provide stability and prevent disruptions to financial markets from the failure of institutions that are critical to the functioning of the nation's financial system.* AGP: *The Asset Guarantee Program (AGP) provides government assurances for assets held by financial institutions that are critical to the functioning of the nation's financial system, which face a risk of losing the critical confidence that is needed for them to continue to lend to other banks.* TIP: *Treasury created the Targeted Investment Program (TIP) to stabilize the financial system by making investments in institutions that are critical to the functioning of the financial system. This program focuses on the complex relationships and reliance of institutions within the financial system. Investments made through the TIP seek to avoid significant market disruptions resulting from the deterioration of one financial institution that can threaten other financial institutions and impair broader financial markets and pose a threat to the overall economy.*	Section 2: "TARP Overview" Appendix D: "Transaction Detail"

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
			TALF: *The TALF is designed to increase credit availability and support economic activity by facilitating renewed issuance of consumer and small business ABS at more normal interest rate spreads… Under the TALF, the Federal Reserve Bank of New York (FRBNY) will provide non-recourse funding to any eligible borrower owning eligible collateral... The U.S. Treasury's Troubled Assets Relief Program (TARP) will purchase $20 billion of subordinated debt in an SPV created by the FRBNY. The SPV will purchase and manage any assets received by the FRBNY in connection with any TALF loans. Residual returns from the SPV will be shared between the FRBNY and the U.S. Treasury.* *PPIP: The Legacy Securities Public-Private Investment Program ("S-PPIP") is designed to purchase troubled legacy securities that are central to the problems currently impacting the U.S. financial system. Under this program, Treasury will invest equity and debt in multiple Public-Private Investment Funds ("PPIFs") established with private sector fund managers and private sector investors for the purpose of purchasing eligible assets. PPIF managers will invest in securities backed directly by mortgages that span the residential credit spectrum (e.g., prime, Alt-A, subprime mortgages) as well as the commercial mortgage market.* CDCI: *In February 2010, Treasury announced the Community Development Capital Initiative (CDCI) to improve access to credit for small businesses. Through this TARP program, Treasury will invest lower-cost capital in Community Development Financial Institutions (CDFIs) that lend to small businesses in the country's hardest-hit communities.* UCSB: *The Treasury Department will begin making direct purchases of securities backed by SBA loans to get the credit market moving again, and it will stand ready to purchase new securities to ensure that community banks and credit unions feel confident in extending new loans to local businesses.* AIFP: *The objective of* [AIFP] *is to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States...* [Through AIFP, Treasury has provided] *loans or equity investments to General Motors, GMAC, Chrysler, and Chrysler Financial in order to avoid a disorderly bankruptcy of one or more auto companies; such an event would pose a systemic risk to the country's financial system. Treasury's loans to the automobile industry forged a path for these companies to go through orderly restructurings and achieve viability.* ASSP: [ASSP was created to] *provide up to $5 billion in financing, giving suppliers the confidence they need to continue shipping parts, pay their employees and continue their operations.* AWCP: *The Treasury Department announced an innovative new program to give consumers who are considering new car purchases the confidence that even in this difficult economic period, their warrantees will be honored. This program is part of the Administration's broader program to stabilize the auto industry and stand behind a restructuring effort that will result in stronger, more competitive and viable American car companies.* HAMP (a program under MHA): *The Home Affordable Modification Program has a simple goal: reduce the amount homeowners owe per month to sustainable levels to stabilize communities. This program will bring together lenders, investors, servicers, borrowers, and the government, so that all stakeholders share in the cost of ensuring that responsible homeowners can afford their monthly mortgage payments – helping to reach up to 3 to 4 million at-risk borrowers in all segments of the mortgage market, reducing foreclosures, and helping to avoid further downward pressures on overall home prices.*	
2	Section 121(c)(B)	A listing of the troubled assets purchased in each such category described under section 121(c)(A).	*Information on all transactions as well as additional information about these programs and related purchases is available in the transaction reports and monthly 105(a) reports posted at http://www.financialstability.gov/latest/reportsanddocs.html.*	Appendix D: "Transaction Detail"

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
3	Section 121(c)(C)	An explanation of the reasons the Secretary deemed it necessary to purchase each such troubled asset.	*Pursuant to Section 3(9)(B) of EESA, the Secretary fo the Treasury periodically designates financial instruments as "troubled assets" and submitts written determinations to appropriate committees of Congress. During the second quarter 2010, the Secretary of the Treasury signed the Troubled Asset Determinations for the CDCI and HFA Fund programs. Treasury provided SIGTARP with all troubled asset determinations signed by the Secretary of Treasury since Treasury responded to SIGTARP data call on April 8, 2010. Additiona information on the TARP program associated with these "troubled assets," including each program's scope and purpose, can be found online at www.financialstability.gov/roadtostability/index.html.*	Section 2: "TARP Overview" Appendix C: "Reporting Requirements" of prior SIGTARP Quarterly Reports to Congress
4	Section 121(c)(D)	A listing of each financial institution that such troubled assets were purchased from.	See #2 above	See #2
5	Section 121(c)(E)	A listing of and detailed biographical information on each person or entity hired to manage such troubled assets.	*There have been no new PPIP fund managers hired between April 1, 2010 and June 30, 2010.* *On May 17, 2010, the Treasury engaged Lazard Frères & Co. LLC (Lazard) as a financial agent and capital markets disposition agent in connection with its investments under the Automotive Industry Financing Program (AIFP). Lazard is a global financial services firm providing investment banking, securities, investment management and wealth management services.* *Lazard, acting as Treasury's capital markets disposition agent, will perform various services related to the disposition of such investments, including:* *• Analyzing, reviewing and documenting financial, corporate, and business information related to potential transactions under AIFP,* *• Reporting on the potential performance of designated AIFP investments and their disposition given a range of market scenarios and transaction structure,* *• Analyzing and reviewing disposition alternatives and structures including the use of underwriters, brokers or other capital market advisors for the best means and structure to dispose of assets, and,* *• Maintaining a compliance program designed to detect and prevent violations of Federal securities laws, and identifying, documenting, and enforcing controls to mitigate conflicts of interest.* *Additionally, Lazard is required to permit the Treasury's internal and external auditors, or other governmental oversight entities, to audit books and records related to their services provided to Treasury under the terms of their Financial Agency Agreement (FAA) with the Treasury. The FAA is available on our website at http://www.financialstability.gov/impact/contractDetail2.html.*	Section 2.5: "Automotive Industry Support Program" Appendix C: "Reporting Requirements" of prior SIGTARP Quarterly Reports to Congress
6	Section 121(c)(F)	A current estimate of the total amount of troubled assets purchased pursuant to any program established under section 101, the amount of troubled assets on the books of Treasury, the amount of troubled assets sold, and the profit and loss incurred on each sale or disposition of each such troubled asset.	*This information is contained in our transaction reports, which are posted on Treasury's website at http://www.financialstability.gov/latest/reportsanddocs.html. The transactions report captures the total obligation under each TARP program.* *Information on the repayments of Treasury's investments under the CPP and proceeds from the sale of warrants are available within Treasury's press releases, transactions reports and 105(a) Monthly Reports to Congress at http://www.financialstability.gov/latest/pressreleases.html and http://www.financialstability.gov/latest/reportsanddocs.html.*	Table C.1; Section 2: "TARP Overview" Appendix D: "Transaction Detail"

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
7	Section 121(c)(G)	A listing of the insurance contracts issued under section 102.	*There have been no new insurance contracts issued under TARP from April 1, 2010 to June 30, 2010.*	Section 2: "TARP Overview" Section 2: "Targeted Investment Program and Asset Guarantee Program"
8	Section 121(f)	A detailed statement of all purchases, obligations, expenditures, and revenues associated with any program established by the Secretary of the Treasury under sections 101 and 102.	*Treasury provides information about TARP purchases, obligations, expenditures, and revenues on Treasury's public website at www.financialstability.gov . Treasury posts a transaction report for each purchase of troubled assets two business days after the transaction. Treasury also posts a detailed financial statement as part of its monthly Congressional report under section 105(a) of EESA. The next section 105(a) report will be posted on the Financial Stability website on July 12, 2010.* *The transactions reports and TARP Budget capture detailed information about TARP purchases, obligations, expenditures, and revenues. The latest transactions reports are available on Treasury's public website at http://www.financialstability.gov/latest/reportsanddocs.html*	Table C.1, Section 2: "TARP Overview" Section 4: "TARP Operations and Administration" Appendix D: "Transaction Detail"

Sources: Treasury, responses to SIGTARP data call, 6/30/2010 and 7/7/2010; Program Descriptions: Treasury, "Programs" webpage, www.financialstability.gov/roadtostability/programs.htm, accessed 4/9/2010; ASSP: "Treasury Announces Auto Suppliers Support Program," 3/19/2009, www.financialstability.gov/latest/auto3_18.html, accessed 6/30/2009; AWCP, "Obama Administration's New Warrantee Commitment Program," no date, www.financialstability.gov/docs/WarranteeCommitmentProgram.pdf, accessed 6/30/2009; TALF: Federal Reserve, "Term Asset-Backed Securities Loan Facility (TALF) Frequently Asked Questions," no date, www.federalreserve.gov/newsevents/press/monetary/monetary20090303a2.pdf, accessed 6/30/2009; MHA: "Making Home Affordable Updated Detailed Description Update," 3/26/2010, financialstability.gov/latest/pr_03262010.html, accessed 4/9/2010.

TABLE C.1

TOTAL AMOUNT OF TROUBLED ASSETS PURCHASED AND HELD ON TREASURY'S BOOKS, AS OF 6/30/2010
($ BILLIONS)

	Obligations[a]	**Expended**[b]	**On Treasury's Books**[c]
Capital Purchase Program ("CPP")	$204.89	$204.89	$55.99
Systemically Significant Failing Institutions ("SSFI")	69.84	47.54	47.54
Home Affordable Modification Program ("HAMP")[d]	42.58	1.51	1.51
Targeted Investment Program ("TIP")	40.00	40.00	—
Automotive Industry Financing Program ("AIFP")	84.84	79.69	65.39
Asset Guarantee Program ("AGP")	—	—	—
Consumer and Business Lending Initiative ("CBLI")	—	—	—
Term Asset-Backed Securities Loan Facility ("TALF")	20.00	0.10	0.10
Small Business Lending Program	—	—	—
Unlocking Credit for Small Businesses ("UCSB")	0.09	0.09	0.09
Community Development Capital Initiative ("CDCI")	—	—	—
Legacy Securities Public-Private Investment Program ("PPIP")	30.36	12.41	12.04
Total	**$492.60**	**$386.23**	**$182.66**

Notes: Numbers affected by rounding.
[a] For purposes of this table, "Obligations" refers to "Face Value Obligations" on the Treasury TARP/Financial Stability Plan Budget Table ("TARP Budget" as of 6/30/2010).
[b] "Expended" refers to "Face Value Disbursed/Outlays," defined as "TARP cash that has left the Treasury," according to the TARP Budget.
[c] "On Treasury's Books" calculated as "Face Value Disbursed/Outlays" net of repayments per the *Transactions Report* if they do not appear to be already netted out.
[d] According to Treasury, "TARP funds obligated include the total amount of funds that may be provided to servicers under existing agreements for the Home Affordable Modification Program (HAMP). In light of recent changes to HAMP as well as recent experience, Treasury expects to reestimate and revise these amounts in the next few months which will change this total. Treasury expects that the process will also result in there being sufficient funds to finance two recently announced TARP housing initiatives, consisting of $2.1B for the HFA Hardest Hit Fund and $14B for the FHA Refinance program. The $50B also includes $1.244B to offset costs of program changes for the 'Helping Families Save Their Homes Act of 2009,' Public Law No: 111-22, Section 202 (b) and $15M for administrative expenditures relating to the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)."

Sources: Repayments data: Treasury, *Transactions Report*, 7/1/2010; all other data: Treasury, response to SIGTARP data call, 7/7/2010.

TABLE D.1

CPP TRANSACTION DETAIL, AS OF 6/30/2010

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/23/2008	1st Constitution Bancorp, Cranbury, NJ[8]	Preferred Stock w/ Warrants	$12,000,000							$7.90	$35.76	$8.15	220,745	($0.25)	OUT	$836,667
2/13/2009	1st Enterprise Bank, Los Angeles, CA[2, c]	Preferred Stock w/ Exercised Warrants	$4,400,000													$429,415
12/11/2009	1st Enterprise Bank, Los Angeles, CA[2, 10a, c]	Preferred Stock	$6,000,000													
11/14/2008	1st FS Corporation, Hendersonville, NC	Preferred Stock w/ Warrants	$16,369,000							$1.60	$8.04	$8.87	276,815	($6.72)	OUT	$1,229,949
1/23/2009	1st Source Corporation, South Bend, IN	Preferred Stock w/ Warrants	$111,000,000							$16.92	$410.94	$19.87	837,947	($2.32)	OUT	$7,276,667
3/13/2009	1st United Bancorp, Inc., Boca Raton, FL[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$10,000,000	11/18/2009	$10,000,000	$0	11/18/2009	R	$500,000							$370,903
1/23/2009	AB&T Financial Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$3,500,000							$3.50	$9.34	$6.55	80,153	($3.9)	OUT	$229,444
1/30/2009	Adbanc, Inc, Ogallala, NE[2]	Preferred Stock w/ Exercised Warrants	$12,720,000													$895,435
1/23/2009	Alarion Financial Services, Inc., Ocala, FL[2]	Preferred Stock w/ Exercised Warrants	$6,514,000													$465,497
2/6/2009	Alaska Pacific Bancshares, Inc., Juneau, AK	Preferred Stock w/ Warrants	$4,781,000							$6.10	$4.02	$4.08	175,772	$1.92	IN	$304,789
6/26/2009	Alliance Bancshares, Inc., Dalton, GA[2]	Preferred Stock w/ Exercised Warrants	$2,986,000													$144,179
12/19/2008	Alliance Financial Corporation, Syracuse, NY[4]	Preferred Stock w/ Warrants	$26,918,000	5/13/2009	$26,918,000	$0	6/17/2009	R	$900,000	$27.80	$129.63					$538,360
6/26/2009	Alliance Financial Services Inc., Saint Paul, MN[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$388,742
4/24/2009	Allied First Bancorp, Inc., Oswego, IL[2]	Preferred Stock w/ Exercised Warrants	$3,652,000													$210,683
3/27/2009	Alpine Banks of Colorado, Glenwood Springs, CO[2]	Preferred Stock w/ Exercised Warrants	$70,000,000													$4,323,666
1/30/2009	AMB Financial Corp., Munster, IN[2]	Preferred Stock w/ Exercised Warrants	$3,674,000													$258,669
3/6/2009	AmeriBank Holding Company, Collinsville, OK[2]	Preferred Stock w/ Exercised Warrants	$2,492,000													$161,888
1/9/2009	American Express Company, New York, NY[4]	Preferred Stock w/ Warrants	$3,388,890,000	6/17/2009	$3,388,890,000	$0	7/29/2009	R	$340,000,000	$39.70	$47,690.02					$74,367,308
5/29/2009	American Premier Bancorp, Arcadia, CA[2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$94,285
1/9/2009	American State Bancshares, Inc., Great Bend, KS[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$441,450
11/21/2008	Ameris Bancorp, Moultrie, GA[8]	Preferred Stock w/ Warrants	$52,000,000							$9.66	$228.25	$11.31	689,936	($2.28)	OUT	$3,856,667
12/19/2008	AmeriServ Financial, Inc, Johnstown, PA	Preferred Stock w/ Warrants	$21,000,000							$1.61	$34.13	$2.40	1,312,500	($0.73)	OUT	$1,475,833
8/21/2009	AmFirst Financial Services, Inc., McCook, NE[8]	Subordinated Debentures w/ Exercised Warrants	$5,000,000													$307,635
1/30/2009	Anchor BanCorp Wisconsin Inc., Madison, WI	Preferred Stock w/ Warrants	$110,000,000							$0.45	$9.76	$2.23	7,399,103	($1.13)	OUT	

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Annapolis Bancorp, Inc., Annapolis, MD	Preferred Stock w/ Warrants	$8,152,000							$4.30	$16.83	$4.08	299,706	($0.58)	OUT	$526,483
11/21/2008	Associated Banc-Corp, Green Bay, WI	Preferred Stock w/ Warrants	$525,000,000							$12.26	$2,119.97	$19.77	3,983,308	($6.01)	OUT	$38,937,500
12/29/2009	Atlantic Bancshares, Inc., Bluffton, SC[2, 10]	Preferred Stock w/ Exercised Warrants	$2,000,000													$41,110
2/27/2009	Avenue Financial Holdings, Inc., Nashville, TN[2]	Preferred Stock w/ Exercised Warrants	$7,400,000													$490,682
3/13/2009	BancIndependent, Inc., Sheffield, AL[2]	Preferred Stock w/ Exercised Warrants	$21,100,000													$1,347,997
7/10/2009	Bancorp Financial, Inc., Oak Brook, IL[2, 10]	Preferred Stock w/ Exercised Warrants	$13,669,000													$610,297
12/19/2008	Bancorp Rhode Island, Inc., Providence, RI[4]	Preferred Stock w/ Warrants	$30,000,000	8/5/2009	$30,000,000	$0	9/30/2009	R	$1,400,000	$26.20	$121.38					$941,667
2/20/2009	BancPlus Corporation, Ridgeland, MS[2]	Preferred Stock w/ Exercised Warrants	$48,000,000													$3,233,666
4/3/2009	BancStar, Inc., Festus, MO[2]	Preferred Stock w/ Exercised Warrants	$8,600,000													$523,382
12/19/2008	BancTrust Financial Group, Inc., Mobile, AL	Preferred Stock w/ Warrants	$50,000,000							$3.70	$65.44	$10.26	730,994	($5.41)	OUT	$3,513,889
8/14/2009	Bank Financial Services, Inc., Eden Prarie, MN[2]	Preferred Stock w/ Exercised Warrants	$1,004,000													$41,177
1/9/2009	Bank of America Corporation, Charlotte, NC[1a, 1b, 4, c]	Preferred Stock w/ Warrants	$10,000,000,000	12/9/2009	$10,000,000,000	$0	3/3/2010	A	$124,228,646	$14.37	$144,173					$1,293,750,000
10/28/2008	Bank of America Corporation, Charlotte, NC[1b, 4, c]	Preferred Stock w/ Warrants	$15,000,000,000	12/9/2009	$15,000,000,000	$0	3/3/2010	A	$186,342,969							
1/16/2009	Bank of Commerce, Charlotte, NC[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$217,546
11/14/2008	Bank of Commerce Holdings, Redding, CA	Preferred Stock w/ Warrants	$17,000,000							$4.74	$80.54	$6.29	405,405	($1.56)	OUT	$1,277,361
3/13/2009	Bank of George, Las Vegas, NV[2]	Preferred Stock w/ Exercised Warrants	$2,672,000													$170,746
12/5/2008	Bank of Marin Bancorp, Novato, CA[4]	Preferred Stock w/ Warrants	$28,000,000	3/31/2009	$28,000,000	$0				$31.93	$167.73	$27.23	154,242	$5.85	IN	$451,111
4/17/2009	Bank of the Carolinas Corporation, Mocksville, NC	Preferred Stock w/ Warrants	$13,179,000							$3.47	$13.52	$4.16	475,204	$0.34	IN	$710,202
12/12/2008	Bank of the Ozarks, Inc., Little Rock, AR[4]	Preferred Stock w/ Warrants	$75,000,000	11/4/2009	$75,000,000	$0	11/24/2009	R	$2,650,000	$35.47	$600.37					$3,354,167
1/30/2009	Bankers' Bank of the West Bancorp, Inc., Denver, CO[2]	Preferred Stock w/ Exercised Warrants	$12,639,000													$717,532
1/23/2009	BankFirst Capital Corporation, Macon, MS[2]	Preferred Stock w/ Exercised Warrants	$15,500,000													$1,107,562
2/13/2009	BankGreenville, Greenville, SC[2]	Preferred Stock w/ Exercised Warrants	$1,000,000													$68,428
11/21/2008	Banner Corporation, Walla Walla, WA	Preferred Stock w/ Warrants	$124,000,000							$1.98	$196.92	$10.89	1,707,989	($7.05)	OUT	$9,196,667
2/6/2009	Banner County Ban Corporation, Harrisburg, NE[2]	Preferred Stock w/ Exercised Warrants	$795,000													$55,271
1/16/2009	Bar Harbor Bankshares, Bar Harbor, ME[5, b]	Preferred Stock w/ Warrants	$18,751,000	2/24/2010	$18,751,000	$0				$24.97	$94.31	$26.81	52,455	$3.69	IN	$1,036,514
11/14/2008	BB&T Corp., Winston-Salem, NC[4]	Preferred Stock w/ Warrants	$3,133,640,000	6/17/2009	$3,133,640,000	$0	7/22/2009	R	$67,010,402	$26.31	$18,209.20					$92,703,517

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
4/3/2009	BCB Holding Company, Inc., Theodore, AL[2]	Preferred Stock w/ Exercised Warrants	$1,706,000													$103,795
12/23/2008	BCSB Bancorp, Inc., Baltimore, MD	Preferred Stock w/ Warrants	$10,800,000							$9.90	$30.90	$8.83	183,465	$0.67	IN	$753,000
1/30/2009	Beach Business Bank, Manhattan Beach, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$422,375
6/12/2009	Berkshire Bancorp, Inc., Wyomissing, PA[2]	Preferred Stock w/ Exercised Warrants	$2,892,000													$145,826
12/19/2008	Berkshire Hills Bancorp, Inc., Pittsfield, MA[4]	Preferred Stock w/ Warrants	$40,000,000	5/27/2009	$40,000,000	$0	6/24/2009	R	$1,040,000	$19.48	$273.34					$877,778
2/13/2009	Bern Bancshares, Inc., Bern, KS[2]	Preferred Stock w/ Exercised Warrants	$985,000													$67,486
4/24/2009	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2, c]	Preferred Stock w/ Exercised Warrants	$1,635,000													$129,937
12/18/2009	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2, 10a, c]	Preferred Stock	$1,744,000													
6/19/2009	Biscayne Bancshares, Inc., Coconut Grove, FL[8, 10]	Subordinated Debentures w/ Exercised Warrants	$6,400,000													$471,752
3/13/2009	Blackhawk Bancorp, Inc., Beloit, WI[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$638,861
5/22/2009	Blackridge Financial, Inc., Fargo, ND[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$267,201
3/6/2009	Blue Ridge Bancshares, Inc., Independence, MO[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$779,350
3/6/2009	Blue River Bancshares, Inc., Shelbyville, IN[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$324,730
12/5/2008	Blue Valley Ban Corp, Overland Park, KS	Preferred Stock w/ Warrants	$21,750,000							$7.00	$19.77	$29.37	111,083	($20.87)	OUT	$211,458
4/17/2009	BNB Financial Services Corporation, New York, NY[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$440,542
12/5/2008	BNC Bancorp, Thomasville, NC	Preferred Stock w/ Warrants	$31,260,000							$10.66	$78.27	$8.63	543,337	($0.73)	OUT	$2,257,667
2/27/2009	BNC Financial Group, Inc., New Canaan, CT[2]	Preferred Stock w/ Exercised Warrants	$4,797,000													$318,097
1/16/2009	BNCCORP, Inc., Bismarck, ND[2]	Preferred Stock w/ Exercised Warrants	$20,093,000													$909,542
3/6/2009	BOH Holdings, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$649,458
5/15/2009	Boscobel Bancorp, Inc, Boscobel, WI[8]	Subordinated Debentures w/ Exercised Warrants	$5,586,000													$468,624
11/21/2008	Boston Private Financial Holdings, Inc., Boston, MA[4, c]	Preferred Stock w/ Warrants	$154,000,000	1/13/2010	$50,000,000	$104,000,000				$6.43	$477.196	$8	2,887,500	($0.63)	OUT	$11,022,222
11/21/2008	Boston Private Financial Holdings, Inc., Boston, MA[4, c]	Preferred Stock w/ Warrants		6/16/2010	$104,000,000	$0										
12/23/2008	Bridge Capital Holdings, San Jose, CA	Preferred Stock w/ Warrants	$23,864,000							$9.10	$98.49	$9.03	396,412	$0.12	IN	$1,663,851
12/19/2008	Bridgeview Bancorp, Inc., Bridgeview, IL[2]	Preferred Stock w/ Exercised Warrants	$38,000,000													$2,393,156

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
11/14/2008	Broadway Financial Corporation, Los Angeles, CA[3a - 11/24/2009, c]	Preferred Stock	$9,000,000							$2	$3.49					$810,417
12/4/2009	Broadway Financial Corporation, Los Angeles, CA[3, 10a, c]	Preferred Stock	$6,000,000													
5/15/2009	Brogan Bankshares, Inc., Kaukauna, WI[8]	Subordinated Debentures w/ Exercised Warrants	$2,400,000													$201,360
7/17/2009	Brotherhood Bancshares, Inc., Kansas City, KS[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$496,253
4/24/2009	Business Bancshares, Inc., Clayton, MO[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$865,188
3/13/2009	Butler Point, Inc., Catlin, IL[2]	Preferred Stock w/ Exercised Warrants	$607,000													$38,742
1/9/2009	C&F Financial Corporation, West Point, VA	Preferred Stock w/ Warrants	$20,000,000							$18.00	$55.51	$17.91	167,504	$1.73	IN	$1,350,000
12/18/2009	Cache Valley Banking Company, Logan, UT[2, 10a, c]	Preferred Stock	$4,640,000													$456,968
12/23/2008	Cache Valley Banking Company, Logan, UT[2, c]	Preferred Stock w/ Exercised Warrants	$4,767,000													
1/9/2009	Cadence Financial Corporation, Starkville, MS	Preferred Stock w/ Warrants	$44,000,000							$1.15	$13.70	$5.76	1,145,833	($3.93)	OUT	$2,970,000
2/27/2009	California Bank of Commerce, Lafayette, CA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$265,233
1/23/2009	California Oaks State Bank, Thousand Oaks, CA[2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$235,804
1/23/2009	Calvert Financial Corporation, Ashland, MO[2]	Preferred Stock w/ Exercised Warrants	$1,037,000													$74,118
1/23/2009	CalWest Bancorp, Rancho Santa Margarita, CA[2]	Preferred Stock w/ Exercised Warrants	$4,656,000													$332,721
12/23/2008	Capital Bancorp, Inc., Rockville, MD[2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$357,187
12/12/2008	Capital Bank Corporation, Raleigh, NC	Preferred Stock w/ Warrants	$41,279,000							$3.25	$41.86	$8.26	749,619	($3.8)	OUT	$2,941,129
4/10/2009	Capital Commerce Bancorp, Inc., Milwaukee, WI[2]	Preferred Stock w/ Exercised Warrants	$5,100,000													$304,973
11/14/2008	Capital One Financial Corporation, McLean, VA[4]	Preferred Stock w/ Warrants	$3,555,199,000	6/17/2009	$3,555,199,000	$0	12/3/2009	A	$148,731,030	$40.30	$18,398.36					$105,174,638
12/23/2008	Capital Pacific Bancorp, Portland, OR[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$303,989
10/23/2009	Cardinal Bancorp II, Inc., Washington, MO[8]	Subordinated Debentures w/ Exercised Warrants	$6,251,000													$294,317
1/9/2009	Carolina Bank Holdings, Inc., Greensboro, NC	Preferred Stock w/ Warrants	$16,000,000							$3.71	$12.55	$6.71	357,675	($3.21)	OUT	$1,080,000
2/6/2009	Carolina Trust Bank, Lincolnton, NC	Preferred Stock w/ Warrants	$4,000,000							$4.55	$7.13	$6.90	86,957	($1.9)	OUT	$255,000
2/13/2009	Carrollton Bancorp, Baltimore, MD	Preferred Stock w/ Warrants	$9,201,000							$5.60	$14.39	$6.72	205,379	($1.46)	OUT	$577,618
1/16/2009	Carver Bancorp, Inc, New York, NY[3]	Preferred Stock	$18,980,000													$1,262,697
11/21/2008	Cascade Financial Corporation, Everett, WA	Preferred Stock w/ Warrants	$38,970,000							$0.47	$5.77	$6.77	863,442	($4.81)	OUT	$1,428,900
12/5/2008	Cathay General Bancorp, Los Angeles, CA	Preferred Stock w/ Warrants	$258,000,000							$10.33	$811.04	$20.96	1,846,374	($9.34)	OUT	$18,633,333

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/27/2009	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2, c]	Preferred Stock w/ Exercised Warrants	$3,000,000													$272,479
12/22/2009	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$3,500,000													
5/29/2009	CB Holding Corp., Aledo, IL[2]	Preferred Stock w/ Exercised Warrants	$4,114,000													$215,520
2/20/2009	CBB Bancorp, Cartersville, GA[2, c]	Preferred Stock w/ Exercised Warrants	$2,644,000													$211,211
12/29/2009	CBB Bancorp, Cartersville, GA[2, 10a, c]	Preferred Stock	$1,753,000													
3/27/2009	CBS Banc-Corp., Russellville, AL[2]	Preferred Stock w/ Exercised Warrants	$24,300,000													$1,500,930
12/23/2008	Cecil Bancorp, Inc., Elkton, MD	Preferred Stock w/ Warrants	$11,560,000							$3.20	$11.80	$6.63	261,538	($2.43)	OUT	$516,989
2/6/2009	CedarStone Bank, Lebanon, TN[2]	Preferred Stock w/ Exercised Warrants	$3,564,000													$247,631
1/9/2009	Center Bancorp, Inc., Union, NJ[b]	Preferred Stock w/ Warrants	$10,000,000							$7.58	$110.48	$8.65	86,705	($0.34)	OUT	$675,000
12/12/2008	Center Financial Corporation, Los Angeles, CA[b]	Preferred Stock w/ Warrants	$55,000,000							$5.15	$205.43	$9.54	432,390	($4.69)	OUT	$3,918,750
5/1/2009	CenterBank, Milford, OH[2]	Preferred Stock w/ Exercised Warrants	$2,250,000													$127,441
11/21/2008	Centerstate Banks of Florida Inc., Davenport, FL[5, 9]	Preferred Stock w/ Warrants	$27,875,000	9/30/2009	$27,875,000	$0	10/28/2009	R	$212,000	$10.09	$260.11					$1,196,303
1/16/2009	Centra Financial Holdings, Inc., Morgantown, WV[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$15,000,000	3/31/2009	$15,000,000	$0	4/15/2009	R	$750,000							$172,938
2/27/2009	Central Bancorp, Inc., Garland, TX[2]	Preferred Stock w/ Exercised Warrants	$22,500,000									$6.39	234,742	$2.72	IN	$722,222
12/5/2008	Central Bancorp, Inc., Somerville, MA	Preferred Stock w/ Warrants	$10,000,000							$10.60	$17.67					$1,491,938
1/30/2009	Central Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$5,800,000													$408,296
2/20/2009	Central Community Corporation, Temple, TX[2]	Preferred Stock w/ Exercised Warrants	$22,000,000													$1,482,097
12/5/2008	Central Federal Corporation, Fairlawn, OH	Preferred Stock w/ Warrants	$7,225,000							$1.54	$6.31	$3.22	336,568	($2.03)	OUT	$521,806
12/23/2008	Central Jersey Bancorp, Oakhurst, NJ	Preferred Stock w/ Warrants	$11,300,000							$7.08	$66.20	$6.31	268,621	($3.03)	OUT	$787,861
1/9/2009	Central Pacific Financial Corp., Honolulu, HI	Preferred Stock w/ Warrants	$135,000,000							$1.50	$45.56	$12.77	1,585,748	($11.09)	OUT	$2,362,500
1/30/2009	Central Valley Community Bancorp, Fresno, CA[b]	Preferred Stock w/ Warrants	$7,000,000							$6.25	$56.77	$6.64	79,067	($1.14)	OUT	$452,083
1/30/2009	Central Virginia Bankshares, Inc., Powhatan, VA	Preferred Stock w/ Warrants	$11,385,000							$1.53	$4.01	$6.48	263,542	($3.05)	OUT	$450,656
12/18/2009	Centric Financial Corporation, Harrisburg, PA[2, 10]	Preferred Stock w/ Exercised Warrants	$6,056,000													$130,332
2/6/2009	Centrix Bank & Trust, Bedford, NH[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$521,156
1/9/2009	Centrue Financial Corporation, St. Louis, MO	Preferred Stock w/ Warrants	$32,668,000							$2.00	$12.09	$9.64	508,320	($6.19)	OUT	$571,690
6/19/2009	Century Financial Services Corporation, Santa Fe, NM[8]	Subordinated Debentures w/ Exercised Warrants	$10,000,000													$759,761

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
5/29/2009	Chambers Bancshares, Inc., Danville, AR[8]	Subordinated Debentures w/ Exercised Warrants	$19,817,000													$1,598,007
7/31/2009	Chicago Shore Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$302,021
12/31/2008	CIT Group Inc., New York, NY[16]	Contingent Value Rights	$2,330,000,000	2/8/2010	($2,330,000,000)	$0				$33.86	$6,773.31					$43,687,500
10/28/2008	Citigroup Inc., New York, NY[11, 23 - 5/26/2010]	Common Stock w/ Warrants	$25,000,000,000							$3.76	$108,964.35	$17.85	210,084,034	($13.8)	OUT	$932,291,667
1/16/2009	Citizens & Northern Corporation, Wellsboro, PA	Preferred Stock w/ Warrants	$26,440,000							$10.70	$129.68	$20.36	194,794	($7.81)	OUT	$1,758,994
12/23/2008	Citizens Bancorp, Nevada City, CA[2]	Preferred Stock w/ Exercised Warrants	$10,400,000													$223,571
5/29/2009	Citizens Bancshares Co., Chillicothe, MO[2]	Preferred Stock w/ Exercised Warrants	$24,990,000													$628,033
3/6/2009	Citizens Bancshares Corporation, Atlanta, GA[3]	Preferred Stock	$7,462,000													$444,611
3/20/2009	Citizens Bank & Trust Company, Covington, LA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$19,983
2/6/2009	Citizens Commerce Bancshares, Inc., Versailles, KY[2]	Preferred Stock w/ Exercised Warrants	$6,300,000													$180,259
12/23/2008	Citizens Community Bank, South Hill, VA[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$227,992
12/19/2008	Citizens First Corporation, Bowling Green, KY	Preferred Stock w/ Warrants	$8,779,000							$6.75	$13.29	$5.18	254,218	($1.92)	IN	$616,969
12/12/2008	Citizens Republic Bancorp, Inc., Flint, MI	Preferred Stock w/ Warrants	$300,000,000							$0.85	$335.23	$2.56	17,578,125	($1.42)	OUT	$13,875,000
12/12/2008	Citizens South Banking Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$20,500,000							$6.15	$56.12	$7.17	428,870	($1.02)	OUT	$1,460,625
4/10/2009	City National Bancshares Corporation, Newark, NJ[2, 3]	Preferred Stock	$9,439,000													$281,859
11/21/2008	City National Corporation, Beverly Hills, CA[4, c]	Preferred Stock w/ Warrants	$400,000,000	12/30/2009	$200,000,000	$0	4/7/2010		$18,500,000	$51.23	$2,659.86					$239,166,667
11/21/2008	City National Corporation, Beverly Hills, CA[4, c]	Preferred Stock w/ Warrants		3/3/2010	$200,000,000	$200,000,000										
3/27/2009	Clover Community Bankshares, Inc., Clover, SC[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$185,300
12/5/2008	Coastal Banking Company, Inc., Fernandina Beach, FL	Preferred Stock w/ Warrants	$9,950,000							$3.01	$7.73	$7.26	205,579	($4.25)	OUT	$718,611
8/28/2009	CoastalSouth Bancshares, Inc., Hilton Head Island, SC[2, 10]	Preferred Stock w/ Exercised Warrants	$16,015,000													$602,486
12/19/2008	CoBiz Financial Inc., Denver, CO	Preferred Stock w/ Warrants	$64,450,000							$6.59	$242.29	$10.79	895,968	($4.56)	OUT	$4,529,403
1/9/2009	Codorus Valley Bancorp, Inc., York, PA	Preferred Stock w/ Warrants	$16,500,000							$7.10	$28.96	$9.38	263,859	($1.99)	OUT	$1,113,750
2/13/2009	ColoEast Bankshares, Inc., Lamar, CO[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$684,278
3/27/2009	Colonial American Bank, West Conshohocken, PA[2]	Preferred Stock w/ Exercised Warrants	$574,000													$35,485
1/9/2009	Colony Bankcorp, Inc., Fitzgerald, GA	Preferred Stock w/ Warrants	$28,000,000							$7.00	$59.12	$8.40	500,000	($2.56)	OUT	$1,890,000
11/21/2008	Columbia Banking System, Inc., Tacoma, WA[b]	Preferred Stock w/ Warrants	$76,898,000							$18.26	$690.99	$14.49	398,023	$5.82	IN	$5,703,268
2/27/2009	Columbine Capital Corp., Buena Vista, CO[2]	Preferred Stock w/ Exercised Warrants	$2,260,000													$149,857

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
11/14/2008	Comerica Inc., Dallas, TX[4]	Preferred Stock w/ Warrants	$2,250,000,000	3/17/2010	$2,250,000,000	$0	5/6/2010	A	$183,673,472	$36.83	$6,493.94					$150,937,500
1/9/2009	Commerce National Bank, Newport Beach, CA[4]	Preferred Stock w/ Warrants	$5,000,000	10/7/2009	$5,000,000	$0				$5.50	$14.41	$8.60	87,209	($3.55)	OUT	$36,111
5/22/2009	Commonwealth Bancshares, Inc., Louisville, KY[8]	Subordinated Debentures w/ Exercised Warrants	$20,400,000													$1,678,285
1/23/2009	Commonwealth Business Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$7,701,000													$25,648
1/16/2009	Community 1st Bank, Roseville, CA[2]	Preferred Stock w/ Exercised Warrants	$2,550,000													$104,265
3/6/2009	Community Bancshares of Kansas, Inc., Goff, KS[2]	Preferred Stock w/ Exercised Warrants	$500,000													$32,473
9/11/2009	Community Bancshares of Mississippi, Inc., Brandon, MS[2]	Preferred Stock w/ Exercised Warrants	$52,000,000													$1,920,822
7/24/2009	Community Bancshares, Inc., Kingman, AZ[2, 10]	Preferred Stock w/ Exercised Warrants	$3,872,000													$164,932
1/16/2009	Community Bank of the Bay, Oakland, CA[3]	Preferred Stock	$1,747,000													$43,675
5/29/2009	Community Bank Shares of Indiana, Inc., New Albany, IN	Preferred Stock w/ Warrants	$19,468,000							$8.27	$27.13	$7.56	386,270	$1.39	IN	$935,545
12/19/2008	Community Bankers Trust Corporation, Glen Allen, VA	Preferred Stock w/ Warrants	$17,680,000							$2.24	$48.09	$3.40	780,000	($0.49)	OUT	$1,242,511
2/27/2009	Community Business Bank, West Sacramento, CA[2]	Preferred Stock w/ Exercised Warrants	$3,976,000													$263,664
12/19/2008	Community Financial Corporation, Staunton, VA	Preferred Stock w/ Warrants	$12,643,000							$4.36	$19.02	$5.40	351,194	($1.24)	OUT	$888,522
5/15/2009	Community Financial Shares, Inc., Glen Ellyn, IL[2]	Preferred Stock w/ Exercised Warrants	$6,970,000													$379,910
3/20/2009	Community First Bancshares Inc., Union City, TN[2]	Preferred Stock w/ Exercised Warrants	$20,000,000													$1,256,528
4/3/2009	Community First Bancshares, Inc., Harrison, AR[2]	Preferred Stock w/ Exercised Warrants	$12,725,000													$774,397
2/27/2009	Community First Inc., Columbia, TN[2]	Preferred Stock w/ Exercised Warrants	$17,806,000													$1,180,653
2/6/2009	Community Holding Company of Florida, Inc., Miramar Beach, FL[2]	Preferred Stock w/ Exercised Warrants	$1,050,000													$72,676
12/23/2008	Community Investors Bancorp, Inc., Bucyrus, OH[2]	Preferred Stock w/ Exercised Warrants	$2,600,000													$197,593
1/30/2009	Community Partners Bancorp, Middletown, NJ[6]	Preferred Stock w/ Warrants	$9,000,000							$4.42	$31.79	$4.54	297,116	($0.96)	OUT	$581,250
11/13/2009	Community Pride Bank Corporation, Ham Lake, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$4,400,000													$180,491
1/9/2009	Community Trust Financial Corporation, Ruston, LA[2]	Preferred Stock w/ Exercised Warrants	$24,000,000													$1,765,800
12/19/2008	Community West Bancshares, Goleta, CA	Preferred Stock w/ Warrants	$15,600,000							$2.50	$14.79	$4.49	521,158	($1.54)	OUT	$1,096,333
1/9/2009	Congaree Bancshares, Inc., Cayce, SC[2]	Preferred Stock w/ Exercised Warrants	$3,285,000													$152,159
2/13/2009	Corning Savings and Loan Association, Corning, AR[2]	Preferred Stock w/ Exercised Warrants	$638,000													$43,668

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Country Bank Shares, Inc., Milford, NE[2]	Preferred Stock w/ Exercised Warrants	$7,525,000													$529,700
6/5/2009	Covenant Financial Corporation, Clarksdale, MS[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$257,361
2/20/2009	Crazy Woman Creek Bancorp, Inc., Buffalo, WY[2]	Preferred Stock w/ Exercised Warrants	$3,100,000													$208,841
1/9/2009	Crescent Financial Corporation, Cary, NC	Preferred Stock w/ Warrants	$24,900,000							$2.51	$24.16	$4.48	833,705	($0.99)	OUT	$1,680,750
1/23/2009	Crosstown Holding Company, Blaine, MN[2]	Preferred Stock w/ Exercised Warrants	$10,650,000													$761,061
3/27/2009	CSRA Bank Corp., Wrens, GA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$148,240
12/5/2008	CVB Financial Corp, Ontario, CA[4, 9, c]	Preferred Stock w/ Warrants	$130,000,000	8/26/2009	$97,500,000	$32,500,000	10/28/2009	R	$1,307,000	$9.5	$1,009.83					$4,739,583
12/5/2008	CVB Financial Corp, Ontario, CA[4, c]	Preferred Stock w/ Warrants		9/2/2009	$32,500,000	$0										
2/27/2009	D.L. Evans Bancorp, Burley, ID[2]	Preferred Stock w/ Exercised Warrants	$19,891,000													$1,318,989
5/15/2009	Deerfield Financial Corporation, Deerfield, WI[8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$221,419
12/4/2009	Delmar Bancorp, Delmar, MD[2]	Preferred Stock w/ Exercised Warrants	$9,000,000													$219,363
2/13/2009	DeSoto County Bank, Horn Lake, MS[2, c]	Preferred Stock w/ Exercised Warrants	$1,173,000													$108,789
12/29/2009	DeSoto County Bank, Horn Lake, MS[2, 10a, c]	Preferred Stock	$1,508,000													
5/22/2009	Diamond Bancorp, Inc., Washington, MO[8]	Subordinated Debentures w/ Exercised Warrants	$20,445,000													$1,681,953
1/16/2009	Dickinson Financial Corporation II, Kansas City, MO[2]	Preferred Stock w/ Exercised Warrants	$146,053,000													$2,631,197
3/13/2009	Discover Financial Services, Riverwoods, IL[4]	Preferred Stock w/ Warrants	$1,224,558,000	4/21/2010	$1,224,558,000	$0				$13.98	$7,605.02	$8.96	20,500,413	$5.94	IN	$67,690,844
1/30/2009	DNB Financial Corporation, Downingtown, PA	Preferred Stock w/ Warrants	$11,750,000							$6.98	$18.39	$9.46	186,311	($4.31)	OUT	$758,854
6/19/2009	Duke Financial Group, Inc., Minneapolis, MN[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$408,316
12/5/2008	Eagle Bancorp, Inc., Bethesda, MD[5, b]	Preferred Stock w/ Warrants	$38,235,000	12/23/2009	$15,000,000	$23,235,000				$11.78	$231.29	$7.44	385,434	$4.41	IN	$2,465,584
12/5/2008	East West Bancorp, Pasadena, CA[b]	Preferred Stock w/ Warrants	$306,546,000							$15.25	$2,256.21	$15.15	1,517,555	$2.27	IN	$22,139,433
1/9/2009	Eastern Virginia Bankshares, Inc., Tappahannock, VA	Preferred Stock w/ Warrants	$24,000,000							$6.52	$38.77	$9.63	373,832	($2.08)	OUT	$1,620,000
1/16/2009	ECB Bancorp, Inc., Engelhard, NC	Preferred Stock w/ Warrants	$17,949,000							$11.67	$33.26	$18.57	144,984	($6.28)	OUT	$1,194,108
12/23/2008	Emclaire Financial Corp., Emlenton, PA	Preferred Stock w/ Warrants	$7,500,000							$15.85	$22.68	$22.45	50,111	($7.94)	OUT	$522,917
12/5/2008	Encore Bancshares Inc., Houston, TX	Preferred Stock w/ Warrants	$34,000,000							$9.89	$112.75	$14.01	364,026	($4.54)	OUT	$2,455,556
12/19/2008	Enterprise Financial Services Corp., St. Louis, MO	Preferred Stock w/ Warrants	$35,000,000							$9.64	$143.19	$16.20	324,074	($5.14)	OUT	$2,459,722
6/12/2009	Enterprise Financial Services Group, Inc., Allison Park, PA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$201,650

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Equity Bancshares, Inc., Wichita, KS[2]	Preferred Stock w/ Exercised Warrants	$8,750,000													$616,022
12/19/2008	Exchange Bank, Santa Rosa, CA[2]	Preferred Stock w/ Exercised Warrants	$43,000,000													$2,708,044
5/22/2009	F & C Bancorp, Inc., Holden, MO[8]	Subordinated Debentures w/ Exercised Warrants	$2,993,000													$246,278
1/30/2009	F & M Bancshares, Inc., Trezevant, TN[2, c]	Preferred Stock w/ Exercised Warrants	$4,609,000													$417,196
11/6/2009	F & M Bancshares, Inc., Trezevant, TN[2, 10a, c]	Preferred Stock	$3,535,000													
2/6/2009	F & M Financial Corporation, Salisbury, NC[2]	Preferred Stock w/ Exercised Warrants	$17,000,000													$1,181,288
2/13/2009	F&M Financial Corporation, Clarksville, TN[2]	Preferred Stock w/ Exercised Warrants	$17,243,000													$1,179,883
1/9/2009	F.N.B. Corporation, Hermitage, PA[4, b]	Preferred Stock w/ Warrants	$100,000,000	9/9/2009	$100,000,000	$0				$8.03	$918.67	$11.52	651,042	($3.41)	OUT	$3,333,333
3/6/2009	Farmers & Merchants Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$714,405
3/20/2009	Farmers & Merchants Financial Corporation, Argonia, KS[2]	Preferred Stock w/ Exercised Warrants	$442,000													$27,759
1/23/2009	Farmers Bank, Windsor, VA[2]	Preferred Stock w/ Exercised Warrants	$8,752,000													$625,426
1/9/2009	Farmers Capital Bank Corporation, Frankfort, KY	Preferred Stock w/ Warrants	$30,000,000							$5.05	$37.29	$20.09	223,992	($11.52)	OUT	$2,025,000
6/19/2009	Farmers Enterprises, Inc., Great Bend, KS[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$911,716
3/20/2009	Farmers State Bankshares, Inc., Holton, KS[2]	Preferred Stock w/ Exercised Warrants	$700,000													$44,497
12/29/2009	FBHC Holding Company, Boulder, CO[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,035,000													$93,029
6/26/2009	FC Holdings, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$21,042,000													$156,090
12/19/2008	FCB Bancorp, Inc., Louisville, KY[2]	Preferred Stock w/ Exercised Warrants	$9,294,000													$711,985
12/19/2008	FFW Corporation, Wabash, IN[2]	Preferred Stock w/ Exercised Warrants	$7,289,000													$558,301
5/29/2009	Fidelity Bancorp, Inc, Baton Rouge, LA[8]	Subordinated Debentures w/ Exercised Warrants	$3,942,000													$317,860
12/12/2008	Fidelity Bancorp, Inc., Pittsburgh, PA	Preferred Stock w/ Warrants	$7,000,000							$6.00	$18.28	$8.65	121,387	($3.75)	OUT	$498,750
11/13/2009	Fidelity Federal Bancorp, Evansville, IN[2, 10]	Preferred Stock w/ Exercised Warrants	$6,657,000													$0
12/19/2008	Fidelity Financial Corporation, Wichita, KS[2]	Preferred Stock w/ Exercised Warrants	$36,282,000													$2,779,289
6/26/2009	Fidelity Resources Company, Plano, TX[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$144,879
12/19/2008	Fidelity Southern Corporation, Atlanta, GA[1, 8]	Preferred Stock w/ Warrants	$48,200,000							$6.56	$69.51	$3.10	2,335,307	$2.66	IN	$3,387,389
12/31/2008	Fifth Third Bancorp, Cincinnati, OH	Preferred Stock w/ Warrants	$3,408,000,000							$12.29	$9,768.29	$11.72	43,617,747	$1.84	IN	$255,600,000
12/23/2008	Financial Institutions, Inc., Warsaw, NY	Preferred Stock w/ Warrants	$37,515,000							$17.76	$193.58	$14.88	378,175	($0.26)	OUT	$2,615,630

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Details: Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition: Final Disposition Date	Note[15]	Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/13/2009	Financial Security Corporation, Basin, WY[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$342,139
7/31/2009	Financial Services of Winger, Inc., Winger, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,742,000													$240,342
5/22/2009	First Advantage Bancshares Inc., Coon Rapids, MN[2]	Preferred Stock w/ Exercised Warrants	$1,177,000													$62,912
6/26/2009	First Alliance Bancshares, Inc., Cordova, TN[2]	Preferred Stock w/ Exercised Warrants	$3,422,000													$165,251
7/24/2009	First American Bank Corporation, Elk Grove Village, IL[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$3,390,975
3/13/2009	First American International Corp., Brooklyn, NY[3]	Preferred Stock	$17,000,000													$996,389
1/9/2009	First Bancorp, Troy, NC	Preferred Stock w/ Warrants	$65,000,000							$14.49	$242.58	$15.82	616,308	($2.3)	OUT	$4,387,500
1/16/2009	First BanCorp, San Juan, PR	Preferred Stock w/ Warrants	$400,000,000							$0.53	$49.05	$10.27	5,842,259	($7.86)	OUT	$6,611,111
2/20/2009	First BancTrust Corporation, Paris, IL[2]	Preferred Stock w/ Exercised Warrants	$7,350,000													$495,211
2/6/2009	First Bank of Charleston, Inc., Charleston, WV[2]	Preferred Stock w/ Exercised Warrants	$3,345,000													$232,407
1/16/2009	First Bankers Trustshares, Inc., Quincy, IL[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$725,153
12/31/2008	First Banks, Inc., Clayton, MO[2]	Preferred Stock w/ Exercised Warrants	$295,400,000													$6,037,238
3/6/2009	First Busey Corporation, Urbana, IL[b]	Preferred Stock w/ Warrants	$100,000,000							$4.53	$300.61	$13.07	573,833	($8.65)	OUT	$5,958,333
4/10/2009	First Business Bank, N.A., San Diego, CA[2, c]	Preferred Stock w/ Exercised Warrants	$2,211,000													$17,572,1.22
12/11/2009	First Business Bank, N.A., San Diego, CA[2, 10a, c]	Preferred Stock	$2,032,000													
12/19/2008	First California Financial Group, Inc, Westlake Village, CA	Preferred Stock w/ Warrants	$25,000,000							$2.69	$75.81	$6.26	599,042	($3.62)	OUT	$1,756,944
4/3/2009	First Capital Bancorp, Inc., Glen Ellen, VA	Preferred Stock w/ Warrants	$10,958,000							$7.16	$21.27	$6.55	250,947	$1.58	IN	$611,822
2/13/2009	First Choice Bank, Cerritos, CA[2, c]	Preferred Stock w/ Exercised Warrants	$2,200,000													$206,867
12/22/2009	First Choice Bank, Cerritos, CA[2, 10a, c]	Preferred Stock	$2,836,000													
1/23/2009	First Citizens Banc Corp, Sandusky, OH	Preferred Stock w/ Warrants	$23,184,000							$4.60	$35.46	$7.41	469,312	($2.93)	OUT	$1,519,840
3/20/2009	First Colebrook Bancorp, Inc., Colebrook, NH[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$282,719
5/15/2009	First Community Bancshares, Inc, Overland Park, KS[2, b]	Preferred Stock w/ Exercised Warrants	$14,800,000													$604,950
12/23/2008	First Community Bank Corporation of America, Pinellas Park, FL	Preferred Stock w/ Warrants	$10,685,000							$1.86	$10.15	$7.02	228,312	($4.77)	OUT	$744,982
11/21/2008	First Community Bankshares Inc., Bluefield, VA[5]	Preferred Stock w/ Warrants	$41,500,000	7/8/2009	$41,500,000	$0				$14.69	$261.23	$35.26	88,273	($22.89)	OUT	$1,308,403
11/21/2008	First Community Corporation, Lexington, SC	Preferred Stock w/ Warrants	$11,350,000							$5.80	$18.87	$8.69	195,915	($2.49)	OUT	$841,792
12/11/2009	First Community Financial Partners, Inc., Joliet, IL[2]	Preferred Stock w/ Exercised Warrants	$22,000,000													$512,906

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/5/2008	First Defiance Financial Corp., Defiance, OH	Preferred Stock w/ Warrants	$37,000,000							$8.94	$72.57	$10.08	550,595	$0.04	IN	$2,672,222
9/11/2009	First Eagle Bancshares, Inc., Hanover Park, IL[8]	Subordinated Debentures w/ Exercised Warrants	$7,500,000													$426,492
2/6/2009	First Express of Nebraska, Inc., Gering, NE[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$347,438
3/6/2009	First Federal Bancshares of Arkansas, Inc., Harrison, AR	Preferred Stock w/ Warrants	$16,500,000							$2.60	$12.60	$7.69	321,847	($4.04)	OUT	$570,625
12/23/2008	First Financial Bancorp, Cincinnati, OH[5, 9]	Preferred Stock w/ Warrants	$80,000,000	2/24/2010	$80,000,000	$0	6/2/2010	A	$3,116,284	$14.95	$864.62					$4,677,778
6/12/2009	First Financial Bancshares, Inc., Lawrence, KS[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,756,000													$281,946
12/5/2008	First Financial Holdings Inc., Charleston, SC[b]	Preferred Stock w/ Warrants	$65,000,000							$11.45	$189.23	$20.17	241,696	($5.11)	OUT	$4,694,444
1/9/2009	First Financial Service Corporation, Elizabethtown, KY	Preferred Stock w/ Warrants	$20,000,000							$7.24	$34.16	$13.89	215,983	($5.14)	OUT	$1,350,000
12/22/2009	First Freedom Bancshares, Inc., Lebanon, TN[2, 10]	Preferred Stock w/ Exercised Warrants	$8,700,000													$182,122
2/27/2009	First Gothenburg Bancshares, Inc., Gothenburg, NE[2]	Preferred Stock w/ Exercised Warrants	$7,570,000													$502,009
8/28/2009	First Guaranty Bancshares, Inc., Hammond, LA[2]	Preferred Stock w/ Exercised Warrants	$20,699,000													$805,017
11/14/2008	First Horizon National Corporation, Memphis, TN[8]	Preferred Stock w/ Warrants	$866,540,000							$11.45	$2,617.32	$9.32	13,954,779	$4.74	IN	$65,110,853
8/28/2009	First Independence Corporation, Detroit, MI[2, 3]	Preferred Stock	$3,223,000													$115,043
3/13/2009	First Intercontinental Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$6,398,000													$408,754
12/12/2008	First Litchfield Financial Corporation, Litchfield, CT[4]	Preferred Stock w/ Warrants	$10,000,000	4/7/2010	$10,000,000	$0	4/7/2010	R	$1,488,046							$659,722
2/27/2009	First M&F Corporation, Kosciusko, MS	Preferred Stock w/ Warrants	$30,000,000							$3.86	$35.01	$8.77	513,113	($5.62)	OUT	$1,825,000
1/16/2009	First Manitowoc Bancorp, Inc., Manitowoc, WI[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$12,000,000	5/27/2009	$12,000,000	$0	5/27/2009	R	$600,000							$237,983
2/13/2009	First Menasha Bancshares, Inc., Neenah, WI[2]	Preferred Stock w/ Exercised Warrants	$4,797,000													$328,265
2/20/2009	First Merchants Corporation, Muncie, IN[27, c]	Preferred Stock w/ Warrants	$69,600,000							$8.48	$216.43	$17.55	991,453	($10.59)	OUT	$7,459,444
2/20/2009	First Merchants Corporation, Muncie, IN[27, c]	Trust Preferred Securities w/ Warrants	$46,400,000													
12/5/2008	First Midwest Bancorp, Inc., Itasca, IL	Preferred Stock w/ Warrants	$193,000,000							$12.16	$900.44	$22.18	1,305,230	($8.63)	OUT	$13,938,889
3/13/2009	First National Corporation, Strasburg, VA[2]	Preferred Stock w/ Exercised Warrants	$13,900,000													$888,017
3/20/2009	First NBC Bank Holding Company, New Orleans, LA[2]	Preferred Stock w/ Exercised Warrants	$17,836,000													$1,120,592
11/21/2008	First Niagara Financial Group, Lockport, NY[5, 9]	Preferred Stock w/ Warrants	$184,011,000	5/27/2009	$184,011,000	$0	6/24/2009	R	$2,700,000	$12.53	$2,619.07					$4,753,618
3/13/2009	First Northern Community Bancorp, Dixon, CA	Preferred Stock w/ Warrants	$17,390,000							$4.55	$41.25	$7.39	352,977	($2.5)	OUT	$1,019,247
11/21/2008	First PacTrust Bancorp, Inc., Chula Vista, CA	Preferred Stock w/ Warrants	$19,300,000							$8.00	$33.95	$10.31	280,795	($2.54)	OUT	$1,431,417
3/13/2009	First Place Financial Corp., Warren, OH	Preferred Stock w/ Warrants	$72,927,000							$3.00	$50.92	$2.98	3,670,822	$1.01	IN	$4,274,332

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/20/2009	First Priority Financial Corp., Malvern, PA[2, c]	Preferred Stock w/ Exercised Warrants	$4,579,000													$402,319
12/18/2009	First Priority Financial Corp., Malvern, PA[2, 10a, c]	Preferred Stock	$4,596,000													
3/6/2009	First Reliance Bancshares, Inc., Florence, SC[2]	Preferred Stock w/ Exercised Warrants	$15,349,000													$996,806
1/30/2009	First Resource Bank, Exton, PA[2, c]	Preferred Stock w/ Exercised Warrants	$2,600,000													$234,727
12/11/2009	First Resource Bank, Exton, PA[2, 10a, c]	Preferred Stock	$2,417,000													
1/9/2009	First Security Group, Inc., Chattanooga, TN	Preferred Stock w/ Warrants	$33,000,000							$1.92	$31.52	$6.01	823,627	($3.85)	OUT	$1,402,500
12/23/2008	First Sound Bank, Seattle, WA	Preferred Stock w/ Warrants	$7,400,000							$0.06	$0.13	$9.73	114,080	($9.24)	OUT	$330,944
7/17/2009	First South Bancorp, Inc., Lexington, TN[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$3,472,527
1/30/2009	First Southern Bancorp, Inc., Boca Raton, FL[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$10,900,000	6/16/2010	$10,900,000	$0	6/16/2010	R	$545,000							$818,468
3/6/2009	First Southwest Bancorporation, Inc., Alamosa, CO[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$207,327
2/27/2009	First State Bank of Mobeetie, Mobeetie, TX[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$731,000	4/14/2010	$731,000	$0	4/14/2010	R	$37,000							$45,087
3/6/2009	First Texas BHC, Inc., Fort Worth, TX[2]	Preferred Stock w/ Exercised Warrants	$13,533,000													$878,949
6/5/2009	First Trust Corporation, New Orleans, LA[8]	Subordinated Debentures w/ Exercised Warrants	$17,969,000													$1,046,896
1/23/2009	First ULB Corp., Oakland, CA[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$4,900,000	4/22/2009	$4,900,000	$0	4/22/2009	R	$245,000							$66,021
1/30/2009	First United Corporation, Oakland, MD	Preferred Stock w/ Warrants	$30,000,000							$3.90	$23.96	$13.79	326,323	($7.79)	OUT	$1,937,500
6/12/2009	First Vernon Bancshares, Inc., Vernon, AL[2, 10]	Preferred Stock w/ Exercised Warrants	$6,000,000													$297,896
2/6/2009	First Western Financial, Inc., Denver, CO[2, c]	Preferred Stock w/ Exercised Warrants	$8,559,000													$848,870
12/11/2009	First Western Financial, Inc., Denver, CO[2, 10a, c]	Preferred Stock	$11,881,000													
1/30/2009	Firstbank Corporation, Alma, MI	Preferred Stock w/ Warrants	$33,000,000							$4.23	$32.80	$8.55	578,947	($2.65)	OUT	$2,131,250
1/9/2009	FirstMerit Corporation, Akron, OH[4]	Preferred Stock w/ Warrants	$125,000,000	4/22/2009	$125,000,000	$0	5/27/2009	R	$5,025,000	$17.13	$1,846.00					$1,788,194
1/30/2009	Flagstar Bancorp, Inc., Troy, MI[f]	Preferred Stock w/ Warrants	$266,657,000							$3.14	$481.36	$6.20	6,451,379	($5.6)	OUT	$17,221,597
7/24/2009	Florida Bank Group, Inc., Tampa, FL[2]	Preferred Stock w/ Exercised Warrants	$20,471,000													$901,866
2/20/2009	Florida Business BancGroup, Inc., Tampa, FL[2]	Preferred Stock w/ Exercised Warrants	$9,495,000													$639,688
12/19/2008	Flushing Financial Corporation, Lake Success, NY[5, 9]	Preferred Stock w/ Warrants	$70,000,000	10/28/2009	$70,000,000	$0	12/30/2009	R	$900,000	$12.23	$381.05					$3,004,167
2/27/2009	FNB Bancorp, South San Francisco, CA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$795,700
2/13/2009	FNB United Corp., Asheboro, NC	Preferred Stock w/ Warrants	$51,500,000							$0.73	$8.37	$3.50	2,207,143	($2.29)	OUT	$2,589,305

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
5/15/2009	Foresight Financial Group, Inc., Rockford, IL[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$817,500
5/22/2009	Fort Lee Federal Savings Bank, Fort Lee, NJ[2]	Preferred Stock w/ Exercised Warrants	$1,300,000													$69,472
4/3/2009	Fortune Financial Corporation, Arnold, MO[2]	Preferred Stock w/ Exercised Warrants	$3,100,000													$188,661
12/5/2008	FPB Bancorp, Inc., Port St. Lucie, FL	Preferred Stock w/ Warrants	$5,800,000							$1.09	$2.24	$4.75	183,158	($3.53)	OUT	$273,889
1/23/2009	FPB Financial Corp., Hammond, LA[2, 4, c]	Preferred Stock w/ Exercised Warrants	$3,240,000	6/16/2010	$2,240,000	$0										$221,722
1/23/2009	FPB Financial Corp., Hammond, LA[2, 4, 7, c]	Preferred Stock w/ Exercised Warrants		12/16/2009	$1,000,000	$2,240,000	6/16/2010	R	$162,000							
5/22/2009	Franklin Bancorp, Inc., Washington, MO[2]	Preferred Stock w/ Exercised Warrants	$5,097,000													$272,398
5/8/2009	Freeport Bancshares, Inc., Freeport, IL[8]	Subordinated Debentures w/ Exercised Warrants	$3,000,000													$256,593
6/26/2009	Fremont Bancorporation, Fremont, CA[8]	Subordinated Debentures w/ Exercised Warrants	$35,000,000													$2,602,080
1/23/2009	Fresno First Bank, Fresno, CA[2]	Preferred Stock w/ Exercised Warrants	$1,968,000													$107,220
4/24/2009	Frontier Bancshares, Inc., Austin, TX[4, 8]	Subordinated Debentures w/ Exercised Warrants	$3,000,000	11/24/2009	$1,600,000	$1,400,000										$207,862
12/23/2008	Fulton Financial Corporation, Lancaster, PA	Preferred Stock w/ Warrants	$376,500,000							$9.65	$1,913.60	$10.25	5,509,756	($0.05)	OUT	$26,250,417
5/8/2009	Gateway Bancshares, Inc., Ringgold, GA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$333,358
2/6/2009	Georgia Commerce Bancshares, Inc., Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$8,700,000													$604,541
5/1/2009	Georgia Primary Bank, Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$0
3/6/2009	Germantown Capital Corporation, Inc., Germantown, TN[2]	Preferred Stock w/ Exercised Warrants	$4,967,000													$322,548
6/26/2009	Gold Canyon Bank, Gold Canyon, AZ[2, 10]	Preferred Stock w/ Exercised Warrants	$1,607,000													$53,860
1/30/2009	Goldwater Bank, N.A., Scottsdale, AZ[2]	Preferred Stock w/ Exercised Warrants	$2,568,000													$145,750
4/24/2009	Grand Capital Corporation, Tulsa, OK[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$230,717
9/25/2009	Grand Financial Corporation, Hattiesburg, MS[8]	Subordinated Debentures w/ Exercised Warrants	$2,443,320													$130,953
5/29/2009	Grand Mountain Bancshares, Inc., Granby, CO[2]	Preferred Stock w/ Exercised Warrants	$3,076,000													$0
1/9/2009	GrandSouth Bancorporation, Greenville, SC[2, c]	Preferred Stock w/ Exercised Warrants	$9,000,000													$797,331
12/11/2009	GrandSouth Bancorporation, Greenville, SC[2, 10a, c]	Preferred Stock	$6,319,000													
7/17/2009	Great River Holding Company, Baxter, MN[8]	Subordinated Debentures w/ Exercised Warrants	$8,400,000													$583,385
12/5/2008	Great Southern Bancorp, Springfield, MO	Preferred Stock w/ Warrants	$58,000,000							$20.31	$272.62	$9.57	909,091	$12.87	IN	$4,188,889

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Details: Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition: Final Disposition Date	Note[15]	Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/23/2008	Green Bankshares, Inc., Greeneville, TN	Preferred Stock w/ Warrants	$72,278,000							$12.77	$168.47	$17.06	635,504	($8.9)	OUT	$5,039,383
2/27/2009	Green Circle Investments, Inc., Clive, IA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$159,140
2/27/2009	Green City Bancshares, Inc., Green City, MO[2]	Preferred Stock w/ Exercised Warrants	$651,000													$43,216
1/30/2009	Greer Bancshares Incorporated, Greer, SC[2]	Preferred Stock w/ Exercised Warrants	$9,993,000													$703,506
2/13/2009	Gregg Bancshares, Inc., Ozark, MO[2]	Preferred Stock w/ Exercised Warrants	$825,000													$45,190
2/20/2009	Guaranty Bancorp, Inc., Woodsville, NH[2]	Preferred Stock w/ Exercised Warrants	$6,920,000													$466,187
9/25/2009	Guaranty Capital Corporation, Belzoni, MS[3, 8]	Subordinated Debentures	$14,000,000													$688,716
1/30/2009	Guaranty Federal Bancshares, Inc., Springfield, MO	Preferred Stock w/ Warrants	$17,000,000							$5.81	$15.34	$5.55	459,459	($0.25)	OUT	$1,097,917
9/25/2009	GulfSouth Private Bank, Destin, FL[10, 21]	Preferred Stock w/ Exercised Warrants	$7,500,000													$757,380
6/26/2009	Gulfstream Bancshares, Inc., Stuart, FL[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$362,198
2/20/2009	Hamilton State Bancshares, Hoschton, GA[2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$471,577
12/31/2008	Hampton Roads Bankshares, Inc., Norfolk, VA	Preferred Stock w/ Warrants	$80,347,000							$0.75	$16.62	$9.09	1,325,858	($7.53)	OUT	$2,510,844
7/17/2009	Harbor Bankshares Corporation, Baltimore, MD[2, 3]	Preferred Stock	$6,800,000													$282,744
6/26/2009	Hartford Financial Services Group, Inc., Hartford, CT[4]	Preferred Stock w/ Warrants	$3,400,000,000	3/31/2010	$3,400,000,000	$0				$22.13	$9,824.33	$9.79	52,093,973	$18.63	IN	$129,861,111
3/13/2009	Haviland Bancshares, Inc., Haviland, KS[2]	Preferred Stock w/ Exercised Warrants	$425,000													$27,126
12/19/2008	Hawthorn Bancshares, Inc., Lee's Summit, MO[g]	Preferred Stock w/ Warrants	$30,255,000									$17.78	255,261	($6.09)	OUT	$2,126,255
3/6/2009	HCSB Financial Corporation, Loris, SC	Preferred Stock w/ Warrants	$12,895,000							$5.50	$20.83	$21.09	91,714	($15.84)	OUT	$768,327
9/11/2009	Heartland Bancshares, Inc., Franklin, IN[2, 10]	Preferred Stock w/ Exercised Warrants	$7,000,000													$66,190
12/19/2008	Heartland Financial USA, Inc., Dubuque, IA	Preferred Stock w/ Warrants	$81,698,000							$17.28	$281.47	$20.10	609,687	($4.13)	OUT	$5,741,554
9/25/2009	Heritage Bankshares, Inc., Norfolk, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,103,000													$340,157
11/21/2008	Heritage Commerce Corp., San Jose, CA	Preferred Stock w/ Warrants	$40,000,000							$3.67	$43.38	$12.96	462,963	($8.78)	OUT	$1,466,667
11/21/2008	Heritage Financial Corporation, Olympia, WA[b]	Preferred Stock w/ Warrants	$24,000,000							$14.97	$166.23	$13.04	138,037	$2.05	IN	$1,780,000
3/20/2009	Heritage Oaks Bancorp, Paso Robles, CA	Preferred Stock w/ Warrants	$21,000,000							$3.75	$29.15	$5.15[a]	611,650	($1.21)	OUT	$947,916
11/21/2008	HF Financial Corp., Sioux Falls, SD[4]	Preferred Stock w/ Warrants	$25,000,000	6/3/2009	$25,000,000	$0	6/30/2009	R	$650,000	$9.75	$67.66					$666,667
3/6/2009	Highlands Independent Bancshares, Inc., Sebring, FL[2]	Preferred Stock w/ Exercised Warrants	$6,700,000													$435,137
5/8/2009	Highlands State Bank, Vernon, NJ[2, c]	Preferred Stock w/ Exercised Warrants	$3,091,000													$218,629
12/22/2009	Highlands State Bank, Vernon, NJ[2, 10a, c]	Preferred Stock	$2,359,000													

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Hilltop Community Bancorp, Inc., Summit, NJ[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$4,000,000	4/21/2010	$4,000,000	$0	4/21/2010	R	$200,000							$267,050
12/23/2008	HMN Financial, Inc., Rochester, MN	Preferred Stock w/ Warrants	$26,000,000							$4.58	$19.77	$4.68	833,333	$0.82	IN	$1,812,778
1/16/2009	Home Bancshares, Inc., Conway, AR[f]	Preferred Stock w/ Warrants	$50,000,000							$22.81	$645.47	$23.66	158,472	$2.78	IN	$3,326,389
2/20/2009	Hometown Bancorp of Alabama, Inc., Oneonta, AL[2]	Preferred Stock w/ Exercised Warrants	$3,250,000													$219,002
2/13/2009	Hometown Bancshares, Inc., Corbin, KY[2]	Preferred Stock w/ Exercised Warrants	$1,900,000													$130,013
9/18/2009	HomeTown Bankshares Corporation, Roanoke, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,000,000													$351,326
12/12/2008	HopFed Bancorp, Hopkinsville, KY	Preferred Stock w/ Warrants	$18,400,000							$9.03	$62.60	$11.32	243,816	$0.69	IN	$1,311,000
12/19/2008	Horizon Bancorp, Michigan City, IN	Preferred Stock w/ Warrants	$25,000,000							$21.33	$70.39	$17.68	212,104	$1.62	IN	$1,756,944
2/27/2009	Howard Bancorp, Inc., Ellicott City, MD[2]	Preferred Stock w/ Exercised Warrants	$5,983,000													$396,706
5/1/2009	HPK Financial Corporation, Chicago, IL[2, c]	Preferred Stock w/ Exercised Warrants	$4,000,000													$359,419
11/13/2009	HPK Financial Corporation, Chicago, IL[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$5,000,000													
11/14/2008	Huntington Bancshares, Columbus, OH	Preferred Stock w/ Warrants	$1,398,071,000							$5.54	$3,969.83	$8.90	23,562,994	($3.51)	OUT	$105,049,502
2/6/2009	Hyperion Bank, Philadelphia, PA[2]	Preferred Stock w/ Exercised Warrants	$1,552,000													$107,891
9/18/2009	IA Bancorp, Inc., Iselin, NJ[2, 10]	Preferred Stock w/ Exercised Warrants	$5,976,000													$207,316
5/15/2009	IBC Bancorp, Inc., Chicago, IL[3, 8]	Subordinated Debentures	$4,205,000													$323,785
12/5/2008	Iberiabank Corporation, Lafayette, LA[5, 9]	Preferred Stock w/ Warrants	$90,000,000	3/31/2009	$90,000,000	$0	5/20/2009	R	$1,200,000	$51.48	$1,377.24					$1,450,000
3/27/2009	IBT Bancorp, Inc., Irving, TX[2]	Preferred Stock w/ Exercised Warrants	$2,295,000													$141,780
3/13/2009	IBW Financial Corporation, Washington, DC[2, 3a - 11/13/2009]	Preferred Stock	$6,000,000													$363,067
3/6/2009	ICB Financial, Ontario, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$389,675
1/16/2009	Idaho Bancorp, Boise, ID[2]	Preferred Stock w/ Exercised Warrants	$6,900,000													$124,306
5/22/2009	Illinois State Bancorp, Inc., Chicago, IL[2, c]	Preferred Stock w/ Exercised Warrants	$6,272,000													$413,897
12/29/2009	Illinois State Bancorp, Inc., Chicago, IL[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$4,000,000													
1/9/2009	Independence Bank, East Greenwich, RI[2]	Preferred Stock w/ Exercised Warrants	$1,065,000													$78,327
1/9/2009	Independent Bank Corp., Rockland, MA[4]	Preferred Stock w/ Warrants	$78,158,000	4/22/2009	$78,158,000	$0	5/27/2009	R	$2,200,000	$24.68	$522.72					$1,118,094
12/12/2008	Independent Bank Corporation, Ionia, MI[22]	Mandatorily Convertible Preferred Stock w/ Warrants	$74,426,000							$0.38	$9.11	$3.12	3,461,538			$2,430,000
4/24/2009	Indiana Bank Corp., Dana, IN[2]	Preferred Stock w/ Exercised Warrants	$1,312,000													$75,714
12/12/2008	Indiana Community Bancorp, Columbus, IN	Preferred Stock w/ Warrants	$21,500,000							$11.95	$40.13	$17.09	188,707	($7.94)	OUT	$1,531,875

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/27/2009	Integra Bank Corporation, Evansville, IN	Preferred Stock w/ Warrants	$83,586,000							$0.76	$15.88	$1.69	7,418,876	($1.07)	OUT	$1,950,340
12/19/2008	Intermountain Community Bancorp, Sandpoint, ID	Preferred Stock w/ Warrants	$27,000,000							$1.80	$15.10	$6.20	653,226	($4.18)	OUT	$1,222,500
12/23/2008	International Bancshares Corporation, Laredo, TX	Preferred Stock w/ Warrants	$216,000,000							$16.69	$1,136.66	$24.43	1,326,238	($1.42)	OUT	$15,060,000
12/23/2008	Intervest Bancshares Corporation, New York, NY	Preferred Stock w/ Warrants	$25,000,000							$5.50	$50.16	$5.42	691,882	($1.52)	OUT	$1,118,056
5/8/2009	Investors Financial Corporation of Pettis County, Inc., Sedalia, MO[8]	Subordinated Debentures w/ Exercised Warrants	$4,000,000													$174,325
10/28/2008	JPMorgan Chase & Co., New York, NY[4]	Preferred Stock w/ Warrants	$25,000,000,000	6/17/2009	$25,000,000,000	$0	12/10/2009	A	$950,318,243	$36.61	$145,659.99					$795,138,889
1/30/2009	Katahdin Bankshares Corp., Houlton, ME[2]	Preferred Stock w/ Exercised Warrants	$10,449,000													$735,514
11/14/2008	KeyCorp, Cleveland, OH	Preferred Stock w/ Warrants	$2,500,000,000							$7.69	$6,760.69	$10.64	35,244,361	($2.89)	OUT	$187,847,222
3/20/2009	Kirksville Bancorp, Inc., Kirksville, MO[2]	Preferred Stock w/ Exercised Warrants	$470,000													$29,580
8/21/2009	KS Bancorp, Inc., Smithfield, NC[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$159,867
2/20/2009	Lafayette Bancorp, Inc., Oxford, MS[2, c]	Preferred Stock w/ Exercised Warrants	$1,998,000													$180,946
12/29/2009	Lafayette Bancorp, Inc., Oxford, MS[2, 10a, c]	Preferred Stock	$2,453,000													
2/6/2009	Lakeland Bancorp, Inc., Oak Ridge, NJ	Preferred Stock w/ Warrants	$59,000,000							$8.52	$204.49	$9.32	949,571	($0.47)	OUT	$3,761,250
2/27/2009	Lakeland Financial Corporation, Warsaw, IN[5, b]	Preferred Stock w/ Warrants	$56,044,000	6/9/2010	$56,044,000	$0				$19.98	$321.84	$21.20	198,269	($2.15)	OUT	$3,596,156
12/18/2009	Layton Park Financial Group, Milwaukee, WI[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$66,763
1/9/2009	LCNB Corp., Lebanon, OH[4]	Preferred Stock w/ Warrants	$13,400,000	10/21/2009	$13,400,000	$0				$11.75	$78.57	$9.26	217,063	$2.74	IN	$524,833
12/23/2008	Leader Bancorp, Inc., Arlington, MA[2]	Preferred Stock w/ Exercised Warrants	$5,830,000													$443,127
1/30/2009	Legacy Bancorp, Inc., Milwaukee, WI[3]	Preferred Stock	$5,498,000													$355,079
1/23/2009	Liberty Bancshares, Inc., Jonesboro, AR[2]	Preferred Stock w/ Exercised Warrants	$57,500,000													$4,108,695
2/13/2009	Liberty Bancshares, Inc., Springfield, MO[2]	Preferred Stock w/ Exercised Warrants	$21,900,000													$1,498,568
12/4/2009	Liberty Bancshares, Inc., Fort Worth, TX[2, 10]	Preferred Stock w/ Exercised Warrants	$6,500,000													$153,236
2/6/2009	Liberty Financial Services, Inc., New Orleans, LA[3]	Preferred Stock	$5,645,000													$359,869
2/20/2009	Liberty Shares, Inc., Hinesville, GA[2]	Preferred Stock w/ Exercised Warrants	$17,280,000													$1,164,120
7/10/2009	Lincoln National Corporation, Radnor, PA[4]	Preferred Stock w/ Warrants	$950,000,000	6/30/2010	$950,000,000	$0				$24.29	$7,646.52	$10.92	13,049,451	$19.78	IN	$46,180,555
12/12/2008	LNB Bancorp Inc., Lorain, OH	Preferred Stock w/ Warrants	$25,223,000							$5.04	$37.11	$6.74	561,343	($2.29)	OUT	$1,797,139
2/6/2009	Lone Star Bank, Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$3,072,000													$0

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

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12/12/2008	LSB Corporation, North Andover, MA[4]	Preferred Stock w/ Warrants	$15,000,000	11/18/2009	$15,000,000	$0	12/16/2009	R	$560,000	$12.97	$58.46					$700,000
6/26/2009	M&F Bancorp, Inc., Durham, NC[2, 3, 10]	Preferred Stock	$11,735,000													$519,926
12/23/2008	M&T Bank Corporation, Buffalo, NY[d]	Preferred Stock w/ Warrants	$600,000,000							$84.95	$10,097.67	$73.86	1,218,522	$11.09	IN	$43,727,083
11/14/2008	M&T Bank Corporation (Provident Bancshares Corp.), Baltimore, MD[d]	Preferred Stock w/ Warrants	$151,500,000									$55.76	407,542	$29.19	IN	$9,489,792
4/24/2009	Mackinac Financial Corporation, Manistique, MI	Preferred Stock w/ Warrants	$11,000,000							$6.50	$22.23	$4.35	379,310	$0.37	IN	$582,083
3/13/2009	Madison Financial Corporation, Richmond, KY[2]	Preferred Stock w/ Exercised Warrants	$3,370,000													$169,422
12/23/2008	Magna Bank, Memphis, TN[2, 4]	Preferred Stock w/ Exercised Warrants	$13,795,000	11/24/2009	$3,455,000	$10,340,000										$966,357
12/29/2009	Mainline Bancorp, Inc., Ebensburg, PA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$92,650
1/16/2009	MainSource Financial Group, Inc., Greensburg, IN	Preferred Stock w/ Warrants	$57,000,000							$7.17	$144.38	$14.95	571,906	($8.22)	OUT	$3,792,083
12/5/2008	Manhattan Bancorp, El Segundo, CA[4]	Preferred Stock w/ Warrants	$1,700,000	9/16/2009	$1,700,000	$0	10/14/2009	R	$63,364	$4.75	$18.94					$66,347
6/19/2009	Manhattan Bancshares, Inc., Manhattan, IL[8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$200,507
3/6/2009	Marine Bank & Trust Company, Vero Beach, FL[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$194,838
2/20/2009	Market Bancorporation, Inc., New Market, MN[2]	Preferred Stock w/ Exercised Warrants	$2,060,000													$138,778
5/15/2009	Market Street Bancshares, Inc., Mt. Vernon, IL[8]	Subordinated Debentures w/ Exercised Warrants	$20,300,000													$1,703,170
12/19/2008	Marquette National Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$35,500,000													$2,719,399
11/14/2008	Marshall & Ilsley Corporation, Milwaukee, WI	Preferred Stock w/ Warrants	$1,715,000,000							$7.18	$3,785.62	$18.62	13,815,789	($10.57)	OUT	$128,863,194
3/27/2009	Maryland Financial Bank, Towson, MD[2]	Preferred Stock w/ Exercised Warrants	$1,700,000													$35,516
12/5/2008	MB Financial Inc., Chicago, IL[b]	Preferred Stock w/ Warrants	$196,000,000							$18.39	$973.77	$29.05	506,024	($6.52)	OUT	$14,155,556
11/20/2009	McLeod Bancshares, Inc., Shorewood, MN[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$158,958
2/27/2009	Medallion Bank, Salt Lake City, UT[2, c]	Preferred Stock w/ Exercised Warrants	$11,800,000													$977,017
12/22/2009	Medallion Bank, Salt Lake City, UT[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$9,698,000													
5/15/2009	Mercantile Bank Corporation, Grand Rapids, MI	Preferred Stock w/ Warrants	$21,000,000							$5.37	$46.14	$5.11	616,438	($1.14)	OUT	$1,050,000
2/6/2009	Mercantile Capital Corp., Boston, MA[2]	Preferred Stock w/ Exercised Warrants	$3,500,000													$243,206
6/19/2009	Merchants and Manufacturers Bank Corporation, Joliet, IL[2]	Preferred Stock w/ Exercised Warrants	$3,510,000													$173,269
3/6/2009	Merchants and Planters Bancshares, Inc., Toone, TN[2]	Preferred Stock w/ Exercised Warrants	$1,881,000													$122,158
2/13/2009	Meridian Bank, Devon, PA[2, c]	Preferred Stock w/ Exercised Warrants	$6,200,000													$559,751
12/11/2009	Meridian Bank, Devon, PA[2, 10a, c]	Preferred Stock	$6,335,000													

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies							
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Metro City Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$542,048
1/16/2009	MetroCorp Bancshares, Inc., Houston, TX	Preferred Stock w/ Warrants	$45,000,000							$2.82	$34.60	$8.75	771,429	($5.92)	OUT	$2,431,250
6/26/2009	Metropolitan Bank Group, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$71,526,000													$3,454,185
4/10/2009	Metropolitan Capital Bancorp, Inc., Chicago, IL[2, c]	Preferred Stock w/ Exercised Warrants	$2,040,000													$179,059
11/20/2009	Metropolitan Capital Bancorp, Inc., Chicago, IL[2, 10a, c]	Preferred Stock	$2,348,000													
12/19/2008	Mid Penn Bancorp, Inc., Millersburg, PA	Preferred Stock w/ Warrants	$10,000,000							$9.14	$31.79	$20.52	73,099	($10.52)	OUT	$702,778
1/30/2009	Middleburg Financial Corporation, Middleburg, VA[5, b]	Preferred Stock w/ Warrants	$22,000,000	12/23/2009	$22,000,000	$0				$13.91	$96.42	$15.85	104,101	($0.79)	OUT	$986,944
1/23/2009	Midland States Bancorp, Inc., Effingham, IL[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$10,189,000	12/23/2009	$10,189,000	$0	12/23/2009	R	$509,000							$508,989
1/9/2009	MidSouth Bancorp, Inc., Lafayette, LA[b]	Preferred Stock w/ Warrants	$20,000,000							$12.77	$124.19	$14.37	104,384	$2.13	IN	$1,350,000
2/27/2009	Midtown Bank & Trust Company, Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$5,222,000													$275,105
12/5/2008	Midwest Banc Holdings, Inc., Melrose Park, IL[20, 25]	Mandatorily Convertible Preferred Stock w/ Warrants	$89,388,000							$0.15	$0.00	$2.97	4,282,020			$824,289
2/13/2009	Midwest Regional Bancorp, Inc., Festus, MO[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$700,000	11/10/2009	$700,000	$0	11/10/2009	R	$35,000							$28,294
2/6/2009	MidWestOne Financial Group, Inc., Iowa City, IA	Preferred Stock w/ Warrants	$16,000,000							$15.48	$133.33	$12.08	198,675	($0.29)	OUT	$1,020,000
2/20/2009	Mid-Wisconsin Financial Services, Inc., Medford, WI[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$673,681
4/3/2009	Millennium Bancorp, Inc., Edwards, CO[2]	Preferred Stock w/ Exercised Warrants	$7,260,000													$343,053
1/9/2009	Mission Community Bancorp, San Luis Obispo, CA[3]	Preferred Stock	$5,116,000													$345,330
12/23/2008	Mission Valley Bancorp, Sun Valley, CA[3]	Preferred Stock	$5,500,000													$383,472
12/19/2008	Monadnock Bancorp, Inc., Peterborough, NH[2]	Preferred Stock w/ Exercised Warrants	$1,834,000													$140,527
2/6/2009	Monarch Community Bancorp, Inc., Coldwater, MI	Preferred Stock w/ Warrants	$6,785,000							$1.08	$2.21	$3.90	260,962	($1.74)	OUT	$262,919
12/19/2008	Monarch Financial Holdings, Inc., Chesapeake, VA[5, 9]	Preferred Stock w/ Warrants	$14,700,000	12/23/2009	$14,700,000	$0	2/10/2010	R	$260,000	$7.92	$46.54					$743,167
3/13/2009	Moneytree Corporation, Lenoir City, TN[2]	Preferred Stock w/ Exercised Warrants	$9,516,000													$607,961
1/30/2009	Monument Bank, Bethesda, MD[2]	Preferred Stock w/ Exercised Warrants	$4,734,000													$333,288
10/28/2008	Morgan Stanley, New York, NY[4]	Preferred Stock w/ Warrants	$10,000,000,000	6/17/2009	$10,000,000,000	$0	8/12/2009	R	$950,000,000	$23.21	$32,443.38					$318,055,555
1/16/2009	Morrill Bancshares, Inc., Merriam, KS[2]	Preferred Stock w/ Exercised Warrants	$13,000,000													$942,699
1/23/2009	Moscow Bancshares, Inc., Moscow, TN[2]	Preferred Stock w/ Exercised Warrants	$6,216,000													$444,192
9/25/2009	Mountain Valley Bancshares, Inc., Cleveland, GA[2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$114,904

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
3/27/2009	MS Financial, Inc., Kingwood, TX[2]	Preferred Stock w/ Exercised Warrants	$7,723,000													$477,009
12/23/2008	MutualFirst Financial, Inc., Muncie, IN	Preferred Stock w/ Warrants	$32,382,000							$6.70	$46.80	$7.77	625,135	($1.12)	OUT	$2,257,745
3/27/2009	Naples Bancorp, Inc., Naples, FL[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$247,067
11/21/2008	Nara Bancorp, Inc., Los Angeles, CA[b]	Preferred Stock w/ Warrants	$67,000,000							$8.43	$319.98	$9.64	521,266	($0.88)	OUT	$4,969,167
2/27/2009	National Bancshares, Inc., Bettendorf, IA[2]	Preferred Stock w/ Exercised Warrants	$24,664,000													$1,635,407
12/12/2008	National Penn Bancshares, Inc., Boyertown, PA[b]	Preferred Stock w/ Warrants	$150,000,000							$6.01	$757.37	$15.30	735,294	($8.4)	OUT	$10,687,500
12/11/2009	Nationwide Bankshares, Inc., West Point, NE[8]	Subordinated Debentures w/ Exercised Warrants	$2,000,000													$71,781
6/26/2009	NC Bancorp, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$6,880,000													$332,256
12/19/2008	NCAL Bancorp, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$766,028
6/19/2009	NEMO Bancshares Inc., Madison, MO[8]	Subordinated Debentures w/ Exercised Warrants	$2,330,000													$177,087
1/16/2009	New Hampshire Thrift Bancshares, Inc., Newport, NH	Preferred Stock w/ Warrants	$10,000,000							$10.50	$60.61	$8.14	184,275	$2.35	IN	$665,278
1/9/2009	New York Private Bank & Trust Corporation, New York, NY[2]	Preferred Stock w/ Exercised Warrants	$267,274,000													$19,664,721
12/12/2008	NewBridge Bancorp, Greensboro, NC	Preferred Stock w/ Warrants	$52,372,000							$3.51	$54.95	$3.06	2,567,255	$0.5	IN	$3,731,505
12/23/2008	Nicolet Bankshares, Inc., Green Bay, WI[2]	Preferred Stock w/ Exercised Warrants	$14,964,000													$1,137,197
1/9/2009	North Central Bancshares, Inc., Fort Dodge, IA	Preferred Stock w/ Warrants	$10,200,000							$16.25	$21.95	$15.43	99,157	($1.13)	OUT	$688,500
12/12/2008	Northeast Bancorp, Lewiston, ME	Preferred Stock w/ Warrants	$4,227,000							$12.70	$29.49	$9.33	67,958	$4.67	IN	$301,174
5/15/2009	Northern State Bank, Closter, NJ[2, c]	Preferred Stock w/ Exercised Warrants	$1,341,000													$98,193
12/18/2009	Northern State Bank, Closter, NJ[2, 10a, c]	Preferred Stock	$1,230,000													
2/20/2009	Northern States Financial Corporation, Waukegan, IL	Preferred Stock w/ Warrants	$17,211,000							$2.30	$9.37	$4.42	584,084	($1.12)	OUT	$418,323
11/14/2008	Northern Trust Corporation, Chicago, IL[4]	Preferred Stock w/ Warrants	$1,576,000,000	6/17/2009	$1,576,000,000	$0	8/26/2009	R	$87,000,000	$46.70	$11,294.40					$46,623,333
1/30/2009	Northway Financial, Inc., Berlin, NH[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$703,958
2/13/2009	Northwest Bancorporation, Inc., Spokane, WA[2]	Preferred Stock w/ Exercised Warrants	$10,500,000													$575,430
2/13/2009	Northwest Commercial Bank, Lakewood, WA[2]	Preferred Stock w/ Exercised Warrants	$1,992,000													$136,353
1/30/2009	Oak Ridge Financial Services, Inc., Oak Ridge, NC	Preferred Stock w/ Warrants	$7,700,000							$5.15	$9.22	$7.05	163,830	($2.32)	OUT	$497,292
12/5/2008	Oak Valley Bancorp, Oakdale, CA	Preferred Stock w/ Warrants	$13,500,000							$5.25	$40.33	$5.78	350,346	($1.68)	OUT	$975,000
1/16/2009	OceanFirst Financial Corp., Toms River, NJ[5, 9]	Preferred Stock w/ Warrants	$38,263,000	12/30/2009	$38,263,000	$0	2/3/2010	R	$430,797	$12.07	$227.18					$1,828,122
1/30/2009	Ojai Community Bank, Ojai, CA[2]	Preferred Stock w/ Exercised Warrants	$2,080,000													$146,423

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/5/2008	Old Line Bancshares, Inc., Bowie, MD[4]	Preferred Stock w/ Warrants	$7,000,000	7/15/2009	$7,000,000	$0	9/2/2009	R	$225,000	$7.51	$29.14					$213,889
12/12/2008	Old National Bancorp, Evansville, IN[4]	Preferred Stock w/ Warrants	$100,000,000	3/31/2009	$100,000,000	$0	5/8/2009	R	$1,200,000	$10.36	$902.99					$1,513,889
1/16/2009	Old Second Bancorp, Inc., Aurora, IL	Preferred Stock w/ Warrants	$73,000,000							$2.00	$27.82	$13.43	815,339	($6.84)	OUT	$4,856,528
4/17/2009	Omega Capital Corp., Lakewood, CO[2]	Preferred Stock w/ Exercised Warrants	$2,816,000													$50,311
5/8/2009	One Georgia Bank, Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$0
6/5/2009	OneFinancial Corporation, Little Rock, AR[8, 10]	Subordinated Debentures w/ Exercised Warrants	$17,300,000													$1,325,994
12/19/2008	OneUnited Bank, Boston, MA[2, 3]	Preferred Stock	$12,063,000													$93,823
4/24/2009	Oregon Bancorp, Inc., Salem, OR[2]	Preferred Stock w/ Exercised Warrants	$3,216,000													$185,515
5/1/2009	OSB Financial Services, Inc., Orange, TX[8]	Subordinated Debentures w/ Exercised Warrants	$6,100,000													$147,848
11/21/2008	Pacific Capital Bancorp, Santa Barbara, CA	Preferred Stock w/ Warrants	$180,634,000							$0.72	$33.74	$17.92	1,512,003	($16.11)	OUT	$2,107,397
12/19/2008	Pacific City Financial Corporation, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$16,200,000													$358,065
12/23/2008	Pacific Coast Bankers' Bancshares, San Francisco, CA[2]	Preferred Stock w/ Exercised Warrants	$11,600,000													$881,568
1/16/2009	Pacific Coast National Bancorp, San Clemente, CA[2, 19]	Preferred Stock w/ Exercised Warrants	$4,120,000	2/11/2010	($4,120,000)	$0										$18,088
12/23/2008	Pacific Commerce Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$4,060,000													$276,588
12/12/2008	Pacific International Bancorp, Seattle, WA	Preferred Stock w/ Warrants	$6,500,000							$0.00	$7.94	$7.63	127,785	($3.63)	OUT	$138,125
3/6/2009	Park Bancorporation, Inc., Madison, WI[2]	Preferred Stock w/ Exercised Warrants	$23,200,000													$1,506,743
12/23/2008	Park National Corporation, Newark, OH	Preferred Stock w/ Warrants	$100,000,000							$65.04	$967.99	$65.97	227,376	($3.66)	OUT	$6,972,222
1/30/2009	Parke Bancorp, Inc., Sewell, NJ[8]	Preferred Stock w/ Warrants	$16,288,000							$9.26	$41.10	$7.41	329,757	$1.71	IN	$1,051,933
12/23/2008	Parkvale Financial Corporation, Monroeville, PA	Preferred Stock w/ Warrants	$31,762,000							$8.38	$46.33	$12.66	376,327	($5.2)	OUT	$2,214,517
2/6/2009	Pascack Bancorp, Inc. (Pascack Community Bank), Westwood, NJ[2, 13 - 2/10/2010]	Preferred Stock w/ Exercised Warrants	$3,756,000													$261,018
12/19/2008	Patapsco Bancorp, Inc., Dundalk, MD[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$377,867
9/11/2009	Pathfinder Bancorp, Inc., Oswego, NY	Preferred Stock w/ Warrants	$6,771,000							$6.00	$14.91	$6.58	154,354	$1.27	IN	$229,462
3/27/2009	Pathway Bancorp, Cairo, NE[2]	Preferred Stock w/ Exercised Warrants	$3,727,000													$77,852
12/19/2008	Patriot Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$26,038,000													$1,994,596
4/17/2009	Patterson Bancshares, Inc, Patterson, LA[2]	Preferred Stock w/ Exercised Warrants	$3,690,000													$15,645
1/9/2009	Peapack-Gladstone Financial Corporation, Gladstone, NJ[4, 8]	Preferred Stock w/ Warrants	$28,685,000	1/6/2010	$7,172,000	$21,513,000				$11.70	$102.75	$28.63	150,296	($12.92)	OUT	$1,807,740

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
1/30/2009	Peninsula Bank Holding Co., Palo Alto, CA	Preferred Stock w/ Warrants	$6,000,000							$6.25	$11.58	$11.02	81,670	($4.47)	OUT	$75,000
4/17/2009	Penn Liberty Financial Corp., Wayne, PA[2]	Preferred Stock w/ Exercised Warrants	$9,960,000													$585,039
2/13/2009	Peoples Bancorp, Lynden, WA[2]	Preferred Stock w/ Exercised Warrants	$18,000,000													$1,231,700
1/30/2009	Peoples Bancorp Inc., Marietta, OH	Preferred Stock w/ Warrants	$39,000,000							$14.50	$152.25	$18.66	313,505	($2.18)	OUT	$2,518,750
12/23/2008	Peoples Bancorp of North Carolina, Inc., Newton, NC	Preferred Stock w/ Warrants	$25,054,000							$4.80	$26.59	$10.52	357,234	($4.57)	OUT	$1,746,821
4/24/2009	Peoples Bancorporation, Inc., Easley, SC[2]	Preferred Stock w/ Exercised Warrants	$12,660,000													$730,218
3/20/2009	Peoples Bancshares of TN, Inc, Madisonville, TN[2]	Preferred Stock w/ Exercised Warrants	$3,900,000													$245,023
3/6/2009	PeoplesSouth Bancshares, Inc., Colquitt, GA[2]	Preferred Stock w/ Exercised Warrants	$12,325,000													$800,431
9/11/2009	PFSB Bancorporation, Inc., Pigeon Falls, WI[2, 10]	Preferred Stock w/ Exercised Warrants	$1,500,000													$55,164
2/6/2009	PGB Holdings, Inc., Chicago, IL[3]	Preferred Stock	$3,000,000													$191,250
1/23/2009	Pierce County Bancorp, Tacoma, WA[2]	Preferred Stock w/ Exercised Warrants	$6,800,000													$207,948
3/6/2009	Pinnacle Bank Holding Company, Inc., Orange City, FL[2]	Preferred Stock w/ Exercised Warrants	$4,389,000													$284,999
12/12/2008	Pinnacle Financial Partners, Inc., Nashville, TN[b]	Preferred Stock w/ Warrants	$95,000,000							$12.85	$428.65	$26.64	267,455	($11.53)	OUT	$6,768,750
12/19/2008	Plains Capital Corporation, Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$87,631,000													$6,712,835
7/17/2009	Plato Holdings Inc., Saint Paul, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$2,500,000													$171,570
1/30/2009	Plumas Bancorp, Quincy, CA	Preferred Stock w/ Warrants	$11,949,000							$2.71	$12.94	$7.54	237,712	($4.8)	OUT	$622,344
12/5/2008	Popular, Inc., San Juan, PR[12]	Trust Preferred Securities w/ Warrants	$935,000,000							$2.68	$1,713.97	$6.70	20,932,836	($3.79)	OUT	$54,671,528
11/21/2008	Porter Bancorp Inc., Louisville, KY	Preferred Stock w/ Warrants	$35,000,000							$12.62	$133.50	$16.68	314,820	($3.58)	OUT	$2,595,833
4/3/2009	Prairie Star Bancshares, Inc., Olathe, KS[2, 8]	Preferred Stock w/ Exercised Warrants	$2,800,000													$132,253
5/8/2009	Premier Bancorp, Inc., Wilmette, IL[3, 8]	Subordinated Debentures	$6,784,000													$532,525
3/20/2009	Premier Bank Holding Company, Tallahassee, FL[2]	Preferred Stock w/ Exercised Warrants	$9,500,000													$467,413
10/2/2009	Premier Financial Bancorp, Inc., Huntington, WV	Preferred Stock w/ Warrants	$22,252,000							$7.88	$62.54	$5.31	628,588	$3.31	IN	$689,194
5/22/2009	Premier Financial Corp, Dubuque, IA[8]	Subordinated Debentures w/ Exercised Warrants	$6,349,000													$522,263
2/20/2009	Premier Service Bank, Riverside, CA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$54,500
2/13/2009	PremierWest Bancorp, Medford, OR[8]	Preferred Stock w/ Warrants	$41,400,000							$0.40	$40.14	$5.70	1,090,385	($5.25)	OUT	$1,046,500
11/20/2009	Presidio Bank, San Francisco, CA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,800,000													$0
1/23/2009	Princeton National Bancorp, Inc., Princeton, IL	Preferred Stock w/ Warrants	$25,083,000							$6.15	$20.36	$24.27	155,025	($15.58)	OUT	$1,644,330

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2/27/2009	Private Bancorporation, Inc., Minneapolis, MN[2, c]	Preferred Stock w/ Exercised Warrants	$4,960,000													$390,505
12/29/2009	Private Bancorporation, Inc., Minneapolis, MN[2, 10a, c]	Preferred Stock	$3,262,000													
1/30/2009	PrivateBancorp, Inc., Chicago, IL[b]	Preferred Stock w/ Warrants	$243,815,000							$11.08	$791.53	$28.35	645,013	($14.65)	OUT	$15,746,385
10/2/2009	Providence Bank, Rocky Mount, NC[2, 10]	Preferred Stock w/ Exercised Warrants	$4,000,000													$133,645
3/13/2009	Provident Community Bancshares, Inc., Rock Hill, SC	Preferred Stock w/ Warrants	$9,266,000							$2.17	$3.88	$7.77	178,880	($5.27)	OUT	$543,091
2/27/2009	PSB Financial Corporation, Many, LA[2]	Preferred Stock w/ Exercised Warrants	$9,270,000													$614,733
1/16/2009	Puget Sound Bank, Bellevue, WA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$326,319
1/16/2009	Pulaski Financial Corp, Creve Coeur, MO	Preferred Stock w/ Warrants	$32,538,000							$6.45	$69.41	$6.27	778,421	$0.43	IN	$2,164,681
2/13/2009	QCR Holdings, Inc., Moline, IL	Preferred Stock w/ Warrants	$38,237,000							$9.87	$45.23	$10.99	521,888	($2.09)	OUT	$2,400,434
10/30/2009	Randolph Bank & Trust Company, Asheboro, NC[2]	Preferred Stock w/ Exercised Warrants	$6,229,000													$183,863
6/19/2009	RCB Financial Corporation, Rome, GA[2, 10]	Preferred Stock w/ Exercised Warrants	$8,900,000													$424,814
1/16/2009	Redwood Capital Bancorp, Eureka, CA[2]	Preferred Stock w/ Exercised Warrants	$3,800,000													$275,558
1/9/2009	Redwood Financial Inc., Redwood Falls, MN[2]	Preferred Stock w/ Exercised Warrants	$2,995,000													$220,388
3/6/2009	Regent Bancorp, Inc., Davie, FL[2]	Preferred Stock w/ Exercised Warrants	$9,982,000													$648,279
2/27/2009	Regent Capital Corporation, Nowata, OK[2]	Preferred Stock w/ Exercised Warrants	$2,655,000													$176,076
10/23/2009	Regents Bancshares, Inc., Vancouver, WA[2, 10]	Preferred Stock w/ Exercised Warrants	$12,700,000													$375,546
2/13/2009	Regional Bankshares, Inc., Hartsville, SC[2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$102,642
11/14/2008	Regions Financial Corporation, Birmingham, AL	Preferred Stock w/ Warrants	$3,500,000,000							$6.58	$7,846.46	$10.88	48,253,677	($3.03)	OUT	$262,986,111
2/13/2009	Reliance Bancshares, Inc., Frontenac, MO[2]	Preferred Stock w/ Exercised Warrants	$40,000,000													$2,737,111
2/27/2009	Ridgestone Financial Services, Inc., Brookfield, WI[2]	Preferred Stock w/ Exercised Warrants	$10,900,000													$277,224
1/9/2009	Rising Sun Bancorp, Rising Sun, MD[2]	Preferred Stock w/ Exercised Warrants	$5,983,000													$195,637
6/12/2009	River Valley Bancorporation, Inc., Wausau, WI[8]	Subordinated Debentures w/ Exercised Warrants	$15,000,000													$1,164,113
5/15/2009	Riverside Bancshares, Inc., Little Rock, AR[8]	Subordinated Debentures w/ Exercised Warrants	$1,100,000													$92,290
1/30/2009	Rogers Bancshares, Inc., Little Rock, AR[2]	Preferred Stock w/ Exercised Warrants	$25,000,000													$738,021
2/20/2009	Royal Bancshares of Pennsylvania, Inc., Narberth, PA	Preferred Stock w/ Warrants	$30,407,000							$3.00	$34.87	$4.13	1,104,370	($1.66)	OUT	$358,971
1/16/2009	S&T Bancorp, Indiana, PA	Preferred Stock w/ Warrants	$108,676,000							$19.76	$546.50	$31.53	517,012	($10.63)	OUT	$7,229,973

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/23/2008	Saigon National Bank, Westminster, CA[2]	Preferred Stock w/ Exercised Warrants	$1,549,000													$0
3/13/2009	Salisbury Bancorp, Inc., Lakeville, CT	Preferred Stock w/ Warrants	$8,816,000							$23.78	$40.14	$22.93	57,671	$1.87	IN	$516,716
12/5/2008	Sandy Spring Bancorp, Inc., Olney, MD	Preferred Stock w/ Warrants	$83,094,000							$14.01	$336.03	$19.13	651,547	($4.13)	OUT	$6,001,233
2/13/2009	Santa Clara Valley Bank, N.A., Santa Paula, CA[2]	Preferred Stock w/ Exercised Warrants	$2,900,000													$158,928
12/19/2008	Santa Lucia Bancorp, Atascadero, CA[8]	Preferred Stock w/ Warrants	$4,000,000							$6.70	$13.42	$15.75	38,107	($8.25)	OUT	$281,111
3/27/2009	SBT Bancorp, Inc., Simsbury, CT[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$247,067
1/16/2009	SCBT Financial Corporation, Columbia, SC[4]	Preferred Stock w/ Warrants	$64,779,000	5/20/2009	$64,779,000	$0	6/24/2009	R	$1,400,000	$35.22	$449.55					$1,115,639
12/19/2008	Seacoast Banking Corporation of Florida, Stuart, FL[b]	Preferred Stock w/ Warrants	$50,000,000							$1.33	$78.37	$6.36	589,623	($4.67)	OUT	$388,889
12/23/2008	Seacoast Commerce Bank, Chula Vista, CA[2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$136,795
2/13/2009	Security Bancshares of Pulaski County, Inc., Waynesville, MO[2]	Preferred Stock w/ Exercised Warrants	$2,152,000													$147,302
1/9/2009	Security Business Bancorp, San Diego, CA[2]	Preferred Stock w/ Exercised Warrants	$5,803,000													$426,938
1/9/2009	Security California Bancorp, Riverside, CA[2]	Preferred Stock w/ Exercised Warrants	$6,815,000													$501,445
6/26/2009	Security Capital Corporation, Batesville, MS[2, 10]	Preferred Stock w/ Exercised Warrants	$17,388,000													$812,014
12/19/2008	Security Federal Corporation, Aiken, SC	Preferred Stock w/ Warrants	$18,000,000							$9.00	$22.15	$19.57	137,966	($9.71)	OUT	$1,265,000
2/20/2009	Security State Bancshares, Inc., Charleston, MO[2]	Preferred Stock w/ Exercised Warrants	$12,500,000													$842,100
5/1/2009	Security State Bank Holding-Company, Jamestown, ND[8]	Subordinated Debentures w/ Exercised Warrants	$10,750,000													$486,075
11/21/2008	Severn Bancorp, Inc., Annapolis, MD	Preferred Stock w/ Warrants	$23,393,000							$5.53	$55.67	$6.30	556,976	($2.55)	OUT	$1,734,981
1/9/2009	Shore Bancshares, Inc., Easton, MD[4]	Preferred Stock w/ Warrants	$25,000,000	4/15/2009	$25,000,000	$0				$11.91	$100.56	$21.68	172,970	($7.43)	OUT	$333,333
6/26/2009	Signature Bancshares, Inc., Dallas, TX[8]	Subordinated Debentures w/ Exercised Warrants	$1,700,000													$126,387
12/12/2008	Signature Bank, New York, NY[4]	Preferred Stock w/ Warrants	$120,000,000	3/31/2009	$120,000,000	$0	3/10/2010	A	$11,320,751	$38.01	$1,542.94					$1,816,667
1/16/2009	Somerset Hills Bancorp, Bernardsville, NJ[4]	Preferred Stock w/ Warrants	$7,414,000	5/20/2009	$7,414,000	$0	6/24/2009	R	$275,000	$8.10	$44.22					$127,686
2/20/2009	Sonoma Valley Bancorp, Sonoma, CA[2]	Preferred Stock w/ Exercised Warrants	$8,653,000													$347,164
1/9/2009	Sound Banking Company, Morehead City, NC[2]	Preferred Stock w/ Exercised Warrants	$3,070,000													$225,936
12/5/2008	South Financial Group, Inc., Greenville, SC[26 - 5/18/2010]	Preferred Stock w/ Warrants	$347,000,000							$0.27	$58.77	$5.15	10,106,796	($4.46)	OUT	$16,386,111
7/17/2009	SouthCrest Financial Group, Inc., Fayetteville, GA[2]	Preferred Stock w/ Exercised Warrants	$12,900,000													$581,969
1/16/2009	Southern Bancorp, Inc., Arkadelphia, AR[3]	Preferred Stock	$11,000,000													$731,806
12/5/2008	Southern Community Financial Corp., Winston-Salem, NC	Preferred Stock w/ Warrants	$42,750,000							$2.24	$37.67	$3.95	1,623,418	($1.76)	OUT	$3,087,500

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/27/2009	Southern First Bancshares, Inc., Greenville, SC	Preferred Stock w/ Warrants	$17,299,000							$7.25	$22.77	$7.85	330,554	$0.25	IN	$1,052,356
5/15/2009	Southern Heritage Bancshares, Inc., Cleveland, TN[2]	Preferred Stock w/ Exercised Warrants	$4,862,000													$264,970
1/23/2009	Southern Illinois Bancorp, Inc., Carmi, IL[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$357,278
12/5/2008	Southern Missouri Bancorp, Inc., Poplar Bluff, MO	Preferred Stock w/ Warrants	$9,550,000							$15.01	$31.34	$12.53	114,326	$1.67	IN	$689,722
6/12/2009	SouthFirst Bancshares, Inc., Sylacauga, AL[2]	Preferred Stock w/ Exercised Warrants	$2,760,000													$139,139
12/5/2008	Southwest Bancorp, Inc., Stillwater, OK	Preferred Stock w/ Warrants	$70,000,000							$13.29	$257.63	$14.92	703,753	($6.65)	OUT	$5,055,556
3/13/2009	Sovereign Bancshares, Inc., Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$18,215,000													$1,163,712
3/27/2009	Spirit BankCorp, Inc., Bristow, OK[2]	Preferred Stock w/ Exercised Warrants	$30,000,000													$1,853,000
3/13/2009	St. Johns Bancshares, Inc., St. Louis, MO[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$191,658
4/24/2009	Standard Bancshares, Inc., Hickory Hills, IL[2]	Preferred Stock w/ Exercised Warrants	$60,000,000													$3,460,750
12/5/2008	State Bancorp, Inc., Jericho, NY	Preferred Stock w/ Warrants	$36,842,000							$9.50	$157.92	$11.87	465,569	($4)	OUT	$2,660,811
1/16/2009	State Bankshares, Inc., Fargo, ND[2, 4]	Preferred Stock w/ Exercised Warrants	$50,000,000	8/12/2009	$12,500,000	$37,500,000										$3,151,806
2/13/2009	State Capital Corporation, Greenwood, MS[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$1,026,417
10/28/2008	State Street Corporation, Boston, MA[5, 9]	Preferred Stock w/ Warrants	$2,000,000,000	6/17/2009	$2,000,000,000	$0	7/8/2009	R	$60,000,000	$33.82	$16,968.00					$63,611,111
6/26/2009	Stearns Financial Services, Inc., St. Cloud, MN[8]	Subordinated Debentures w/ Exercised Warrants	$24,900,000													$1,851,183
9/25/2009	Steele Street Bank Corporation, Denver, CO[8, 10]	Subordinated Debentures w/ Exercised Warrants	$11,019,000													$571,257
12/19/2008	StellarOne Corporation, Charlottesville, VA	Preferred Stock w/ Warrants	$30,000,000							$12.77	$291.64	$14.87	302,623	($1.5)	OUT	$2,108,333
12/23/2008	Sterling Bancorp, New York, NY	Preferred Stock w/ Warrants	$42,000,000							$9.00	$241.57	$12.19	516,817	($2.14)	OUT	$2,928,333
12/12/2008	Sterling Bancshares, Inc., Houston, TX[4]	Preferred Stock w/ Warrants	$125,198,000	5/5/2009	$125,198,000	$0	6/9/2010	A	$3,007,891	$4.71	$479.94					$2,486,571
12/5/2008	Sterling Financial Corporation, Spokane, WA[24]	Preferred Stock w/ Warrants	$303,000,000							$0.55	$28.70	$7.06	6,437,677	($6.49)	OUT	$6,733,333
1/30/2009	Stewardship Financial Corporation, Midland Park, NJ[6]	Preferred Stock w/ Warrants	$10,000,000							$8.60	$50.24	$11.24	133,475	($2.38)	OUT	$645,833
2/6/2009	Stockmens Financial Corporation, Rapid City, SD[2]	Preferred Stock w/ Exercised Warrants	$15,568,000													$1,081,736
1/23/2009	Stonebridge Financial Corp., West Chester, PA[2]	Preferred Stock w/ Exercised Warrants	$10,973,000													$634,609
6/19/2009	Suburban Illinois Bancorp, Inc., Elmhurst, IL[8]	Subordinated Debentures w/ Exercised Warrants	$15,000,000													$1,139,645
12/19/2008	Summit State Bank, Santa Rosa, CA	Preferred Stock w/ Warrants	$8,500,000							$6.25	$29.66	$5.33	239,212	$1.42	IN	$597,361
1/9/2009	Sun Bancorp, Inc., Vineland, NJ[4]	Preferred Stock w/ Warrants	$89,310,000	4/8/2009	$89,310,000	$0	5/27/2009	R	$2,100,000	$3.76	$88.02					$1,103,971

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Details: Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition: Final Disposition Date	Note[15]	Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
11/14/2008	SunTrust Banks, Inc., Atlanta, GA[c]	Preferred Stock w/ Warrants	$3,500,000,000							$23.3	$11,647.37	$44.15	11,891,280	($20.85)	OUT	$376,006,944
12/31/2008	SunTrust Banks, Inc., Atlanta, GA[c]	Preferred Stock w/ Warrants	$1,350,000,000									$33.70	6,008,902	($10.40)	OUT	
12/5/2008	Superior Bancorp Inc., Birmingham, AL[17]	Trust Preferred Securities w/ Warrants	$69,000,000							$1.93	$24.24	$5.38	1,923,792	($2.25)	OUT	$4,983,333
1/9/2009	Surrey Bancorp, Mount Airy, NC[2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$147,150
12/12/2008	Susquehanna Bancshares, Inc, Lititz, PA[4]	Preferred Stock w/ Warrants	$300,000,000	4/21/2010	$200,000,000	$100,000,000				$8.33	$1,079.94	$14.86	3,028,264	($5.05)	OUT	$20,708,333
4/10/2009	SV Financial, Inc., Sterling, IL[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$239,194
12/12/2008	SVB Financial Group, Santa Clara, CA[5]	Preferred Stock w/ Warrants	$235,000,000	12/23/2009	$235,000,000	$0	6/16/2010	R	$6,820,000	$41.23	$1,720.94					$12,109,028
5/8/2009	Sword Financial Corporation, Horicon, WI[8]	Subordinated Debentures w/ Exercised Warrants	$13,644,000													$1,166,962
12/19/2008	Synovus Financial Corp., Columbus, GA	Preferred Stock w/ Warrants	$967,870,000							$2.54	$2,138.28	$9.36	15,510,737	($6.07)	OUT	$68,019,753
1/16/2009	Syringa Bancorp, Boise, ID[2]	Preferred Stock w/ Exercised Warrants	$8,000,000													$253,122
11/21/2008	Taylor Capital Group, Rosemont, IL	Preferred Stock w/ Warrants	$104,823,000							$12.94	$236.49	$10.75	1,462,647	$2.23	IN	$7,774,373
8/28/2009	TCB Corporation, Greenwood, SC[8, 10]	Subordinated Debentures w/ Exercised Warrants	$9,720,000													$563,070
1/16/2009	TCB Holding Company, Texas Community Bank, The Woodlands, TX[2]	Preferred Stock w/ Exercised Warrants	$11,730,000													$690,832
11/14/2008	TCF Financial Corporation, Wayzata, MN[4]	Preferred Stock w/ Warrants	$361,172,000	4/22/2009	$361,172,000	$0	12/15/2009	A	$9,599,964	$16.61	$2,361.33					$7,925,719
12/23/2008	TCNB Financial Corp., Dayton, OH[2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$151,994
12/19/2008	Tennessee Commerce Bancorp, Inc., Franklin, TN	Preferred Stock w/ Warrants	$30,000,000							$6.45	$36.43	$9.75	461,538	($2.2)	OUT	$2,108,333
12/23/2008	Tennessee Valley Financial Holdings, Inc., Oak Ridge, TN[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$146,242
1/16/2009	Texas Capital Bancshares, Inc., Dallas, TX[4]	Preferred Stock w/ Warrants	$75,000,000	5/13/2009	$75,000,000	$0	3/11/2010	A	$6,709,061	$16.40	$599.16					$1,218,750
1/9/2009	Texas National Bancorporation, Jacksonville, TX[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$3,981,000	5/19/2010	$3,981,000	$0	5/19/2010	R	$199,000							$295,308
8/7/2009	The ANB Corporation, Terrell, TX[2]	Preferred Stock w/ Exercised Warrants	$20,000,000													$841,722
12/12/2008	The Bancorp, Inc., Wilmington, DE[5, b]	Preferred Stock w/ Warrants	$45,220,000	3/10/2010	$45,220,000	$0				$7.83	$205.00	$3.46	980,203	$5.44	IN	$2,813,689
2/6/2009	The Bank of Currituck, Moyock, NC[2]	Preferred Stock w/ Exercised Warrants	$4,021,000													$169,834
2/13/2009	The Bank of Kentucky Financial Corporation, Crestview Hills, KY	Preferred Stock w/ Warrants	$34,000,000							$15.40	$87.27	$18.56	274,784	$1.38	IN	$2,134,444
10/28/2008	The Bank of New York Mellon Corporation, New York, NY[4]	Preferred Stock w/ Warrants	$3,000,000,000	6/17/2009	$3,000,000,000	$0	8/5/2009	R	$136,000,000	$24.69	$29,947.51					$95,416,667
1/16/2009	The Baraboo Bancorporation, Baraboo, WI[2]	Preferred Stock w/ Exercised Warrants	$20,749,000													$1,504,567
12/19/2008	The Connecticut Bank and Trust Company, Hartford, CT	Preferred Stock w/ Warrants	$5,448,000							$5.88	$20.97	$4.65	175,742	($0.15)	OUT	$204,300

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CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/19/2008	The Elmira Savings Bank, FSB, Elmira, NY	Preferred Stock w/ Warrants	$9,090,000							$17.00	$29.51	$11.70	116,538	$5.5	IN	$638,825
1/9/2009	The First Bancorp, Inc., Damariscotta, ME	Preferred Stock w/ Warrants	$25,000,000							$13.13	$128.04	$16.60	225,904	($0.66)	OUT	$1,687,500
2/6/2009	The First Bancshares, Inc., Hattiesburg, MS	Preferred Stock w/ Warrants	$5,000,000							$7.35	$22.20	$13.71	54,705	($4.26)	OUT	$318,750
2/6/2009	The Freeport State Bank, Harper, KS[2]	Preferred Stock w/ Exercised Warrants	$301,000													$8,610
10/28/2008	The Goldman Sachs Group, Inc., New York, NY[4]	Preferred Stock w/ Warrants	$10,000,000,000	6/17/2009	$10,000,000,000	$0	7/22/2009	R	$1,100,000,000	$131.27	$67,576.33					$318,055,555
5/22/2009	The Landrum Company, Columbia, MO[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$801,604
12/23/2008	The Little Bank, Incorporated, Kinston, NC[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$569,980
12/31/2008	The PNC Financial Services Group Inc., Pittsburgh, PA[4]	Preferred Stock w/ Warrants	$7,579,200,000	2/10/2010	$7,579,200,000	$0	4/29/2010	A	$324,195,686	$56.50	$29,721.83					$421,160,967
2/20/2009	The Private Bank of California, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$5,450,000													$367,212
1/9/2009	The Queensborough Company, Louisville, GA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$882,900
9/4/2009	The State Bank of Bartley, Bartley, NE[8, 10]	Subordinated Debentures w/ Exercised Warrants	$1,697,000													$96,012
12/11/2009	The Victory Bancorp, Inc., Limerick, PA[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$1,505,000													$69,367
2/27/2009	The Victory Bancorp, Inc. (The Victory Bank), Limerick, PA[2, 13 - 12/4/2009, c]	Preferred Stock w/ Exercised Warrants	$541,000													
1/23/2009	Three Shores Bancorporation, Inc. (Seaside National Bank & Trust), Orlando, FL[2, 13 - 12/4/2009]	Preferred Stock w/ Exercised Warrants	$5,677,000													$405,671
12/5/2008	TIB Financial Corp, Naples, FL[8]	Preferred Stock w/ Warrants	$37,000,000							$0.50	$7.38	$5.02	1,106,389	($4.32)	OUT	$1,284,722
12/19/2008	Tidelands Bancshares, Inc, Mt. Pleasant, SC	Preferred Stock w/ Warrants	$14,448,000							$1.52	$6.50	$3.79	571,821	($1.29)	OUT	$1,015,373
4/17/2009	Tifton Banking Company, Tifton, GA[2]	Preferred Stock w/ Exercised Warrants	$3,800,000													$223,208
12/23/2008	Timberland Bancorp, Inc., Hoquiam, WA	Preferred Stock w/ Warrants	$16,641,000							$3.30	$23.25	$6.73	370,899	($2.73)	OUT	$952,236
4/3/2009	Titonka Bancshares, Inc, Titonka, IA[2]	Preferred Stock w/ Exercised Warrants	$2,117,000													$128,852
2/6/2009	Todd Bancshares, Inc., Hopkinsville, KY[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$277,950
12/12/2008	TowneBank, Portsmouth, VA	Preferred Stock w/ Warrants	$76,458,000							$14.52	$406.02	$21.31	538,184	($7.35)	OUT	$5,447,633
1/16/2009	Treaty Oak Bancorp, Inc., Austin, TX[2]	Preferred Stock w/ Exercised Warrants	$3,268,000													$192,415
3/27/2009	Triad Bancorp, Inc., Frontenac, MO[2]	Preferred Stock w/ Exercised Warrants	$3,700,000													$228,537
12/19/2008	Tri-County Financial Corporation, Waldorf, MD[2]	Preferred Stock w/ Exercised Warrants	$15,540,000													$1,190,408
3/27/2009	Trinity Capital Corporation, Los Alamos, NM[2]	Preferred Stock w/ Exercised Warrants	$35,539,000													$2,195,131
4/3/2009	Tri-State Bank of Memphis, Memphis, TN[2, 3]	Preferred Stock	$2,795,000													$156,054

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
2/27/2009	TriState Capital Holdings, Inc., Pittsburgh, PA[2]	Preferred Stock w/ Exercised Warrants	$23,000,000													$1,529,268
4/3/2009	TriSummit Bank, Kingsport, TN[2, c]	Preferred Stock w/ Exercised Warrants	$2,765,000													$252,399
12/22/2009	TriSummit Bank, Kingsport, TN[2, 10a, c]	Preferred Stock	$4,237,000													
11/21/2008	Trustmark Corporation, Jackson, MS[4]	Preferred Stock w/ Warrants	$215,000,000	12/9/2009	$215,000,000	$0	12/30/2009	R	$10,000,000	$20.82	$1,329.75					$11,287,500
5/29/2009	Two Rivers Financial Group, Burlington, IA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$628,567
11/14/2008	U.S. Bancorp, Minneapolis, MN[4]	Preferred Stock w/ Warrants	$6,599,000,000	6/17/2009	$6,599,000,000	$0	7/15/2009	R	$139,000,000	$22.35	$42,842.58					$195,220,417
8/7/2009	U.S. Century Bank, Miami, FL[2]	Preferred Stock w/ Exercised Warrants	$50,236,000													$745,312
1/30/2009	UBT Bancshares, Inc., Marysville, KS[2]	Preferred Stock w/ Exercised Warrants	$8,950,000													$630,334
11/14/2008	UCBH Holdings, Inc., San Francisco, CA[14]	Preferred Stock w/ Warrants	$298,737,000							$0.01	$1.24	$5.71	7,847,732	($5.67)	OUT	$7,509,920
11/14/2008	Umpqua Holdings Corp., Portland, OR[5, 9]	Preferred Stock w/ Warrants	$214,181,000	2/17/2010	$214,181,000	$0	3/31/2010	R	$4,500,000	$11.48	$1,314.59					$13,475,555
5/1/2009	Union Bank & Trust Company, Oxford, NC[2, c]	Preferred Stock w/ Exercised Warrants	$3,194,000													$242,059
12/18/2009	Union Bank & Trust Company, Oxford, NC[2, 10a, c]	Preferred Stock	$2,997,000													
12/29/2009	Union Financial Corporation, Albuquerque, NM[2, 10]	Preferred Stock w/ Exercised Warrants	$2,179,000													$43,369
2/6/2009	Union First Market Bankshares Corporation (First Market Bank, FSB), Bowling Green, VA[18]	Preferred Stock	$33,900,000													$1,821,889
12/19/2008	Union First Market Bankshares Corporation (Union Bankshares Corporation), Bowling Green, VA[5, 9, 18]	Preferred Stock w/ Warrants	$59,000,000	11/18/2009	$59,000,000	$0	12/23/2009	R	$450,000	$12.26	$317.87					$3,229,709
2/20/2009	United American Bank, San Mateo, CA[2]	Preferred Stock w/ Exercised Warrants	$8,700,000													$0
1/16/2009	United Bancorp, Inc., Tecumseh, MI	Preferred Stock w/ Warrants	$20,600,000							$6.25	$31.70	$9.92	311,492	($2.92)	OUT	$1,370,472
12/23/2008	United Bancorporation of Alabama, Inc., Atmore, AL[g]	Preferred Stock w/ Warrants	$10,300,000									$14.56	106,131	($9.61)	OUT	$718,139
5/22/2009	United Bank Corporation, Barnesville, GA[8]	Subordinated Debentures w/ Exercised Warrants	$14,400,000													$1,184,672
12/5/2008	United Community Banks, Inc., Blairsville, GA[f]	Preferred Stock w/ Warrants	$180,000,000							$3.95	$372.18	$12.28	1,099,542	($7.87)	OUT	$13,000,000
1/16/2009	United Financial Banking Companies, Inc., Vienna, VA[2]	Preferred Stock w/ Exercised Warrants	$5,658,000													$410,304
12/5/2008	Unity Bancorp, Inc., Clinton, NJ	Preferred Stock w/ Warrants	$20,649,000							$5.35	$38.28	$4.05	764,778	$1.24	IN	$1,491,317
5/22/2009	Universal Bancorp, Bloomfield, IN[2]	Preferred Stock w/ Exercised Warrants	$9,900,000													$529,059
6/19/2009	University Financial Corp, Inc., St. Paul, MN[3, 8]	Subordinated Debentures	$11,926,000													$831,573
2/6/2009	US Metro Bank, Garden Grove, CA[2]	Preferred Stock w/ Exercised Warrants	$2,861,000													$198,798

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
12/23/2008	Uwharrie Capital Corp, Albemarle, NC[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$759,972
1/30/2009	Valley Commerce Bancorp, Visalia, CA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$542,048
1/9/2009	Valley Community Bank, Pleasanton, CA[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$404,663
12/12/2008	Valley Financial Corporation, Roanoke, VA	Preferred Stock w/ Warrants	$16,019,000							$3.88	$18.16	$6.97	344,742	($2.52)	OUT	$941,117
12/18/2009	Valley Financial Group, Ltd., 1st State Bank, Saginaw, MI[2]	Preferred Stock w/ Exercised Warrants	$1,300,000													$28,930
11/14/2008	Valley National Bancorp, Wayne, NJ[4, c]	Preferred Stock w/ Warrants		6/3/2009	$75,000,000	$225,000,000	5/18/2010	A	$5,571,592							
11/14/2008	Valley National Bancorp, Wayne, NJ[4, c]	Preferred Stock w/ Warrants	$300,000,000	9/23/2009	$125,000,000	$100,000,000				$13.62	$2,192.33					$12,979,167
11/14/2008	Valley National Bancorp, Wayne, NJ[4, c]	Preferred Stock w/ Warrants		12/23/2009	$100,000,000	$0										
5/1/2009	Village Bank and Trust Financial Corp, Midlothian, VA	Preferred Stock w/ Warrants	$14,738,000							$2.90	$12.29	$4.43	499,029	($0.96)	OUT	$765,557
12/12/2008	Virginia Commerce Bancorp, Arlington, VA	Preferred Stock w/ Warrants	$71,000,000							$6.25	$168.36	$3.95	2,696,203	$2.7	IN	$5,058,750
6/12/2009	Virginia Company Bank, Newport News, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$4,700,000													$229,280
4/24/2009	Vision Bank - Texas, Richardson, TX[2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$86,519
12/19/2008	VIST Financial Corp., Wyomissing, PA[f]	Preferred Stock w/ Warrants	$25,000,000							$7.66	$44.89	$10.19	367,984	($1.22)	OUT	$1,756,944
1/30/2009	W.T.B. Financial Corporation, Spokane, WA[2]	Preferred Stock w/ Exercised Warrants	$110,000,000													$7,743,541
12/11/2009	Wachusett Financial Services, Inc., Clinton, MA[2, 10]	Preferred Stock w/ Exercised Warrants	$12,000,000													$275,070
12/19/2008	Wainwright Bank & Trust Company, Boston, MA[4]	Preferred Stock w/ Warrants	$22,000,000	11/24/2009	$22,000,000	$0	12/16/2009	R	$568,700	$18.65	$135.94					$1,023,611
1/16/2009	Washington Banking Company, Oak Harbor, WA[b]	Preferred Stock w/ Warrants	$26,380,000							$12.79	$195.73	$8.04	246,082	$4.55	IN	$1,755,003
11/14/2008	Washington Federal, Inc., Seattle, WA[4]	Preferred Stock w/ Warrants	$200,000,000	5/27/2009	$200,000,000	$0	3/9/2010	A	$15,623,222	$16.18	$1,819.85					$5,361,111
10/30/2009	WashingtonFirst Bankshares, Inc., Reston, VA[2, 10a, c]	Preferred Stock	$6,842,000													$652,280
1/30/2009	WashingtonFirst Bankshares, Inc. (WashingtonFirst Bank), Reston, VA[2, 13 - 10/30/2009, c]	Preferred Stock w/ Exercised Warrants	$6,633,000													
6/26/2009	Waukesha Bankshares, Inc., Waukesha, WI[2, 10]	Preferred Stock w/ Exercised Warrants	$5,625,000													$262,696
11/21/2008	Webster Financial Corporation, Waterbury, CT[4]	Preferred Stock w/ Warrants	$400,000,000	3/3/2010	$100,000,000	$300,000,000				$17.94	$1,407.84	$18.28	3,282,276	($0.79)	OUT	$28,666,667
10/28/2008	Wells Fargo & Company, San Francisco, CA[4]	Preferred Stock w/ Warrants	$25,000,000,000	12/23/2009	$25,000,000,000	$0	5/20/2010	A	$849,014,998	$25.60	$133,379.89					$1,440,972,222
12/5/2008	WesBanco, Inc., Wheeling, WV[4]	Preferred Stock w/ Warrants	$75,000,000	9/9/2009	$75,000,000	$0	12/23/2009	R	$950,000	$16.85	$447.67					$2,854,167
12/31/2008	West Bancorporation, Inc., West Des Moines, IA	Preferred Stock w/ Warrants	$36,000,000							$6.81	$118.52	$11.39	474,100	($4.81)	OUT	$2,475,000
2/13/2009	Westamerica Bancorporation, San Rafael, CA[4, c]	Preferred Stock w/ Warrants	$83,726,000	9/2/2009	$41,863,000	$41,863,000				$52.52	$1,540.10	$50.92	246,640	$6.73	IN	$2,755,981
2/13/2009	Westamerica Bancorporation, San Rafael, CA[4, c]	Preferred Stock w/ Warrants		11/18/2009	$41,863,000	$0										

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

				Capital Repayment Details			Final Disposition			Warrant and Market Data for Publicly Traded Companies						
Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Date	Capital Repayment Amount	Remaining Capital Amount	Final Disposition Date	Note[15]	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization as of 6/30/2010 (in millions)	Current Strike Price[a]	Current Outstanding Warrants[a]	Amount "In the Money" or "Out of the Money"[e]	In or Out of the Money[e]	Interest/ Dividends Paid to Treasury
11/21/2008	Western Alliance Bancorporation, Las Vegas, NV[b]	Preferred Stock w/ Warrants	$140,000,000							$7.17	$524.42	$13.34	787,107	($7.65)	OUT	$10,383,333
12/23/2008	Western Community Bancshares, Inc., Palm Desert, CA[2]	Preferred Stock w/ Exercised Warrants	$7,290,000													$554,083
12/23/2008	Western Illinois Bancshares Inc., Monmouth, IL[2, c]	Preferred Stock w/ Exercised Warrants	$6,855,000													$607,259
12/29/2009	Western Illinois Bancshares Inc., Monmouth, IL[2, 10a, c]	Preferred Stock	$4,567,000													
5/15/2009	Western Reserve Bancorp, Inc, Medina, OH[2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$256,150
2/20/2009	White River Bancshares Company, Fayetteville, AR[2]	Preferred Stock w/ Exercised Warrants	$16,800,000													$1,131,783
12/19/2008	Whitney Holding Corporation, New Orleans, LA	Preferred Stock w/ Warrants	$300,000,000							$9.25	$892.29	$17.10	2,631,579	($3.31)	OUT	$21,083,333
12/12/2008	Wilmington Trust Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$330,000,000							$11.09	$1,011.39	$26.66	1,856,714	($10.09)	OUT	$23,512,500
12/12/2008	Wilshire Bancorp, Inc., Los Angeles, CA	Preferred Stock w/ Warrants	$62,158,000							$8.75	$259.11	$9.82	949,460	$1.21	IN	$4,428,758
12/19/2008	Wintrust Financial Corporation, Lake Forest, IL	Preferred Stock w/ Warrants	$250,000,000							$33.34	$1,036.07	$22.82	1,643,295	$14.39	IN	$17,569,444
5/15/2009	Worthington Financial Holdings, Inc., Huntsville, AL[2]	Preferred Stock w/ Exercised Warrants	$2,720,000													$148,240
1/23/2009	WSFS Financial Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$52,625,000							$35.93	$255.00	$45.08	175,105	($6.08)	OUT	$3,449,862
1/16/2009	Yadkin Valley Financial Corporation, Elkin, NC[c]	Preferred Stock w/ Warrants	$36,000,000							$3.38	$54.54	$13.99	385,990	($9.69)	OUT	$2,933,027
7/24/2009	Yadkin Valley Financial Corporation, Elkin, NC[c]	Preferred Stock w/ Warrants	$13,312,000							$3.38	$54.54	$7.30	273,534	($3)	OUT	
4/24/2009	York Traditions Bank, York, PA[2]	Preferred Stock w/ Exercised Warrants	$4,871,000													$280,998
11/14/2008	Zions Bancorporation, Salt Lake City, UT	Preferred Stock w/ Warrants	$1,400,000,000							$21.57	$3,456.83	$36.27	5,789,909	($14.43)	OUT	$105,194,444

Total Purchase Amount **$204,901,756,320**

Total Capital Repayment Amount $138,396,175,000

Total Warrant Proceeds $5,774,221,117.67

Total Losses **($2,334,120,000)**

TOTAL TREASURY CPP INVESTMENT AMOUNT OUTSTANDING **$64,171,461,320**

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numeric notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*. All amounts and totals reflect cumulative receipts since inception through 6/30/2010.
[1a] This transaction was included in previous *Transaction Reports* with Merrill Lynch & Co., Inc. listed as the qualifying institution and a 10/28/2008 transaction date, footnoted to indicate that settlement was deferred pending merger. The purchase of Merrill Lynch by Bank of America was completed on 1/1/2009, and this transaction under the CPP was funded on 1/9/2009.
[1b] The warrant disposition proceeds amount are stated pro rata in respect of the CPP investments in Bank of America Corporation that occurred on 10/28/2008 and 1/9/2009. The total gross disposition proceeds from CPP warrants on 3/3/2010 was $310,571,615, consisting of $186,342,969 and $124,228,646. Proceeds from the disposition of TIP warrants on 3/3/2010 appear on a following page of this report.
[2] Privately-held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock (unless the institution is a CDFI), which it exercised immediately.
[3] To promote community development financial institutions (CDFIs), Treasury does not require warrants as part of its investment in certified CDFIs when the size of the investment is $50 million or less.
[3a] Treasury cancelled the warrants received from this institution due to its designation as a CDFI.
[4] Repayment pursuant to Title VII, Section 7001(g) of the American Recovery and Reinvestment Act of 2009.
[5] Redemption pursuant to a qualified equity offering.
[6] This amount does not include accrued and unpaid dividends, which must be paid at the time of capital repayment.
[7] The proceeds associated with the disposition of this investment do not include accrued and unpaid dividends.
[8] Subchapter S corporation; Treasury received a warrant to purchase additional subordinated debentures (unless the institution is a CDFI), which it exercised immediately.
[9] In its qualified equity offering, this institution raised more capital than Treasury's original investment, therefore, the number of Treasury's shares underlying the warrant was reduced by half.
[10] This institution participated in the expansion of CPP for small banks.
[10a] This institution received an additional investment through the expansion of CPP for small banks.
[11] Treasury made three separate investments in Citigroup Inc. ("Citigroup") under CPP, TIP, and AGP for a total of $49 billion. On 6/9/2009, Treasury entered into an agreement with Citigroup to exchange up to $25 billion of Treasury's investment in Fixed Rate Cumulative Perpetual Preferred Stock, Series H (CPP Shares)

"dollar for dollar" in Citigroup's Private and Public Exchange Offerings. On 7/23/2009 and 7/30/2009, Treasury exchanged a total of $25 billion of the CPP shares for Series M Common Stock Equivalent ("Series M") and a warrant to purchase shares of Series M. On 9/11/2009, Series M automatically converted to 7,692,307,692 shares of common stock and the associated warrant terminated on receipt of certain shareholder approvals.
[12] On 8/24/2009, Treasury exchanged its Series C Preferred Stock issued by Popular, Inc. for a like amount of non tax-deductible Trust Preferred Securities issued by Popular Capital Trust III, administrative trustee for Popular, Inc. Popular, Inc. paid a $13 million exchange fee in connection with this transaction.
[13] This institution converted to a bank holding company structure and Treasury exchanged its securities for a like amount of securities that comply with the CPP terms applicable to bank holding companies. The institution in which Treasury's original investment was made is shown in parentheses.
[14] As of the date of this report, this institution is in bankruptcy proceedings.
[15] For final disposition of warrants, "R" represents proceeds from a repurchase of warrants by the financial institution, and "A" represents the proceeds to Treasury, before underwriting fees and selling expenses, from a sale by Treasury in a registered public offering of the warrants issued by the financial institution.
[16] On 12/10/2009, the bankruptcy reorganization plan of CIT Group Inc. became effective and Treasury's preferred stock and warrant investment were extinguished and replaced by Contingent Value Rights (CVRs). On 2/8/2010, the CVRs expired without value as the terms and conditions for distribution of common shares to holders of CVRs were not met.
[17] On 12/11/2009, Treasury exchanged its Series A Preferred Stock issued by Superior Bancorp, Inc. for a like amount of non tax-deductible Trust Preferred Securities issued by Superior Capital Trust II, administrative trustee for Superior Bancorp.
[18] On 2/1/2010, following the acquisition of First Market Bank (First Market) by Union Bankshares Corporation (the acquiror), the preferred stock and exercised warrants issued by First Market on 2/6/2009 were exchanged for a like amount of securities of the acquiror in a single series but with a blended dividend rate equivalent to those of Treasury's original investment.
[19] On 2/11/2010, Pacific Coast National Bancorp dismissed its bankruptcy proceedings with no recovery to any creditors or investors, including Treasury, and the investment was extinguished.
[20] On 3/8/2010, Treasury exchanged its $84,784,000 of Preferred Stock in Midwest Banc Holdings, Inc. (MBHI) for $89,388,000 of Mandatory Convertible Preferred Stock (MCP), which is equivalent to the initial investment amount of $84,784,000, plus $4,604,000 of capitalized previously accrued and unpaid dividends. Subject to the fulfillment by MBHI of the conditions related to its capital plan, the MCP may be converted to common stock.
[21] On 3/30/2010, Treasury exchanged its $7,500,000 of Subordinated Debentures in GulfSouth Private Bank for an equivalent amount of Preferred Stock, in connection with its conversion from a Subchapter S-Corporation, that comply with the CPP terms applicable to privately held qualified financial institutions.
[22] On 4/16/2010, Treasury exchanged its $72,000,000 of Preferred Stock in Independent Bank Corporation (Independent) for $74,426,000 of Mandatory Convertible Preferred Stock (MCP), which is equivalent to the initial investment amount of $72,000,000, plus $2,426,000 of capitalized previously accrued and unpaid dividends. Subject to the fulfillment by Independent of the conditions related to its capital plan, the MCP may be converted to common stock.
[23] Treasury received Citigroup 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 Capital Purchase Program (see note 11). On April 26, 2010, Treasury gave Morgan Stanley & Co. Incorporated (Morgan Stanley) discretionary authority as its sales agent to sell up to 1,500,000,000 shares of the common stock, which authority ended on May 26, 2010 upon completion of the sale. (See "Capital Purchase Program - Citigroup, Inc., Common Stock Disposition" on following page.) On May 26, 2010, Treasury again gave Morgan Stanley discretionary authority as its sales agent to sell up to 1,500,000,000 shares of the common stock from time to time during the period ending on June 30, 2010 (or on completion of the sale). Such sales will generally be made at the market price. Treasury will report the actual number of shares sold by Morgan Stanley, the weighted average price per share and the total proceeds to Treasury from such sales at the close of that period.
[24] On 4/29/2010, Treasury entered into an agreement with Sterling Financial Corporation (Sterling) to exchange Treasury's $303,000,000 of Preferred Stock for an equivalent amount of Mandatory Convertible Preferred Stock (MCP). The closing of the exchange for MCP is subject to the receipt of regulatory and stockholder approvals. Subject to the fulfillment by Sterling of the conditions related to its capital plan, the MCP may be converted to common stock.
[25] As of the date of this report, the banking subsidiary of this institution has been placed in receivership and the subsidiary's assets and liabilities were ordered to be sold to another bank.
[26] On 5/18/2010, Treasury entered into an agreement with The Toronto-Dominion Bank for the sale of all Preferred Stock and Warrants issued by South Financial Group, Inc. to Treasury at an aggregate purchase price of $130,179,218.75 for the Preferred Stock and $400,000.00 for the Warrants. Completion of the sale is subject to the fulfillment of certain closing conditions.
[27] On 6/30/2010, Treasury exchanged $46,400,000 of its Series A Preferred Stock in First Merchants Corporation for a like amount of non tax-deductible Trust Preferred Securities issued by First Merchants Capital Trust III.
[a] According to Treasury, "if a Share Dividend is declared on a common stock of a bank in which Treasury holds outstanding warrants, Treasury is entitled to additional warrants. The 'Update' netted is the amount of new warrant shares that have been received as a result of the corporate action." Thus, the strike price presented reflects these adjustments provided by Treasury. It appears that Treasury also adjusts the number of shares based on corporate actions as well. Those adjustments are also presented in the current number of outstanding warrants. Amounts are presented as of 6/30/2010.
[b] According to Treasury, these institutions executed Qualified Equity Offerings which "reduce the number of outstanding warrants held by Treasury."
[c] Treasury made more than one investment in these institutions. For purposes of this table, income (dividends and interest), is presented on a combined basis because it could not be split between the two transactions based on the data provided by Treasury.
[d] According to Treasury, M&T acquired Provident, therefore "warrant details changed as per the conversion ratio." The previous investment in Provident now reflects M&T market data above.
[e] When a warrant's underlying current stock price rises above the strike price, it is considered "In the Money," otherwise it is considered "Out of the Money."
[f] According to Treasury, these institutions' warrants were modified via Qualified Equity Offerings and Stock Dividend.
[g] According to Treasury, these institutions' warrants were increased via Stock Dividend.
[h] According to Treasury, M&T acquired Provident, therefore "warrant details changed as per the conversion ratio." The previous investment in Provident now reflects M&T market data above.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/6/2010.

TABLE D.2

CPP - CITIGROUP, INC. COMMON STOCK DISPOSITION, AS OF 6/30/2010

Note	Date	Pricing Mechanism[3]	Number of Shares	Proceeds[4]
1	4/26/2010 – 5/26/2010	$4.1217	1,500,000,000	$6,182,493,158
2	5/26/2010 – 6/30/2010	$3.8980	1,108,971,857	$4,322,726,825
		Total Proceeds:		**$10,505,219,983**

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
[1] On April 26, 2010, Treasury gave Morgan Stanley & Co. Incorporated (Morgan Stanley) discretionary authority, as its sales agent, to sell up to 1,500,000,000 shares of common stock from time to time during the period ending on June 30, 2010 (or upon completion of the sale). Completion of the sale under this authority occurred on May 26, 2010.
[2] On May 26, 2010, Treasury gave Morgan Stanley & Co. Incorporated (Morgan Stanley) discretionary authority, as its sales agent, to sell up to 1,500,000,000 shares of common stock from time to time during the period ending on June 30, 2010 (or upon completion of the sale). Completion of the sale under this authority occurred on June 30, 2010.
[3] The price set forth is the weighted average price for all sales of Citigroup, Inc. common stock made by Treasury over the course of the corresponding period.
[4] Amount represents the gross proceeds to Treasury.

Source: Treasury, *Transactions Report*, 7/1/2010.

TABLE D.3

SSFI (AIG) TRANSACTION DETAIL, AS OF 6/30/2010

		Seller			Purchase Details				Exchange Details					Warrants and Market Data						
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Date	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Stock Price as of 3/31/2010	Market Capitalization (in millions)	Strike Price	Outstanding Warrant Shares[a]	Amount "In the Money" or "Out of the Money"[a]	In/Out[a]	Dividends/ Interest Paid to Treasury
1	11/25/2008	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$40,000,000,000	Par	4/17/2009	Exchange	Preferred Stock w/ Warrants	$40,000,000,000	Par	$34.44	$4,651.85	$50.00	2,689,938	($15.86)	OUT	$0
2, 3	4/17/2009	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$29,835,000,000	Par						$34.44	$4,651.85	$0.00002	150	$34.14	IN	$0
						Total	**$69,835,000,000**													

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report.*
[1] On 4/17/2009, Treasury exchanged its Series D Fixed Rate Cumulative Preferred Shares for Series E Fixed Rate Non-Cumulative Preferred Shares with no change to Treasury's initial investment amount. In addition, in order for AIG to fully redeem the Series E Preferred Shares, it has an additional obligation to Treasury of $1,604,576,000 to reflect the cumulative unpaid dividends for the Series D Preferred Shares due to Treasury through and including the exchange date.
[2] The investment price reflects Treasury's commitment to invest up to $30 billion less a reduction of $165 million representing retention payments AIG Financial Products made to its employees in March 2009.
[3] This transaction does not include AIG's commitment fee of an additional $165 million scheduled to be paid from its operating income in three equal installments over the five-year life of the facility.
[a] When a warrant's underlying current stock price rises above the strike price, it is considered "In the Money," otherwise it is considered "Out of the Money."

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/6/2010.

TABLE D.4

TIP TRANSACTION DETAIL, AS OF 6/30/2010

		Seller							Capital Repayment Details		Treasury Investment Remaining After Capital Repayment		Final Disposition			Market and Warrants Data						
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Capital Repayment Amount	Capital Repayment Date[2]	Remaining Capital Amount	Remaining Capital Description	Final Disposition Date	Final Disposition Description	Final Disposition Proceeds	Stock Price as of 6/30/2010	Market Capitalization (in millions)	Strike Price	Outstanding Warrant Shares	Amount "In the Money" or "Out of the Money"[a]	In/ Out[a]	Dividends/ Interest Paid to Treasury
1	12/31/ 2008	Citigroup Inc.	New York	NY	Purchase	Trust Preferred Securities w/ Warrants	$20,000,000,000	Par	$20,000,000,000	12/23/ 2009	$0	Warrants				$3.76	$108,964	$10.61	188,501,414	($6.56)	OUT	$1,568,888,889
	1/16/ 2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par	$20,000,000,000	12/9/ 2009	$0	Warrants	3/3/2010	Warrants	$1,255,639,099.00	$14.37	$144,173					$1,435,555,556
						Total Investment	**$40,000,000,000**	**Total Capital Repayment**	**$40,000,000,000**					**Total Warrant Proceeds**	**$1,255,639,099.00**							
						Total Treasury TIP Investment Amount		**$0**														

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report.*
[1] Treasury made three separate investments in Citigroup Inc. ("Citigroup") under CPP, TIP, and AGP for a total of $49 billion. On 6/9/2009, Treasury entered into an agreement with Citigroup to exchange all of Treasury's investments. On 7/30/2009, Treasury exchanged all of its Fixed Rate Cumulative Perpetual Preferred Stock, Series I (TIP Shares) "dollar for dollar" for Trust Preferred Securities.
[2] Repayment pursuant to Title VII, Section 7001 of the American Recovery and Reinvestment Act of 2009.
a When a warrant's underlying current stock price rises above the strike price, it is considered "In the Money," otherwise it is considered "Out of the Money."

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/6/2010.

TABLE D.5

AGP TRANSACTION DETAIL, AS OF 6/30/2010

	Initial Investment [b]					Premium		Exchange/Transfer/Other Details				Payment or Disposition					Market and Warrants Data						
Note	Date	Institution Name	Transaction Type	Description	Guarantee Limit	Description	Amount	Date	Type	Description	Amount	Date	Payment Type	Payment Amount	Remaining Premium Desc	Remaining Premium Amount	Stock Price	Market Capitalization (in millions)	Strike Price	Outstanding Warrant Shares	Amount "In the Money" or "Out of the Money"[a]	In/Out[a]	Dividends/ Interest Paid to Treasury
1,2,3	1/16/2009	Citigroup Inc., New York, NY	Guarantee	Master Agreement	$5,000,000,000	Preferred Stock w/ Warrants	$4,034,000,000	6/9/2009	Exchange preferred stock for trust preferred securities	Trust Preferred Securities w/ Warrants	$4,034,000,000	12/23/2009	Partial cancellation for early termination of guarantee	($1,800,000,000)	Trust Preferred Securities w/ Warrants	$2,234,000,000	$3.76	$108,964.35	$10.61	66,531,728	($6.56)	OUT	$366,046,667
3	12/23/2009	Citigroup Inc., New York, NY	Termination	Termination Agreement	($5,000,000,000)																		
				Total	$0																		

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes taken verbatim from 7/1/2010 *Transactions Report*.
[1] In consideration for the guarantee, Treasury received $4.03 billion of preferred stock, which pays 8% interest.
[2] Treasury made three separate investments in Citigroup Inc. ("Citigroup") under CPP, TIP, and AGP for a total of $49 billion. On 6/9/2009, Treasury entered into an agreement with Citigroup to exchange all of Treasury's investments. On 7/30/2009, Treasury exchanged all of its Fixed Rate Cumulative Perpetual Preferred Stock Series G (AGP Shares), received as premium with the AGP agreement, "dollar for dollar" for Trust Preferred Securities.
[3] On 12/23/2009, Treasury entered into a Termination Agreement with the other parties to the Master Agreement which served to terminate Treasury's guarantee and obligations under the Master Agreement. In connection with the early termination of the guarantee, Treasury agreed to cancel $1.8 billion of the AGP Trust Preferred Securities, and the Federal Deposit Insurance Corporation (FDIC) and Treasury agreed that, subject to the conditions set out in the Termination Agreement, the FDIC may transfer $800 million of Trust Preferred Securities to Treasury at the close of Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program.
[a] When a warrant's underlying current stock price rises above the strike price, it is considered "In the Money," otherwise it is considered "Out of the Money."
[b] AGP transaction is a guarantee, not a purchase. Treasury received a premium including preferred stock and warrants as part of this transaction.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/6/2010.

TABLE D.6

TALF TRANSACTION DETAIL, AS OF 6/30/2010

		Seller						
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism
1	3/3/2009	TALF LLC	Wilmington	DE	Purchase	Debt Obligation w/ Additional Note	$20,000,000,000	N/A

Note: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
[1] The loan was funded through TALF LLC, a special purpose vehicle created by The Federal Reserve Bank of New York. The amount of $20,000,000,000 represents the maximum loan amount. The loan will be incrementally funded.

Source: Treasury, *Transactions Report*, 7/1/2010.

Table D.7

PPIP TRANSACTION DETAIL, AS OF 6/30/2010

		Seller							Adjusted Investment [3]		Capital Repayment Details		Investment after Capital Repayment		Distribution or Disposition			
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Date	Amount	Repayment Date	Repayment Amount	Amount	Description	Date	Description	Proceeds	Interest/ Dividend Paid to Treasury
2,6	10/30/2009	AG GECC PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,542,675,000								$23,820,378
1,6	10/30/2009	AG GECC PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,271,337,500								
2,6	10/2/2009	AllianceBernstein Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000								$24,159,791.51
1,6	10/2/2009	AllianceBernstein Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								
2,6	10/2/2009	Blackrock PPIF, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000								$6,349,207
1,6	10/2/2009	Blackrock PPIF, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								
1,6	9/30/2009	Invesco Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								$14,836,974
2,6	9/30/2009	Invesco Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000	2/18/2010	$4,888,718	$2,483,986,282	Debt Obligation w/ Contingent Proceeds				
											4/15/2010	$7,066,434	$2,476,919,848	Debt Obligation w/ Contingent Proceeds				
2,6	11/25/2009	Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000								$3,426,992
1,6	11/25/2009	Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								
2,6	12/18/2009	Oaktree PPIP Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000								$261,451
1,6	12/18/2009	Oaktree PPIP Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								
2,6	11/4/2009	RLJ Western Asset Public/Private Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,488,875,000								$15,483,075
1,6	11/4/2009	RLJ Western Asset Public/Private Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,244,437,500								
2,4	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	1/4/2010	$200,000,000	1/11/2010	$34,000,000	$166,000,000	Debt Obligation w/ Contingent Proceeds		N/A		$20,986,495
2,4	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds		Par	1/4/2010		1/12/2010	$166,000,000	$0	Contingent Proceeds	1/29/2010	Distribution [5]	$502,302	
2,4	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds		Par	1/4/2010		1/12/2010		$0	Contingent Proceeds	2/24/2010	Distribution [5]	$1,223	
1,4	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	1/4/2010	$156,250,000	1/15/2010	$156,250,000	$0	Membership Interest [5]	1/29/2010	Distribution [5]	$20,091,872	

Continued on next page.

PPIP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

		Seller							Adjusted Investment[3]		Capital Repayment Details		Investment after Capital Repayment		Distribution or Disposition			
1,4	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Membership Interest		Par	1/4/2010		1/15/2010		$0	Membership Interest [5]	2/24/2010	Distribution [5]	$48,922	
2,6	10/1/2009	Wellington Management Legacy Securities PPIF Master Fund, LP	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	3/22/2010	$2,524,075,000								$5,256,991
1,6	10/1/2009	Wellington Management Legacy Securities PPIF Master Fund, LP	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	3/22/2010	$1,262,037,500								
									Total Investment Amount	$30,356,250,000	**Total Capital Repayment**	$368,205,152				**Total Proceeds**	$20,644,319	

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
[1] The equity amount may be incrementally funded. Investment amount represents Treasury's maximum obligation if the limited partners other than Treasury fund their maximum equity capital obligations.
[2] The loan may be incrementally funded. Investment amount represents Treasury's maximum obligation if Treasury and the limited partners other than Treasury fund 100% of their maximum equity obligations.
[3] Adjusted to show Treasury's maximum obligations to a fund.
[4] On 1/4/2010, Treasury and the fund manager entered into a Winding-Up and Liquidation Agreement. The adjusted amount shows Treasury's final investments in the fund. (See note 6.)
[5] Profit after capital repayments will be paid pro rata (subject to prior distribution of Contingent Proceeds to Treasury) to the fund's partners, including Treasury, in respect of their membership interests.
[6] Following termination of the TCW fund, the $3.33 billion of obligations have been reallocated to the remaining eight funds pursuant to consent letters from Treasury dated as of 3/22/2010. $133 million of maximum equity capital obligation and $267 million of maximum debt obligation were reallocated per fund, after adjustment for the $17.6 million and $26.9 million equity capital reallocations from private investors in the TCW fund to the Wellington fund and the AG GECC fund, respectively. The $356 million of final investment in the TCW fund will remain a part of Treasury's total maximum S-PPIP investment amount.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010.

TABLE D.8

AIFP TRANSACTION DETAIL, AS OF 6/30/2010

	Initial Investment						Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	**Date**	**Transaction Type**	**Seller**	**Description**	**Amount**	**Note**	**Date**	**Type**	**Amount**	**Note**	**Obligor**	**Note**	**Description**	**Amount/ Equity %**	**Date**	**Type**	**Amount/ Proceeds**	**Remaining Investment Description**	**Remaining Investment Amount/ Equity %**	**Dividends/ Interest Paid to Treasury[a]**
GMAC, Detroit, MI	12/29/2008	Purchase	GMAC	Preferred Stock w/ Exercised Warrants	$5,000,000,000		12/30/2009	Exchange for convertible preferred stock	$5,000,000,000		GMAC	21, 22	Convertible Preferred Stock	$5,250,000,000						$1,320,855,486
	5/21/2009	Purchase	GMAC	Convertible Preferred Stock w/ Exercised Warrants	$7,500,000,000	22	12/30/2009	Partial exchange for common stock	$3,000,000,000		GMAC	21, 22	Convertible Preferred Stock	$4,875,000,000						
											GMAC		Common Stock	56.3%						
											GMAC	3	Common Stock							
	12/30/2009	Purchase	GMAC	Trust Preferred Securities w/ Exercised Warrants	$2,540,000,000															
	12/30/2009	Purchase	GMAC	Convertible Preferred Stock w/ Exercised Warrants	$1,250,000,000	22														

Continued on next page.

TABLE D.8

AIFP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Initial Investment						Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Note	Description	Amount/ Equity %	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity %	Dividends/ Interest Paid to Treasury[a]
	12/29/2008	Purchase	General Motors Corporation	Debt Obligation	$884,024,131	2	5/29/2009	Exchange for equity interest in GMAC	$884,024,131	3										
	12/31/2008	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$13,400,000,000		7/10/2009	Exchange for preferred and common stock in New GM	$13,400,000,000	7										
	4/22/2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$2,000,000,000	4	7/10/2009	Exchange for preferred and common stock in New GM	$2,000,000,000	7	General Motors Company	10, 11	Preferred Stock	$2,100,000,000						
	5/20/2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$4,000,000,000	5	7/10/2009	Exchange for preferred and common stock in New GM	$4,000,000,000	7	General Motors Company	10, 11	Common Stock	60.8%						
General Motors,[b] Detroit, MI	5/27/2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$360,624,198	6	7/10/2009	Exchange for preferred and common stock in New GM	$360,624,198	7	General Motors Holdings LLC	11, 12	Debt Obligation	$7,072,488,605	7/10/2009	Partial repayment	$360,624,198	Debt Obligation	$6,711,864,407	
															12/18/2009	Partial repayment	$1,000,000,000	Debt Obligation	$5,711,864,407	$662,328,915
															1/21/2010	Partial repayment	$35,084,421	Debt Obligation	$5,676,779,986	
															3/31/2010	Partial repayment	$1,000,000,000	Debt Obligation	$4,676,779,986	
	6/3/2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$30,100,000,000	8	7/10/2009	Exchange for preferred and common stock in New GM	$22,041,706,310	9					4/20/2010	Repayment	$4,676,779,986	Debt Obligation	$0	
							7/10/2009	Transfer of debt to New GM	$7,072,488,605	9										
							7/10/2009	Debt left at Old GM	$985,805,085	9	Motors Liquidation Company		Debt Obligation	$985,805,085						
	1/16/2009	Purchase	Chrysler FinCo	Debt Obligation w/ Additional Note	$1,500,000,000	13									3/17/2009	Partial repayment	$3,499,055	Debt Obligation w/ Additional Note	$1,496,500,945	
															4/17/2009	Partial repayment	$31,810,122	Debt Obligation w/ Additional Note	$1,464,690,823	
Chrysler FinCo, Farmington Hills, MI															5/18/2009	Partial repayment	$51,136,084	Debt Obligation w/ Additional Note	$1,413,554,739	$7,405,894
															6/17/2009	Partial repayment	$44,357,710	Debt Obligation w/ Additional Note	$1,369,197,029	
															7/14/2009	Repayment	$1,369,197,029	Additional Note	$0	
															7/14/2009	Repayment	$15,000,000	None	—	

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AIFP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Initial Investment						Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Note	Description	Amount/ Equity %	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity %	Dividends/ Interest Paid to Treasury[a]
Chrysler,[c] Auburn Hills, MI	1/2/2009	Purchase	Chrysler Holding	Debt Obligation w/ Additional Note	$4,000,000,000		6/10/2009	Transfer of debt to New Chrysler	$500,000,000	19	Chrysler Holding	20	Debt Obligation w/ Additional Note	$3,500,000,000	5/24/2010	Termination and Settlement Payment[20]	$1,900,000,000	None		$307,953,180
	4/29/2009	Purchase	Chrysler Holding	Debt Obligation w/ Additional Note	$ —	14														
	4/29/2009	Purchase	Chrysler Holding	Debt Obligation w/ Additional Note	$280,130,642	15									7/10/2009	Repayment	$280,130,642	None	$0	
	5/1/2009	Purchase	Chrysler LLC	Debt Obligation w/ Additional Note	$1,888,153,580	16	4/30/2010	Completion of bankruptcy proceeding transfer of collateral security to liquidation trust.	($1,888,153,580)	23	Old Carco Liquidation Trust	23	Rights to Recover Proceeds	N/A	6/10/2010	Proceeds from sell of collateral	$30,544,628	Right to recover proceeds	N/A	
	5/20/2009	Purchase	Chrysler LLC	Debt Obligation w/ Additional Note	$ —	17														
	5/27/2009	Purchase	Chrysler Group LLC	Debt Obligation w/ Additional Note, Equity	$6,642,000,000	18	6/10/2009	Issuance of equity in New Chrysler	$ —		Chrysler Group LLC	19	Debt Obligation w/ Additional Note	$7,142,000,000						
											Chrysler Group LLC		Common Equity	9.9%						
				Total Initial Investment Amount	**$81,344,932,551**											**Total Payments**	**$10,783,163,775**			
																Total Treasury Investment Amount	**$67,073,615,196**			

Notes: Numbers affected by rounding. Data as of 3/31/2010. Definitions and numbered notes taken verbatim from Treasury's 4/2/2010 *Transactions Report*. See www.financialstability.gov to see *Transactions Report* including colored lines referred to by Treasury.
"GMAC" refers to GMAC Inc., formerly known as GMAC LLC.
"Old GM" refers to General Motors Corporation, which is now known as Motors Liquidation Company.
"New GM" refers to General Motors Company, the company that purchased Old GM's assets on 7/10/2009 in a sale pursuant to section 363 of the Bankruptcy Code. See also footnote 11.
"Chrysler FinCo" refers to Chrysler Financial Services Americas LLC.
"Chrysler Holding" refers to CGI Holding LLC, the company formerly known as "Chrysler Holding LLC."
"Old Chrysler" refers to Chrysler LLC.
"New Chrysler" refers to Chrysler Group LLC, the company that purchased Old Chrysler's assets on 6/10/2009 in a sale pursuant to section 363 of the Bankruptcy Code.

1 Payment amount does not include accrued and unpaid interest on a debt obligation, which must be paid at the time of principal repayment.
2 Treasury committed to lend General Motors Corporation up to $1,000,000,000. The ultimate funding was dependent upon the level of investor participation in GMAC LLC's rights offering. The amount has been updated to reflect the final level of funding.
3 Pursuant to its rights under the loan agreement with Old GM reported on 12/29/2008, Treasury exchanged its $884 million loan to Old GM for a portion of Old GM's common equity interest in GMAC. Treasury held a 35.4% common equity interest in GMAC until the transactions reported on 12/30/2009. (See transactions marked by orange line in the table above and footnote 22.)
4 This transaction is an amendment to Treasury's 12/31/2008 agreement with Old GM (the "Old GM Loan"), which brought the total loan amount to $15,400,000,000.
5 This transaction was a further amendment to the Old GM Loan, which brought the total loan amount to $19,400,000,000.
6 This transaction was a further amendment to the Old GM Loan, which brought the total loan amount to $19,760,624,198. The $360,624,198 loan was used to capitalize GM Warranty LLC, a special purpose vehicle created by . On 7/10/2009, the principal amount was included in the $7.07 billion of debt assumed by the New GM, as explained in footnote 10.
7 On 7/10/2009, the principal amount outstanding under the Old GM Loan and interest accrued thereunder were extinguished and exchanged for privately placed preferred and common equity in New GM. (See green lines in the table above.)
8 Under the terms of the $33.3 billion debtor-in-possession credit agreement dated 6/3/2009 with Old GM (the "GM DIP Loan"), Treasury's commitment amount was $30.1 billion. The remaining $2.2 billion of the financing was provided by Canadian government entities. As of 7/9/2009, $30.1 billion of funds had been disbursed by Treasury.
9 On 7/10/2009, Treasury and Old GM amended the GM DIP Loan, and the principal amount and interest accrued thereunder were extinguished and exchanged for privately placed preferred and common equity in New GM, except for (i) $7.07 billion, which was assumed by New GM as a new obligation under the terms of a separate credit agreement between Treasury and New GM (see transactions marked by green lines in table above) and (ii) $986 million, which remained a debt obligation of Old GM.
10 In total, for the exchange of the Old GM Loan and the GM DIP Loan (other than as explained in footnote 9), Treasury received $2.1 billion in preferred shares and 60.8% of the common shares of New GM. (See transactions marked by green lines in the table above.)
11 Pursuant to a corporate reorganization completed on or about 10/19/2009, the shareholders of New GM, including with respect to Treasury's preferred and common stock, became shareholders of General Motors Holding Company (the ultimate parent company of New GM), which was renamed "General Motors Company" on an equal basis to their shareholdings in New GM, and New GM was converted to "General Motors LLC". General Motors LLC is a wholly owned subsidiary of General Motors Holdings LLC, and General Motors Holdings LLC is a wholly owned subsidiary of General Motors Company.
12 Pursuant to a corporate reorganization completed on 10/19/2009, Treasury's loan with New GM was assigned and assumed by General Motors Holdings LLC.
13 The loan was funded through Chrysler LB Receivables Trust, a special purpose vehicle created by Chrysler FinCo. The amount of $1,500,000,000 represents the maximum loan amount. The loan was incrementally funded until it reached the maximum amount of $1.5 billion on 4/9/2009.
14 This transaction was an amendment to Treasury's 1/2/2009 agreement with Chrysler Holding. As of 4/30/2009, Treasury's obligation to lend any funds committed under this amendment had terminated. No funds were disbursed.
15 The loan was used to capitalize Chrysler Warranty SPV LLC, a special purpose vehicle created by Old Chrysler.
16 This transaction was set forth in a credit agreement with Old Chrysler fully executed on 5/5/2009 following a term sheet executed on 5/1/2009 and made effective on 4/30/2009. Treasury's commitment was $3.04 billion of the total $4.1 billion debtor-in-possession credit facility (the "Chrysler DIP Loan"). As of 6/30/2009, Treasury's commitment to lend under the Chrysler DIP Loan had terminated. The remaining principal amount reflects the final amount of funds disbursed under the Chrylser DIP Loan.
17 This transaction was an amendment to Treasury's commitment under the Chrysler DIP Loan, which increased Treasury's commitment by an amount $756,857,000 to a total of $3.8 billion under the Chrysler DIP Loan. As of 6/30/2009, Treasury's obligation to lend funds committed under the Chrysler DIP Loan had terminated.
18 This transaction, first reported based on a term sheet fully executed on 5/27/2009 for an amount up to $6.943 billion, was set forth in a credit agreement with New Chrysler fully executed on 6/10/2009. Under the terms of the credit agreement, Treasury made a new commitment to New Chrysler of up to $6.642 billion. The total loan amount is up to $7.142 billion including $500 million of debt assumed on 6/10/2009 from Chrysler Holding originally incurred under Treasury's 1/2/2009 credit agreement with Chrysler Holding. The debt obligations are secured by a first priority lien on the assets of New Chrysler. When the sale to new Chrysler was completed, Treasury acquired the rights to 9.85% of the common equity in new Chrysler.
19 Pursuant to the agreement explained in footnote 18, $500 million of this debt obligation was assumed by New Chrysler.
20 Under the terms of an agreement dated 7/23/2009, Treasury agreed to hold the outstanding loans of Chrysler Holding in forbearance, and Chrysler Holding agreed to pay the greater of $1.375 billion or 40% of the equity value of Chrysler FinCo in the event it receives proceeds from Chrysler FinCo.
21 Amount of the Treasury investment after exchange includes the exercised warrants from Treasury's initial investment.
22 Under the terms of an agreement dated 12/30/2009, the convertible preferred shares will mandatorily convert to common stock under the conditions and the conversion price as set forth in the terms of the agreement.
23 On April 30, 2010, the Plan of Liquidation for the debtors of Old Chrysler approved by the respective bankruptcy court became effective (the "Liquidation Plan"). Under the Liquidation Plan, the loan Treasury had provided to Old Chrysler was extinguished without repayment, and all assets of Old Chrysler were transferred to a liquidation trust. Treasury retained the right to recover the proceeds from the liquidation from time to time of the specified collateral security attached to such loan.
a For the purpose of this table, income (dividends and interest) are presented in aggregate for each AIFP participant.
b According to Treasury, the GM warrant was "Exchanged out of bankruptcy exit."
c This table includes AWCP transactions.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010.

TABLE D.9

ASSP TRANSACTION DETAIL, AS OF 6/30/2010

		Seller							Adjustment Details			Repayment[4]				
Note	Date	Institution Name	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Adjustment Date[3]	Adjustment Amount	Adjusted Investment Amount	Date	Type	Remaining Investment Description	Amount	"Dividends/ Interest Paid to Treasury"
1,3	4/9/2009	GM Supplier Receivables LLC	Wilmington	DE	Purchase	Debt Obligation w/ Additional Note	$3,500,000,000	N/A	7/8/2009	($1,000,000,000)	$2,500,000,000	11/20/2009	Partial repayment	Debt Obligation w/ Additional Note	$140,000,000	
												2/11/2010	Partial repayment	Debt Obligation w/ Additional Note	$100,000,000	$21,629,701.30
												3/4/2010	Repayment[5]	Additional Note	$50,000,000	
1,6											$290,000,000	4/5/2010	Payment[6]	None	$56,541,893	
2,3	4/9/2009	Chrysler Receivables SPV LLC	Wilmington	DE	Purchase	Debt Obligation w/ Additional Note	$1,500,000,000	N/A	7/8/2009	($500,000,000)	$1,000,000,000	3/9/2010	Repayment[5]	Additional Note	$123,076,735	$10,320,229.48
2,7											$123,076,735	4/7/2010	Payment[7]	None	$44,533,054	
						Initial Total	$5,000,000,000			**Adjusted Total**	$3,500,000,000					

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.

[1] The loan was funded through GM Supplier Receivables, LLC, a special purpose vehicle created by General Motors Corporation. The amount of $3,500,000,000 represents the maximum loan amount. The loan will be incrementally funded. The credit agreement was fully executed on 4/9/2009, but was made effective as of 4/3/2009. General Motors Company assumed GM Supplier Receivables LLC on 7/10/2009.

[2] The loan was funded through Chrysler Receivables SPV LLC, a special purpose vehicle created by Chrysler LLC. The amount of $1,500,000,000 represents the maximum loan amount. The loan will be incrementally funded. The credit agreement was fully executed on 4/9/2009, but was made effective as of 4/7/2009. Chrysler Group LLC assumed Chrysler Receivables SPV LLC on 6/10/2009.

[3] Treasury issued notice to the institution of the permanent reduced commitment on 7/8/2009; the reduction was effective on 7/1/2009.

[4] Does not include accrued and unpaid interest due on the amount of principal repayment, which interest must be paid at the time of principal repayment.

[5] All outstanding principal drawn under the credit agreement was repaid.

[6] Treasury's commitment was $2.5 billion (see note 3). As of 4/5/2009, Treasury's commitment to lend under the credit agreement had terminated and the borrower has paid its obligations with respect to the Additional Note. The final investment amount reflects the total funds disbursed under the loan, all of which have been repaid.

[7] Treasury's commitment was $1 billion (see note 3). As of 4/7/2009, Treasury's commitment to lend under the credit agreement had terminated and the borrower has paid its obligations with respect to the Additional Note. The final investment amount reflects the total funds disbursed under the loan, all of which have been repaid.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010.

Table D.10

HAMP TRANSACTION DETAIL, AS OF 6/30/2010

	Servicer Modifying Borrowers' Loans			Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]		Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description		Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
4/13/2009	Select Portfolio Servicing, Salt Lake City, UT	Purchase	Financial Instrument for Home Loan Modifications	$376,000,000	N/A	6/12/2009	$284,590,000	$660,590,000	Updated portfolio data from servicer	
						9/30/2009	$121,910,000	$782,500,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$131,340,000	$913,840,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($355,530,000)	$558,310,000	Updated portfolio data from servicer	
4/13/2009	CitiMortgage, Inc., O'Fallon, MO	Purchase	Financial Instrument for Home Loan Modifications	$2,071,000,000	N/A	6/12/2009	($991,580,000)	$1,079,420,000	Updated portfolio data from servicer	
						9/30/2009	$1,010,180,000	$2,089,600,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($105,410,000)	$1,984,190,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($199,300,000)	$1,784,890,000	Updated portfolio data from servicer & 2MP initial cap	
						4/19/2010	($230,000)	$1,784,660,000	Transfer of cap to Service One, Inc. due to servicing transfer	
						5/14/2010	($3,000,000)	$1,781,660,000	Transfer of cap to Specialized Loan Servicing, LLC due to servicing transfer	
						6/16/2010	($12,280,000)	$1,769,380,000	Transfer of cap to multiple servicers due to servicing transfer	
4/13/2009	Wells Fargo Bank, NA, Des Moines, IA	Purchase	Financial Instrument for Home Loan Modifications	$2,873,000,000	N/A	6/17/2009	($462,990,000)	$2,410,010,000	Updated portfolio data from servicer	$133,380
						9/30/2009	$65,070,000	$2,475,080,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$1,213,310,000	$3,688,390,000	Updated portfolio data from servicer & HAFA initial cap	
						2/17/2010	$2,050,236,344	$5,738,626,344	Transfer of cap (from Wachovia) due to merger	
						3/12/2010	$54,767	$5,738,681,110	Transfer of cap (from Wachovia) due to merger	
						3/19/2010	$668,108,890	$6,406,790,000	Initial 2MP cap	
						3/26/2010	$683,130,000	$7,089,920,000	Updated portfolio data from servicer	
4/13/2009	GMAC Mortgage, Inc., Ft. Washington, PA	Purchase	Financial Instrument for Home Loan Modifications	$633,000,000	N/A	6/12/2009	$384,650,000	$1,017,650,000	Updated portfolio data from servicer	
						9/30/2009	$2,537,240,000	$3,554,890,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($1,679,520,000)	$1,875,370,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$190,180,000	$2,065,550,000	Updated portfolio data from servicer	
						5/14/2010	$1,880,000	$2,067,430,000	Transfer of cap from Wilshire Credit Corporation due to servicing transfer	
4/13/2009	Saxon Mortgage Services, Inc., Irving, TX	Purchase	Financial Instrument for Home Loan Modifications	$407,000,000	N/A	6/17/2009	$225,040,000	$632,040,000	Updated portfolio data from servicer	
						9/30/2009	$254,380,000	$886,420,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$355,710,000	$1,242,130,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($57,720,000)	$1,184,410,000	Updated portfolio data from servicer	
						6/16/2010	($156,050,000)	$1,028,360,000	Transfer of cap to Ocwen Financial Corporation, Inc. due to servicing transfer	
4/13/2009	Chase Home Finance, LLC, Iselin, NJ[2]	Purchase	Financial Instrument for Home Loan Modifications	$3,552,000,000	N/A	7/31/2009	($3,552,000,000)	$0	Termination of SPA	
4/16/2009	Ocwen Financial Corporation, Inc., West Palm Beach, FL	Purchase	Financial Instrument for Home Loan Modifications	$659,000,000	N/A	6/12/2009	($105,620,000)	$553,380,000	Updated portfolio data from servicer	$1,021
						9/30/2009	$102,580,000	$655,960,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$277,640,000	$933,600,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$46,860,000	$980,460,000	Updated portfolio data from servicer	
						6/16/2010	$156,050,000	$1,136,510,000	Transfer of cap from Saxon Mortgage Services, Inc. due to servicing transfer	
4/17/2009 as amended on 1/26/2010	Bank of America, N.A., Simi Valley, CA	Purchase	Financial Instrument for Home Loan Modifications	$798,900,000	N/A	6/12/2009	$5,540,000	$804,440,000	Updated portfolio data from servicer	$144,173
						9/30/2009	$162,680,000	$967,120,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$665,510,000	$1,632,630,000	Updated portfolio data from servicer & HAFA initial cap	
						1/26/2010	$800,390,000	$2,433,020,000	Initial 2MP cap	
						3/26/2010	($829,370,000)	$1,603,650,000	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
4/17/2009 as amended on 1/26/2010	Countrywide Home Loans Servicing LP, Simi Valley, CA	Purchase	Financial Instrument for Home Loan Modifications	$1,864,000,000	N/A	6/12/2009	$3,318,840,000	$5,182,840,000	Updated portfolio data from servicer	
						9/30/2009	($717,420,000)	$4,465,420,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$2,290,780,000	$6,756,200,000	Updated portfolio data from servicer & HAFA initial cap	
						1/26/2010	$450,100,000	$7,206,300,000	Initial 2MP cap	
						3/26/2010	$905,010,000	$8,111,310,000	Updated portfolio data from servicer	
						4/19/2010	$10,280,000	$8,121,590,000	Transfer of cap from Wilshire Credit Corporation due to servicing transfer	
						6/16/2010	$286,510,000	$8,408,100,000	Transfer of cap from Wilshire Credit Corporation due to servicing transfer	
4/20/2009	Home Loan Services, Inc., Pittsburgh, PA	Purchase	Financial Instrument for Home Loan Modifications	$319,000,000	N/A	6/12/2009	$128,300,000	$447,300,000	Updated portfolio data from servicer	
						9/30/2009	$46,730,000	$494,030,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$145,820,000	$639,850,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($17,440,000)	$622,410,000	Updated portfolio data from servicer	
4/20/2009	Wilshire Credit Corporation, Beaverton, OR	Purchase	Financial Instrument for Home Loan Modifications	$366,000,000	N/A	6/12/2009	$87,130,000	$453,130,000	Updated portfolio data from servicer	
						9/30/2009	($249,670,000)	$203,460,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$119,700,000	$323,160,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$52,270,000	$375,430,000	Updated portfolio data from servicer	
						4/19/2010	($10,280,000)	$365,150,000	Transfer of cap to Countrywide Home Loans due to servicing transfer	
						5/14/2010	($1,880,000)	$363,270,000	Transfer of cap to GMAC Mortgage, Inc. due to servicing transfer	
						6/16/2010	($286,510,000)	$76,760,000	Transfer of cap to Countrywide Home Loans due to servicing transfer	
4/24/2009	Green Tree Servicing LLC, Saint Paul, MN	Purchase	Financial Instrument for Home Loan Modifications	$156,000,000	N/A	6/17/2009	($64,990,000)	$91,010,000	Updated portfolio data from servicer	
						9/30/2009	$130,780,000	$221,790,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($116,750,000)	$105,040,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$13,080,000	$118,120,000	Updated portfolio data from servicer	
4/27/2009	Carrington Mortgage Services, LLC, Santa Ana, CA	Purchase	Financial Instrument for Home Loan Modifications	$195,000,000	N/A	6/17/2009	($63,980,000)	$131,020,000	Updated portfolio data from servicer	
						9/30/2009	$90,990,000	$222,010,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$57,980,000	$279,990,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$74,520,000	$354,510,000	Updated portfolio data from servicer	
5/1/2009	Aurora Loan Services, LLC, Littleton, CO	Purchase	Financial Instrument for Home Loan Modifications	$798,000,000	N/A	6/17/2009	($338,450,000)	$459,550,000	Updated portfolio data from servicer	
						9/30/2009	($11,860,000)	$447,690,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$21,330,000	$469,020,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$9,150,000	$478,170,000	Updated portfolio data from servicer	
5/28/2009	Nationstar Mortgage LLC, Lewisville, TX	Purchase	Financial Instrument for Home Loan Modifications	$101,000,000	N/A	6/12/2009	$16,140,000	$117,140,000	Updated portfolio data from servicer	
						9/30/2009	$134,560,000	$251,700,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$80,250,000	$331,950,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$67,250,000	$399,200,000	Updated portfolio data from servicer	
6/12/2009	Residential Credit Solutions, Fort Worth, TX	Purchase	Financial Instrument for Home Loan Modifications	$19,400,000	N/A	9/30/2009	($1,860,000)	$17,540,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$27,920,000	$45,460,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($1,390,000)	$44,070,000	Updated portfolio data from servicer	
6/17/2009	CCO Mortgage, Glen Allen, VA	Purchase	Financial Instrument for Home Loan Modifications	$16,520,000	N/A	9/30/2009	$13,070,000	$29,590,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$145,510,000	$175,100,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($116,950,000)	$58,150,000	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
6/17/2009	RG Mortgage Corporation, San Juan, PR	Purchase	Financial Instrument for Home Loan Modifications	$57,000,000	N/A	9/30/2009	($11,300,000)	$45,700,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($42,210,000)	$3,490,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$65,640,000	$69,130,000	Updated portfolio data from servicer	
						4/9/2010	($14,470,000)	$54,660,000	Updated portfolio data from servicer	
6/19/2009	First Federal Savings and Loan, Port Angeles, WA	Purchase	Financial Instrument for Home Loan Modifications	$770,000	N/A	12/30/2009	$2,020,000	$2,790,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$11,370,000	$14,160,000	Updated portfolio data from servicer	
						5/26/2010	($14,160,000)	$0	Termination of SPA	
6/19/2009	Wescom Central Credit Union, Anaheim, CA	Purchase	Financial Instrument for Home Loan Modifications	$540,000	N/A	9/30/2009	$330,000	$870,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$16,490,000	$17,360,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($14,260,000)	$3,100,000	Updated portfolio data from servicer	
6/26/2009	Citizens First Wholesale Mortgage Company, The Villages, FL	Purchase	Financial Instrument for Home Loan Modifications	$30,000	N/A	9/30/2009	($10,000)	$20,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$590,000	$610,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($580,000)	$30,000	Updated portfolio data from servicer	
6/26/2009	Technology Credit Union, San Jose, CA	Purchase	Financial Instrument for Home Loan Modifications	$70,000	N/A	12/30/2009	$2,180,000	$2,250,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($720,000)	$1,530,000	Updated portfolio data from servicer	
6/26/2009	National City Bank, Miamisburg, OH	Purchase	Financial Instrument for Home Loan Modifications	$294,980,000	N/A	9/30/2009	$315,170,000	$610,150,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$90,280,000	$700,430,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($18,690,000)	$681,740,000	Updated portfolio data from servicer	
7/1/2009	Wachovia Mortgage, FSB, Des Moines, IA[3]	Purchase	Financial Instrument for Home Loan Modifications	$634,010,000	N/A	9/30/2009	$723,880,000	$1,357,890,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$692,640,000	$2,050,530,000	Updated portfolio data from servicer & HAFA initial cap	
						2/17/2010	($2,050,236,344)	$293,656	Transfer of cap (to Wells Fargo Bank) due to merger	
						3/12/2010	($54,767)	$238,890	Transfer of cap (to Wells Fargo Bank) due to merger	
7/1/2009	Bayview Loan Servicing, LLC, Coral Gables, FL	Purchase	Financial Instrument for Home Loan Modifications	$44,260,000	N/A	9/30/2009	$23,850,000	$68,110,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$43,590,000	$111,700,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$34,540,000	$146,240,000	Updated portfolio data from servicer	
						5/7/2010	$1,010,000	$147,250,000	Initial 2MP cap	
7/10/2009	Lake National Bank, Mentor, OH	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2009	$150,000	$250,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$130,000	$380,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$50,000	$430,000	Updated portfolio data from servicer	
7/10/2009	IBM Southeast Employees' Federal Credit Union, Delray Beach, FL	Purchase	Financial Instrument for Home Loan Modifications	$870,000	N/A	9/30/2009	($10,000)	$860,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$250,000	$1,110,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($10,000)	$1,100,000	Updated portfolio data from servicer	
7/17/2009	MorEquity, Inc., Evansville, IN	Purchase	Financial Instrument for Home Loan Modifications	$23,480,000	N/A	9/30/2009	$18,530,000	$42,010,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$24,510,000	$66,520,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$18,360,000	$84,880,000	Updated portfolio data from servicer	
7/17/2009	PNC Bank, National Association, Pittsburgh, PA	Purchase	Financial Instrument for Home Loan Modifications	$54,470,000	N/A	9/30/2009	($36,240,000)	$18,230,000	Updated portfolio data from servicer & HPDP initial cap	$29,722
						12/30/2009	$19,280,000	$37,510,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$2,470,000	$39,980,000	Updated portfolio data from servicer	
7/17/2009	Farmers State Bank, West Salem, OH	Purchase	Financial Instrument for Home Loan Modifications	$170,000	N/A	9/30/2009	($90,000)	$80,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$50,000	$130,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$100,000	$230,000	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

Servicer Modifying Borrowers' Loans						Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
7/17/2009	ShoreBank, Chicago, IL	Purchase	Financial Instrument for Home Loan Modifications	$1,410,000	N/A	9/30/2009	$890,000	$2,300,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$1,260,000	$3,560,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($20,000)	$3,540,000	Updated portfolio data from servicer	
7/22/2009	American Home Mortgage Servicing, Inc, Coppell, TX	Purchase	Financial Instrument for Home Loan Modifications	$1,272,490,000	N/A	9/30/2009	($53,670,000)	$1,218,820,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$250,450,000	$1,469,270,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$124,820,000	$1,594,090,000	Updated portfolio data from servicer	
7/22/2009	Mortgage Center, LLC, Southfield, MI	Purchase	Financial Instrument for Home Loan Modifications	$4,210,000	N/A	9/30/2009	$1,780,000	$5,990,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$2,840,000	$8,830,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$2,800,000	$11,630,000	Updated portfolio data from servicer	
7/22/2009	Mission Federal Credit Union, San Diego, CA	Purchase	Financial Instrument for Home Loan Modifications	$860,000	N/A	9/30/2009	($490,000)	$370,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$6,750,000	$7,120,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($6,340,000)	$780,000	Updated portfolio data from servicer	
7/29/2009	First Bank, St. Louis, MO	Purchase	Financial Instrument for Home Loan Modifications	$6,460,000	N/A	9/30/2009	($1,530,000)	$4,930,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$680,000	$5,610,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$2,460,000	$8,070,000	Updated portfolio data from servicer	
7/29/2009	Purdue Employees Federal Credit Union, West Lafayette, IN	Purchase	Financial Instrument for Home Loan Modifications	$1,090,000	N/A	9/30/2009	($60,000)	$1,030,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$1,260,000	$2,290,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$2,070,000	$4,360,000	Updated portfolio data from servicer	
7/29/2009	Wachovia Bank, N.A., Charlotte, NC	Purchase	Financial Instrument for Home Loan Modifications	$85,020,000	N/A	9/30/2009	($37,700,000)	$47,320,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$26,160,000	$73,480,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$9,820,000	$83,300,000	Updated portfolio data from servicer	
7/31/2009	J.P.Morgan Chase Bank, NA, Lewisville, TX	Purchase	Financial Instrument for Home Loan Modifications	$2,699,720,000	N/A	9/30/2009	($14,850,000)	$2,684,870,000	Updated portfolio data from servicer & HPDP initial cap	$145,660
						12/30/2009	$1,178,180,000	$3,863,050,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$1,006,580,000	$4,869,630,000	Updated portfolio data from servicer & 2MP initial cap	
7/31/2009	EMC Mortgage Corporation, Lewisville, TX	Purchase	Financial Instrument for Home Loan Modifications	$707,380,000	N/A	9/30/2009	($10,000)	$707,370,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$502,430,000	$1,209,800,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($134,560,000)	$1,075,240,000	Updated portfolio data from servicer & 2MP initial cap	
8/5/2009	Lake City Bank, Warsaw, IN	Purchase	Financial Instrument for Home Loan Modifications	$420,000	N/A	9/30/2009	$180,000	$600,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($350,000)	$250,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$20,000	$270,000	Updated portfolio data from servicer	
8/5/2009	Oakland Municipal Credit Union, Oakland, CA	Purchase	Financial Instrument for Home Loan Modifications	$140,000	N/A	9/30/2009	$290,000	$430,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$210,000	$640,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$170,000	$810,000	Updated portfolio data from servicer	
8/5/2009	HomEq Servicing, North Highlands, CA	Purchase	Financial Instrument for Home Loan Modifications	$674,000,000	N/A	9/30/2009	($121,190,000)	$552,810,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	($36,290,000)	$516,520,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$199,320,000	$715,840,000	Updated portfolio data from servicer	
8/12/2009	Litton Loan Servicing LP, Houston, TX	Purchase	Financial Instrument for Home Loan Modifications	$774,900,000	N/A	9/30/2009	$313,050,000	$1,087,950,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$275,370,000	$1,363,320,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$278,910,000	$1,642,230,000	Updated portfolio data from servicer	
8/12/2009	PennyMac Loan Services, LLC, Calasbasa, CA	Purchase	Financial Instrument for Home Loan Modifications	$6,210,000	N/A	9/30/2009	($1,200,000)	$5,010,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$30,800,000	$35,810,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$23,200,000	$59,010,000	Updated portfolio data from servicer	
						6/16/2010	$2,710,000	$61,720,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
8/12/2009	Servis One, Inc., Titusville, PA	Purchase	Financial Instrument for Home Loan Modifications	$29,730,000	N/A	9/30/2009	($25,510,000)	$4,220,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$520,000	$4,740,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$4,330,000	$9,070,000	Updated portfolio data from servicer	
						4/19/2010	$230,000	$9,300,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
						5/19/2010	$850,000	$10,150,000	Initial 2MP cap	
8/28/2009	OneWest Bank, Pasadena, CA	Purchase	Financial Instrument for Home Loan Modifications	$668,440,000	N/A	10/2/2009	$145,800,000	$814,240,000	HPDP initial cap	
						12/30/2009	$1,355,930,000	$2,170,170,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$121,180,000	$2,291,350,000	Updated portfolio data from servicer	
8/28/2009	Stanford Federal Credit Union, Palo Alto, CA	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A	10/2/2009	$70,000	$370,000	HPDP initial cap	
						12/30/2009	$2,680,000	$3,050,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$350,000	$3,400,000	Updated portfolio data from servicer	
8/28/2009	RoundPoint Mortgage Servicing Corporation, Charlotte, NC	Purchase	Financial Instrument for Home Loan Modifications	$570,000	N/A	10/2/2009	$130,000	$700,000	HPDP initial cap	
						12/30/2009	($310,000)	$390,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$2,110,000	$2,500,000	Updated portfolio data from servicer	
9/2/2009	Horicon Bank, Horicon, WI	Purchase	Financial Instrument for Home Loan Modifications	$560,000	N/A	10/2/2009	$130,000	$690,000	HPDP initial cap	
						12/30/2009	$1,040,000	$1,730,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($1,680,000)	$50,000	Updated portfolio data from servicer	
						5/12/2010	$1,260,000	$1,310,000	Updated portfolio data from servicer	
9/2/2009	Vantium Capital, Inc., Plano, TX	Purchase	Financial Instrument for Home Loan Modifications	$6,000,000	N/A	10/2/2009	$1,310,000	$7,310,000	HPDP initial cap	
						12/30/2009	($3,390,000)	$3,920,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$410,000	$4,330,000	Updated portfolio data from servicer	
9/9/2009	Central Florida Educators Federal Credit Union, Lake Mary, FL	Purchase	Financial Instrument for Home Loan Modifications	$1,250,000	N/A	10/2/2009	$280,000	$1,530,000	HPDP initial cap	
						12/30/2009	($750,000)	$780,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$120,000	$900,000	Updated portfolio data from servicer	
9/9/2009	U.S. Bank National Association, Owensboro, KY	Purchase	Financial Instrument for Home Loan Modifications	$114,220,000	N/A	10/2/2009	$24,920,000	$139,140,000	HPDP initial cap	
						12/30/2009	$49,410,000	$188,550,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$41,830,000	$230,380,000	Updated portfolio data from servicer	
9/9/2009	CUC Mortgage Corporation, Albany, NY	Purchase	Financial Instrument for Home Loan Modifications	$4,350,000	N/A	10/2/2009	$950,000	$5,300,000	HPDP initial cap	
						12/30/2009	$5,700,000	$11,000,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$740,000	$11,740,000	Updated portfolio data from servicer	
9/11/2009	ORNL Federal Credit Union, Oak Ridge, TN	Purchase	Financial Instrument for Home Loan Modifications	$2,070,000	N/A	10/2/2009	$460,000	$2,530,000	HPDP initial cap	
						12/30/2009	$2,730,000	$5,260,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$13,280,000	$18,540,000	Updated portfolio data from servicer	
9/11/2009	Allstate Mortgage Loans & Investments, Inc., Ocala, FL	Purchase	Financial Instrument for Home Loan Modifications	$250,000	N/A	10/2/2009	$60,000	$310,000	HPDP initial cap	
						12/30/2009	($80,000)	$230,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$280,000	$510,000	Updated portfolio data from servicer	
9/11/2009	Metropolitan National Bank, Little Rock, AR	Purchase	Financial Instrument for Home Loan Modifications	$280,000	N/A	10/2/2009	$70,000	$350,000	HPDP initial cap	
						12/30/2009	$620,000	$970,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$100,000	$1,070,000	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans			Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/Investors (Cap)[1]		Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description		Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
9/11/2009	Franklin Credit Management Corporation, Jersey City, NJ	Purchase	Financial Instrument for Home Loan Modifications	$27,510,000	N/A	10/2/2009	$6,010,000	$33,520,000	HPDP initial cap	
						12/30/2009	($19,750,000)	$13,770,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($4,780,000)	$8,990,000	Updated portfolio data from servicer	
9/16/2009	Bay Federal Credit Union, Capitola, CA	Purchase	Financial Instrument for Home Loan Modifications	$410,000	N/A	10/2/2009	$90,000	$500,000	HPDP initial cap	
						12/30/2009	$1,460,000	$1,960,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$160,000	$2,120,000	Updated portfolio data from servicer	
9/23/2009	AMS Servicing, LLC, Buffalo, NY	Purchase	Financial Instrument for Home Loan Modifications	$4,390,000	N/A	10/2/2009	$960,000	$5,350,000	HPDP initial cap	
						12/30/2009	($3,090,000)	$2,260,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$230,000	$2,490,000	Updated portfolio data from servicer	
9/23/2009	Schools Financial Credit Union, Sacramento, CA	Purchase	Financial Instrument for Home Loan Modifications	$390,000	N/A	10/2/2009	$90,000	$480,000	HPDP initial cap	
						12/30/2009	$940,000	$1,420,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($980,000)	$440,000	Updated portfolio data from servicer	
9/23/2009	Glass City Federal Credit Union, Maumee, OH	Purchase	Financial Instrument for Home Loan Modifications	$230,000	N/A	10/2/2009	$60,000	$290,000	HPDP initial cap	
						12/30/2009	($10,000)	$280,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$130,000	$410,000	Updated portfolio data from servicer	
9/23/2009	Central Jersey Federal Credit Union, Woodbridge, NJ	Purchase	Financial Instrument for Home Loan Modifications	$30,000	N/A	10/2/2009	$10,000	$40,000	HPDP initial cap	
						12/30/2009	$120,000	$160,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$10,000	$170,000	Updated portfolio data from servicer	
9/23/2009	Yadkin Valley Bank, Elkin, NC	Purchase	Financial Instrument for Home Loan Modifications	$240,000	N/A	10/2/2009	$60,000	$300,000	HPDP initial cap	
						12/30/2009	$350,000	$650,000	Updated portfolio data from servicer & HAFA initial cap	$55
						3/26/2010	$1,360,000	$2,010,000	Updated portfolio data from servicer	
9/25/2009	SEFCU, Albany, NY	Purchase	Financial Instrument for Home Loan Modifications	$440,000	N/A	10/2/2009	$100,000	$540,000	HPDP initial cap	
						12/30/2009	$20,000	$560,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($290,000)	$270,000	Updated portfolio data from servicer	
10/14/2009	Great Lakes Credit Union, North Chicago, IL	Purchase	Financial Instrument for Home Loan Modifications	$570,000	N/A	12/30/2009	$1,030,000	$1,600,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($880,000)	$720,000	Updated portfolio data from servicer	
10/14/2009	Mortgage Clearing Corporation, Tulsa, OK	Purchase	Financial Instrument for Home Loan Modifications	$4,860,000	N/A	12/30/2009	($2,900,000)	$1,960,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	($1,600,000)	$360,000	Updated portfolio data from servicer	
10/21/2009	United Bank Mortgage Corporation, Grand Rapids, MI	Purchase	Financial Instrument for Home Loan Modifications	$410,000	N/A	1/22/2010	$20,000	$430,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$400,000	$830,000	Updated portfolio data from servicer	
10/23/2009	Bank United, Miami Lakes, FL	Purchase	Financial Instrument for Home Loan Modifications	$93,660,000	N/A	1/22/2010	$4,370,000	$98,030,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$23,880,000	$121,910,000	Updated portfolio data from servicer	
10/23/2009	IC Federal Credit Union, Fitchburg, MA	Purchase	Financial Instrument for Home Loan Modifications	$760,000	N/A	1/22/2010	$40,000	$800,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($760,000)	$40,000	Updated portfolio data from servicer	
						5/12/2010	$2,630,000	$2,670,000	Updated portfolio data from servicer	
10/28/2009	Harleysville National Bank & Trust Company, Harleysville, PA	Purchase	Financial Instrument for Home Loan Modifications	$1,070,000	N/A	4/21/2010	($1,070,000)	$0	Termination of SPA	
10/28/2009	Members Mortgage Company, Inc, Woburn, MA	Purchase	Financial Instrument for Home Loan Modifications	$510,000	N/A	4/21/2010	($510,000)	$0	Termination of SPA	
10/30/2009	DuPage Credit Union, Naperville, IL	Purchase	Financial Instrument for Home Loan Modifications	$70,000	N/A	1/22/2010	$10,000	$80,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$10,000	$90,000	Updated portfolio data from servicer	
11/6/2009	Los Alamos National Bank, Los Alamos, NM	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A	1/22/2010	$40,000	$740,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$50,000	$790,000	Updated portfolio data from servicer	
11/18/2009	Quantum Servicing Corporation, Tampa, FL	Purchase	Financial Instrument for Home Loan Modifications	$18,960,000	N/A	1/22/2010	$890,000	$19,850,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$3,840,000	$23,690,000	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
11/18/2009	Hillsdale County National Bank, Hillsdale, MI	Purchase	Financial Instrument for Home Loan Modifications	$1,670,000	N/A	1/22/2010	$80,000	$1,750,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$330,000	$2,080,000	Updated portfolio data from servicer	
11/18/2009	QLending, Inc., Coral Gables, FL	Purchase	Financial Instrument for Home Loan Modifications	$20,000	N/A	1/22/2010	$0	$20,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($10,000)	$10,000	Updated portfolio data from servicer	
11/25/2009	Marix Servicing, LLC, Phoenix, AZ	Purchase	Financial Instrument for Home Loan Modifications	$20,360,000	N/A	1/22/2010	$950,000	$21,310,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($17,880,000)	$3,430,000	Updated portfolio data from servicer	
						6/16/2010	$1,030,000	$4,460,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
11/25/2009	Home Financing Center, Inc, Coral Gables, FL	Purchase	Financial Instrument for Home Loan Modifications	$230,000	N/A	4/21/2010	($230,000)	$0	Termination of SPA	
11/25/2009	First Keystone Bank, Media, PA	Purchase	Financial Instrument for Home Loan Modifications	$1,280,000	N/A	1/22/2010	$50,000	$1,330,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$1,020,000	$2,350,000	Updated portfolio data from servicer	
12/4/2009	Community Bank & Trust Company, Clarks Summit, PA	Purchase	Financial Instrument for Home Loan Modifications	$380,000	N/A	1/22/2010	$10,000	$390,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$520,000	$910,000	Updated portfolio data from servicer	
12/4/2009	Idaho Housing and Finance Association, Boise, ID	Purchase	Financial Instrument for Home Loan Modifications	$9,430,000	N/A	1/22/2010	$440,000	$9,870,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$14,480,000	$24,350,000	Updated portfolio data from servicer	
						5/26/2010	($24,200,000)	$150,000	Updated portfolio data from servicer	
12/9/2009	Spirit of Alaska Federal Credit Union, Fairbanks, AK	Purchase	Financial Instrument for Home Loan Modifications	$360,000	N/A	1/22/2010	$10,000	$370,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$850,000	$1,220,000	Updated portfolio data from servicer	
12/9/2009	American Eagle Federal Credit Union, East Hartford, CT	Purchase	Financial Instrument for Home Loan Modifications	$1,590,000	N/A	1/22/2010	$70,000	$1,660,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($290,000)	$1,370,000	Updated portfolio data from servicer	
12/9/2009	Silver State Schools Credit Union, Las Vegas, NV	Purchase	Financial Instrument for Home Loan Modifications	$1,880,000	N/A	1/22/2010	$90,000	$1,970,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$1,110,000	$3,080,000	Updated portfolio data from servicer	
12/9/2009	Fidelity Homestead Savings Bank, New Orleans, LA	Purchase	Financial Instrument for Home Loan Modifications	$2,940,000	N/A	1/22/2010	$140,000	$3,080,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$6,300,000	$9,380,000	Updated portfolio data from servicer	
12/9/2009	Bay Gulf Credit Union, Tampa, FL	Purchase	Financial Instrument for Home Loan Modifications	$230,000	N/A	1/22/2010	$10,000	$240,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$440,000	$680,000	Updated portfolio data from servicer	
12/9/2009	The Golden 1 Credit Union, Sacramento, CA	Purchase	Financial Instrument for Home Loan Modifications	$6,160,000	N/A	1/22/2010	$290,000	$6,450,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$40,000	$6,490,000	Updated portfolio data from servicer	
12/9/2009	Sterling Savings Bank, Spokane, WA	Purchase	Financial Instrument for Home Loan Modifications	$2,250,000	N/A	1/22/2010	$100,000	$2,350,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($740,000)	$1,610,000	Updated portfolio data from servicer	
12/11/2009	HomeStar Bank & Financial Services, Manteno, IL	Purchase	Financial Instrument for Home Loan Modifications	$310,000	N/A	1/22/2010	$20,000	$330,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$820,000	$1,150,000	Updated portfolio data from servicer	
12/11/2009	Glenview State Bank, Glenview, IL	Purchase	Financial Instrument for Home Loan Modifications	$370,000	N/A	1/22/2010	$20,000	$390,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$1,250,000	$1,640,000	Updated portfolio data from servicer	
						5/26/2010	($1,640,000)	$0	Termination of SPA	
12/11/2009	Verity Credit Union, Seattle, WA	Purchase	Financial Instrument for Home Loan Modifications	$600,000	N/A	1/22/2010	$30,000	$630,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$400,000	$1,030,000	Updated portfolio data from servicer	
12/11/2009	Hartford Savings Bank, Hartford, WI	Purchase	Financial Instrument for Home Loan Modifications	$630,000	N/A	1/22/2010	$30,000	$660,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$800,000	$1,460,000	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	Name of Institution	Transaction Type	Investment Description	Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/Investors (Cap)[1]	Pricing Mechanism	Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
12/11/2009	The Bryn Mawr Trust Co., Bryn Mawr, PA	Purchase	Financial Instrument for Home Loan Modifications	$150,000	N/A	4/21/2010	($150,000)	$0	Termination of SPA	
12/16/2009	Citizens 1st National Bank, Spring Valley, IL	Purchase	Financial Instrument for Home Loan Modifications	$620,000	N/A	1/22/2010	$30,000	$650,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($580,000)	$70,000	Updated portfolio data from servicer	
12/16/2009	Golden Plains Credit Union, Garden City, KS	Purchase	Financial Instrument for Home Loan Modifications	$170,000	N/A	1/22/2010	$10,000	$180,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$30,000	$210,000	Updated portfolio data from servicer	
12/16/2009	First Federal Savings and Loan Association of Lakewood, Lakewood, OH	Purchase	Financial Instrument for Home Loan Modifications	$3,460,000	N/A	1/22/2010	$160,000	$3,620,000	Updated HPDP cap & HAFA initial cap	
						4/21/2010	($3,620,000)	$0	Termination of SPA	
12/16/2009	Sound Community Bank, Seattle, WA	Purchase	Financial Instrument for Home Loan Modifications	$440,000	N/A	1/22/2010	$20,000	$460,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$1,430,000	$1,890,000	Updated portfolio data from servicer	
12/16/2009	Horizon Bank, NA, Michigan City, IN	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A	1/22/2010	$30,000	$730,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$1,740,000	$2,470,000	Updated portfolio data from servicer	
12/16/2009	Park View Federal Savings Bank, Solon, OH	Purchase	Financial Instrument for Home Loan Modifications	$760,000	N/A	1/22/2010	$40,000	$800,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$140,000	$940,000	Updated portfolio data from servicer	
12/23/2009	Iberiabank, Sarasota, FL	Purchase	Financial Instrument for Home Loan Modifications	$4,230,000	N/A	1/22/2010	$200,000	$4,430,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($1,470,000)	$2,960,000	Updated portfolio data from servicer	
12/23/2009	Grafton Suburban Credit Union, North Grafton, MA	Purchase	Financial Instrument for Home Loan Modifications	$340,000	N/A	1/22/2010	$20,000	$360,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($320,000)	$40,000	Updated portfolio data from servicer	
12/23/2009	Eaton National Bank & Trust Company, Eaton, OH	Purchase	Financial Instrument for Home Loan Modifications	$60,000	N/A	1/22/2010	$0	$60,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$90,000	$150,000	Updated portfolio data from servicer	
12/23/2009	Tempe Schools Credit Union, Tempe, AZ	Purchase	Financial Instrument for Home Loan Modifications	$110,000	N/A	1/22/2010	$0	$110,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($20,000)	$90,000	Updated portfolio data from servicer	
1/13/2010	Fresno County Federal Credit Union, Fresno, CA	Purchase	Financial Instrument for Home Loan Modifications	$260,000	N/A	3/26/2010	$480,000	$740,000	Updated portfolio data from servicer	
1/13/2010	Roebling Bank, Roebling, NJ	Purchase	Financial Instrument for Home Loan Modifications	$240,000	N/A	3/26/2010	$610,000	$850,000	Updated portfolio data from servicer	
1/13/2010	First National Bank of Grant Park, Grant Park, IL	Purchase	Financial Instrument for Home Loan Modifications	$140,000	N/A	3/26/2010	$150,000	$290,000	Updated portfolio data from servicer	
1/13/2010	Specialized Loan Servicing, LLC, Highlands Ranch, CO	Purchase	Financial Instrument for Home Loan Modifications	$64,150,000	N/A	3/26/2010	($51,240,000)	$12,910,000	Updated portfolio data from servicer	
						5/14/2010	$3,000,000	$15,910,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
						6/16/2010	$4,860,000	$20,770,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
1/13/2010	Greater Nevada Mortgage Services, Carson City, NV	Purchase	Financial Instrument for Home Loan Modifications	$770,000	N/A	3/26/2010	$8,680,000	$9,450,000	Updated portfolio data from servicer	
1/15/2010	Digital Federal Credit Union, Marlborough, MA	Purchase	Financial Instrument for Home Loan Modifications	$3,050,000	N/A	3/26/2010	$12,190,000	$15,240,000	Updated portfolio data from servicer	
						5/14/2010	($15,240,000)	$0	Termination of SPA	
1/29/2010	iServe Residential Lending, LLC S.P., San Diego, CA	Purchase	Financial Instrument for Home Loan Modifications	$960,000	N/A	3/26/2010	($730,000)	$230,000	Updated portfolio data from servicer	
1/29/2010	United Bank, Griffin, GA	Purchase	Financial Instrument for Home Loan Modifications	$540,000	N/A	3/26/2010	$160,000	$700,000	Updated portfolio data from servicer	
3/3/2010	Urban Trust Bank, Lake Mary, FL	Purchase	Financial Instrument for Home Loan Modifications	$1,060,000	N/A					
3/5/2010	iServe Servicing, Inc., Irving, TX	Purchase	Financial Instrument for Home Loan Modifications	$28,040,000	N/A	5/26/2010	$120,000	$28,160,000	Initial 2MP cap	
3/10/2010	Navy Federal Credit Union, Vienna, VA	Purchase	Financial Instrument for Home Loan Modifications	$60,780,000	N/A					

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 6/30/2010 (CONTINUED)

	Servicer Modifying Borrowers' Loans					Adjustment Details				
Date	**Name of Institution**	**Transaction Type**	**Investment Description**	**Cap of Incentive Payments on Behalf of Borrowers and to Servicers & Lenders/ Investors (Cap)[1]**	**Pricing Mechanism**	**Adjustment Date**	**Cap Adjustment Amount**	**Adjusted Cap**	**Reason for Adjustment**	**Market Capitalization (in Millions)**
3/10/2010	Vist Financial Corp, Wyomissing, PA	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A					
4/14/2010	Midwest Bank and Trust Co., Elmwood Park, IL	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A					
4/14/2010	Wealthbridge Mortgage Corp, Beaverton, OR	Purchase	Financial Instrument for Home Loan Modifications	$6,550,000	N/A					
5/21/2010	Aurora Financial Group, Inc., Marlton, NJ[4]	Purchase	Financial Instrument for Home Loan Modifications	$10,000	N/A	5/26/2010	$30,000	$40,000	Updated FHA-HAMP cap	
6/16/2010	Selene Financial, L.P., Houston, TX[5]	Transfer	Financial Instrument for Home Loan Modifications	$0	N/A	6/16/2010	$3,680,000	$3,680,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
			Total Initial Cap	**$23,761,990,000**	**Total Cap Adjustments**		**$16,062,028,890**			
				TOTAL CAP			**$39,824,018,890.00**			

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes and definitions were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
[1] The Cap of Incentive Payments represents the potential total amount allocated to each servicer and includes the maximum amount allotted for all payments on behalf of borrowers and payments to servicers and lenders/investors. The Cap is subject to adjustment based on the total amount allocated to the program and individual servicer usage for borrower modifications. Each adjustment to the Cap is reflected under Adjustment Details.
[2] On July 31, 2009, the SPA with Chase Home Finance, LLC was terminated and superseded by new SPAs with J.P. Morgan Chase Bank, NA and EMC Mortgage Corporation.
[3] Wachovia Mortgage, FSB was merged with Wells Fargo Bank, NA, and the remaining Adjusted Cap stated above represents the amount previously paid to Wachovia Mortgage, FSB prior to such merger.
[4] Initial cap amount only includes FHA-HAMP.
[5] On 6/17/2010, Selene Financial, L.P. executed an Assignment and Assumption Agreement with CitiMortgage, Inc. (a copy of which is available on www.FinancialStability.gov) with respect to all rights and obligations for the transferred loan modifications. The amount transferred is realized as a cap adjustment and not as initial cap for Selene Financial, L.P.

"HAFA" means the Home Affordable Foreclosure Alternatives program.
"HPDP" means the Home Price Decline Protection program.
"2MP" means the Second Lien Modification Program.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/9/2010.

TABLE D.11

UCSB TRANSACTION DETAIL, AS OF 6/30/2010

	Purchase Details[1]						Settlement Details					Final Disposition				
Trade Date	Investment Description	Institution Name	CUSIP	Purchase Face Amount[3]	Pricing Mechanism	TBA or PMF[3]	Settlement Date	Investment Amount[2, 3]	TBA or PMF[3]	Senior Security Proceeds[4]	Trade Date	Life-to-Date Principal Received[1]	Current Face Amount	Disposition Amount[5]	Dividend/ Interest Paid to Treasury
3/19/2010	Floating Rate SBA 7a security due 2025	Coastal Securities, Inc.	83164KYN7	$4,070,000	107.75	—	3/24/2010	$4,377,249	—	$2,184					$161,999
3/19/2010	Floating Rate SBA 7a security due 2022	Coastal Securities, Inc.	83165ADC5	$7,617,617	109.00	—	3/24/2010	$8,279,156	—	$4,130					
3/19/2010	Floating Rate SBA 7a security due 2022	Coastal Securities, Inc.	83165ADE1	$8,030,000	108.88	—	3/24/2010	$8,716,265	—	$4,348					
4/8/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	83165AD84	$23,500,000	110.50	—	5/28/2010	$26,041,643	—	$12,983					
4/8/2010	Floating Rate SBA 7a security due 2016	Coastal Securities, Inc.	83164KZH9	$8,900,014	107.50	—	4/30/2010	$9,598,523	—	$4,783					
5/11/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	83165AEE0	$10,751,382	106.81	—	6/30/2010	$11,511,052	—	$5,741					
5/11/2010	Floating Rate SBA 7a security due 2035	Coastal Securities, Inc.	83164K2Q5	$12,898,996	109.42	—	6/30/2010	$14,151,229	—	$7,057					
5/11/2010	Floating Rate SBA 7a security due 2033	Coastal Securities, Inc.	83165AED2	$8,744,333	110.80	—	6/30/2010	$9,717,173	—	$4,844					
5/25/2010	Floating Rate SBA 7a security due 2028	Coastal Securities, Inc.	TBA	$8,000,000	110.13	TBA	7/30/2010	$8,833,039	TBA*	$4,405					
5/25/2010	Floating Rate SBA 7a security due 2032	Coastal Securities, Inc.	TBA	$15,000,000	109.38	TBA	7/30/2010	$16,446,427	TBA*	$8,203					
6/17/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	TBA	$30,000,000	110.75	TBA	8/30/2010	$33,327,708	TBA*	$16,612					
6/17/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	TBA	$25,000,000	111.88	TBA	8/30/2010	$28,049,306	TBA*	$13,984					
		Total Purchase Face Amount*		**$162,512,342**		**Total Investment Amount***		**$179,048,770**	**Total Senior Security Proceeds***	**$89,273**			**Total Disposition Proceeds**	**0**	

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered notes were taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
* Subject to adjustment.
[1] The amortizing principal and interest payments are reported on the monthly Dividends and Interest Report available at www.FinancialStability.gov.
[2] Investment Amount is stated after giving effect to factor and, if applicable, the purchase of accrued principal and interest.
[3] If a purchase is listed as TBA, or To-Be-Announced, the underlying loans in the SBA Pool have yet to come to market, and the TBA pricing mechanism, purchase face amount, investment amount and senior security proceeds will be adjusted within the variance permitted under the program terms. If a purchase is listed as PMF, or Prior-Month-Factor, the trade was made prior to the applicable month's factor being published and the SBA 7a security and senior security are priced according to the prior-month's factor. The PMF investment amount and senior security proceeds will be adjusted after publication of the applicable month's factor (on or about the 11th business day of each month).
[4] In order to satisfy the requirements under Section 113 of the Emergency Economic Stabilization Act of 2008, Treasury will acquire a senior indebtedness instrument (a Senior Security) from the seller of each respective SBA 7a Security. Each Senior Security will (i) have an aggregate principal amount equal to the product of (A) 0.05% and (B) the Investment Amount (excluding accrued interest) paid by Treasury for the respective SBA 7a Security, and (ii) at the option of the respective seller, may be redeemed at par value immediately upon issuance, or remain outstanding with the terms and conditions as set forth in the Master Purchase Agreement.
[5] Disposition Amount is stated after giving effect, if applicable, to sale of accrued principal and interest.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/9/2010.

Table D.12

HARDEST HIT FUND (HHF) PROGRAM TRANSACTION DETAIL

	Seller						
Trade Date	**Name of Institution**	**City**	**State**	**Transaction Type**	**Investment Description**	**Investment Amount[1]**	**Pricing Mechanism**
6/23/2010	Nevada Affordable Housing Assistance Corporation	Reno	NV	Purchase	Financial Instrument for HHF Program	$102,800,000	N/A
6/23/2010	CalHFA Mortgage Assistance Corporation	Sacramento	CA	Purchase	Financial Instrument for HHF Program	$699,600,000	N/A
6/23/2010	Florida Housing Finance Corporation	Tallahassee	FL	Purchase	Financial Instrument for HHF Program	$418,000,000	N/A
6/23/2010	Arizona (Home) Foreclosure Prevention Funding Corporation	Phoenix	AZ	Purchase	Financial Instrument for HHF Program	$125,100,000	N/A
6/23/2010	Michigan Homeowner Assistance Nonprofit Housing Corporation	Lansing	MI	Purchase	Financial Instrument for HHF Program	$154,500,000	N/A
					Total Investment Amount	**$1,500,000,000**	

Notes: Numbers affected by rounding. Data as of 6/30/2010. Numbered note is taken verbatim from Treasury's 7/1/2010 *Transactions Report*.
[1] The purchase will be incrementally funded up to the investment amount.

Sources: Treasury, *Transactions Report*, 7/1/2010; Treasury, response to SIGTARP data call, 7/7/2010.

PUBLIC ANNOUNCEMENTS OF AUDITS

This appendix provides an announcement of new and ongoing public audits by the agencies listed below. See Appendix F: "Key Oversight Reports and Testimonies" for a listing of published reports. Italics style indicates narrative taken verbatim from the agencies' responses to SIGTARP's data call.

- U.S. Department of the Treasury Office of the Inspector General ("Treasury OIG")
- Federal Reserve Board Office of Inspector General ("Federal Reserve OIG")
- Government Accountability Office ("GAO")
- Federal Deposit Insurance Corporation Office of the Inspector General ("FDIC OIG")

Treasury OIG[1]

Ongoing Audits

- None

Federal Reserve OIG[2]

Ongoing Audits

- *Review of the Federal Reserve's Lending Facilities and Special Programs.*

GAO[3]

Ongoing Audits

- *CPP Approval and Return Process: Review Treasury's process as well as regulators' processes for approval, as well as Treasury and regulators' application of criteria for repayment. Probable July/August issuance.*
- *Partnering with SIGTARP on oversight of government management of formerly private sector entities. Likely July issuance.*
- *Review of SCAP. Likely July/August issuance.*
- *TARP after two years will provide an overview of the evolution and status of the programs with discussion of possible effectiveness indicators. Late September/early October.*

FDIC OIG[4]

Ongoing Audits

- *Material Loss Review of United Commercial Bank (UCB), San Francisco, CA. One of the objectives of the review is to ascertain why UCB's problems resulted in a material loss to the Deposit Insurance Fund (DIF).*

Endnotes

1 Treasury OIG, response to SIGTARP data call, 7/9/2010.

2 Federal Reserve OIG, response to SIGTARP data call, 6/30/2010.

3 GAO, response to SIGTARP data call, 6/30/2010.

4 FDCI OIG, response to SIGTARP data call, 6/30/2010.

KEY OVERSIGHT REPORTS AND TESTIMONIES

This list reflects TARP-related reports and testimonies published since SIGTARP's last quarterly report. See prior SIGTARP quarterly reports for lists of prior oversight reports and testimonies.

U.S. DEPARTMENT OF THE TREASURY (TREASURY)
ROLES AND MISSION
The mission of Treasury is to serve the American people and strengthen national security by managing the U.S. government's finances effectively; promoting economic growth and stability; and ensuring the safety, soundness, and security of the U.S. and international financial systems. Treasury advises the President on economic and financial issues, encourages sustainable economic growth, and fosters improved governance in financial institutions.
OVERSIGHT REPORTS
Treasury, *Transactions Report*, 4/1/2010 – 6/30/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed 6/21/2010 (released weekly).
Treasury, Section 105(a) Report, 4/10/2010 – 6/11/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed 6/21/2010.
Treasury, "PPIP External Report - March 31, 2010," 4/20/2010, http://financialstability.gov/docs/External%20Report%20-%2003-10%20Final.pdf, accessed 6/21/2010.
Treasury, "Summary Response to GAO Report Recommendations," 4/6/2010, http://financialstability.gov/docs/Final%20TALF%20GAO%20summary%20 response–040610.pdf, accessed 6/21/2010.
Treasury, "Treasury Secretary Geithner to Congress with an Update on EESA," 4/23/2010, http://financialstability.gov/docs/EESA%20Update%20-%20 TFG%20to%20Congress%20042310.pdf, accessed 6/21/2010.
Treasury, "Home Affordable Modification Program System of Records Notice," 5/20/2010, http://financialstability.gov/docs/Home+Affordable+ Modification+Program_SORN.pdf, accessed 6/21/2010.
Treasury, "Executive Compensation Information Privacy Impact Assessment," 5/20/2010, http://financialstability.gov/docs/Executive+Compensation+Inf ormation+System_PIA.pdf, accessed 6/21/2010.
Treasury, "Executive Compensation Information System of Records Notice," 5/20/2010, http://financialstability.gov/docs/Executive+Compensation+Inf ormation_SORN.pdf, accessed 6/21/2010.
Treasury, "Methodology to Calculated Estimated TARP Cost," 5/21/2010, http://financialstability.gov/docs/Methodology%20to%20Calculate%20 Estimated%20TARP%20Cost_FINAL.pdf, accessed 6/21/2010.
Treasury, "Troubled Asset Relief Program (TARP) Investments as of March 31, 2010," 5/21/2010, http://financialstability.gov/docs/TARP%20Cost%20 Estimates%20-%20March%2031%202010.pdf, accessed 6/21/2010.
RECORDED TESTIMONY
Treasury, "Wolin Remarks before the Council of Institutional Investors," 4/12/2010, http://financialstability.gov/latest/tg_04122010.html, accessed 6/21/2010.
Treasury, "Michael S. Barr Remarks to the Mortgage Bankers Association," 4/13/2010, http://financialstability.gov/latest/tg_04132010b.html, accessed 6/21/2010.
Treasury, "Geithner Written Testimony before the House Financial Services Committee," 4/20/2010, http://financialstability.gov/latest/tg_04202010. html, accessed 6/21/2010.
Treasury, "Assistant Secretary Herb Allison Testimony Before the House Subcommittee on Financial Services," 4/22/2010, http://financialstability.gov/ latest/tg_04222010.html, accessed 6/21/2010.
Treasury, "Deputy Secretary Neal S. Wolin Remarks at the International Swaps and Derivatives Association 25th Annual Meeting As Prepared for Delivery," 4/22/2010, http://financialstability.gov/latest/tg_04222010b.html, accessed 6/21/2010.
Treasury, "Assistant Secretary for Financial Institutions Michael S. Barr Remarks to the Independent Community Bankers of America," 4/26/2010, http://financialstability.gov/latest/tg_04262010b.html, accessed 6/21/2010.
Treasury, "Secretary of the Treasury Timothy F. Geithner Written Testimony Senate Committee on Finance," 5/4/2010, http://financialstability.gov/latest/ tg_05042010.html, accessed 6/21/2010.
Treasury, "Secretary Timothy F. Geithner Testimony Before the Financial Crisis Inquiry Commission Causes of the Financial Crisis and the Case for Reform May 6, 2010," 5/6/2010, http://financialstability.gov/latest/pr_05062010.html, accessed 6/21/2010.

FINANCIAL STABILITY OVERSIGHT BOARD (FSOB)

ROLES AND MISSION

FSOB is responsible for reviewing the exercise of authority under programs developed in accordance with EESA, including:

- *policies implemented by the Secretary and the Office of Financial Stability, including the appointment of financial agents, the designation of asset classes to be purchased, and plans for the structure of vehicles used to purchase troubled assets*
- *the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.*

In addition, FSOB is responsible for making recommendations to the Secretary on the use of the authority under EESA, as well as for reporting any suspected fraud, misrepresentation, or malfeasance to SIGTARP or the U.S. Attorney General.

OVERSIGHT REPORTS

Financial Stability Oversight Board, "Financial Stability Oversight Board Quarterly Report to Congress," 3/31/2010, www.financialstability.gov/docs/FSOB/FINSOB%20Quarterly%20Report%20033110.pdf, accessed 6/21/2010.

RECORDED TESTIMONY

None

SECURITIES AND EXCHANGE COMMISSION (SEC)

ROLES AND MISSION

SEC administers the federal securities laws, requires disclosure by public companies, and brings enforcement actions against violators of securities law. While other federal and state agencies are legally responsible for regulating mortgage lending and the credit markets, SEC has taken these decisive actions to address the extraordinary challenges caused by the current credit crisis:

- *aggressively combating fraud and market manipulation through enforcement actions*
- *taking swift action to stabilize financial markets*
- *enhancing transparency in financial disclosure.*

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

SEC, "Testimony Before the Subcommittee on Financial Services and General Government Committee on Appropriations, U.S. House of Representatives," Chairman Mary L. Schapiro, 3/17/2010, http://sec.gov/news/testimony/2010/ts031710mls.htm, accessed 6/22/2010.

SEC, "Testimony Concerning the Lehman Brothers Examiner's Report, Before the Financial Services Committee, U.S. House of Representatives," Chairman Mary L. Schapiro, 4/20/2010, http://sec.gov/news/testimony/2010/ts042010mls.htm, accessed 6/22/2010.

SEC, "Testimony before the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate," Chairman Mary L. Schapiro, 4/28/2010, http://sec.gov/news/testimony/2010/ts042810mls.htm, accessed 6/22/2010.

SEC, "Testimony Concerning the Severe Market Disruption on May 6, 2010, before the Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the U.S. House of Representatives," Chairman Mary L. Schapiro, 5/11/2010, http://sec.gov/news/testimony/2010/ts051110mls.htm, accessed 6/22/2010.

SEC, "Examining the Causes and Lessons of the May 6th Market Plunge, before the Subcommittee on Securities, Insurance, and Investment of the United States Senate Committee on Banking, Housing, and Urban Affairs," Chairman Mary L. Schapiro, 5/20/2010, http://sec.gov/news/testimony/2010/ts052010mls.htm, accessed 6/22/2010.

SEC, "Testimony Concerning Accounting and Auditing Standards: Pending Proposals and Emerging Issues, Before the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises of the House Committee on Financial Services," Chairman Mary L. Schapiro, 5/21/2010, http://sec.gov/news/testimony/2010/ts052110jlk.htm, accessed 6/22/2010.

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

ROLES AND MISSION

GAO is tasked with performing ongoing oversight of TARP's performance, including:
- *evaluating the characteristics of asset purchases and the disposition of assets acquired*
- *assessing TARP's efficiency in using the funds*
- *evaluating compliance with applicable laws and regulations*
- *assessing the efficiency of contracting procedures*
- *auditing TARP's annual financial statements and internal controls*
- *submitting reports to Congress at least every 60 days*

OVERSIGHT REPORTS

GAO, "U.S. Government Financial Statements, Fiscal Year 2009 Audit Highlights Financial Management Challenges and Unsustainable Long-Term Fiscal Path," 4/14/2010, www.gao.gov/new.items/d10483t.pdf, accessed 6/22/2010.

GAO, "Troubled Asset Relief Program: Update of Government Assistance Provided to AIG," 4/27/2010, www.gao.gov/new.items/d10475.pdf, accessed 6/22/2010.

GAO, "Debt Management: Treasury Was Able to Fund Economic Stabilization and Recovery Expenditures in a Short Period of Time, but Debt Management Challenges Remain," 5/18/2010, www.gao.gov/new.items/d10498.pdf, accessed 6/22/2010.

GAO, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," 6/24/2010, www.gao.gov/new.items/d10634.pdf, accessed 6/30/2010.

GAO, "Troubled Asset Relief Program: Treasury's Framework for Deciding to Extend TARP Was Sufficient, but Could be Strengthened for Future Decisions," 6/30/2010, www.gao.gov/new.items/d10531.pdf, accessed 6/30/2010.

RECORDED TESTIMONY

GAO, "Financial Markets Regulation: Financial Crisis Highlights Need to Improve Oversight of Leverage at Financial Institutions and across System," Statement of Orice Williams Brown, Director Financial Markets and Community Investment, 5/6/2010, www.gao.gov/new.items/d10555t.pdf, accessed 6/22/2010.

CONGRESSIONAL OVERSIGHT PANEL (COP)

ROLES AND MISSION

COP is tasked with reviewing the current state of the financial markets and the regulatory system. As a by-product of these oversight activities, COP is required to produce the following reports to Congress:
- *regular reports every 30 days that cover a variety of issues, including administration of the program, the impact of purchases on the financial markets/financial institutions, market transparency, and the effectiveness of foreclosure mitigation, minimization of long-term costs, and maximization of benefits for taxpayers*
- *a special report on regulatory reform, published no later than January 20, 2009, analyzing the current state of the regulatory system and its effectiveness at overseeing the participants in the financial system and protecting consumers. The report is to provide recommendations for improvement regarding whether any participants in the financial markets that are currently outside the regulatory system should become subject to the regulatory system, the rationale underlying such recommendation, and whether there are any gaps in existing consumer protections.*

OVERSIGHT REPORTS

COP, "Evaluating Progress of TARP Foreclosure Mitigation Programs," 4/14/2010, http://cop.senate.gov/reports/library/report-041410-cop.cfm, accessed 6/22/2010.

COP, "The Small Business Credit Crunch and the Impact of the TARP," 5/13/2010, http://cop.senate.gov/reports/library/report-051310-cop.cfm, accessed 6/22/2010.

COP, "The AIG Rescue, Its Impact on Markets, and the Government's Exit Strategy," 6/10/2010, http://cop.senate.gov/reports/library/report-061010-cop.cfm, accessed 6/22/2010.

RECORDED TESTIMONY

COP, "Phoenix Field Hearing on Small Business Lending," 4/27/2010, http://cop.senate.gov/hearings/library/hearing-042710-phoenix.cfm, accessed 6/22/2010.

COP, "Holding Banks Accountable: Are Treasury and Banks Doing Enough to Help Families Save Their Homes?" Statement of Richard H. Neiman, Member, Congressional Oversight Panel, before the Senate Appropriations Subcommittee on Financial Services, 4/29/2010, http://cop.senate.gov/documents/testimony-042910-neiman.pdf, accessed 6/22/2010.

CONGRESSIONAL OVERSIGHT PANEL (COP)

COP, "TARP Oversight: An Update on Warrant Repurchases and Benefits to Taxpayers," Statement of Paul Atkins, Member, Congressional Oversight Panel, before the House Financial Services Committee Subcommittee on Oversight and Investigations, 5/11/2010, http://cop.senate.gov/documents/testimony-051110-atkins.pdf, accessed 6/22/2010.

COP, "Initiatives to Promote Small Business Lending, Jobs and Economic Growth," Statement of Paul Atkins, Member, Congressional Oversight Panel, before the House Financial Services Committee, 5/18/2010, http://cop.senate.gov/documents/testimony-051810-atkins.pdf, accessed 6/22/2010.

COP, "COP Hearing on TARP and Other Assistance to AIG," 5/26/2010, http://cop.senate.gov/hearings/library/hearing-052610-aig.cfm, accessed 6/22/2010.

COP, "COP Hearing with Treasury Secretary Timothy Geithner," 6/22/2010, http://cop.senate.gov/hearings/library/hearing-062210-geithner.cfm, accessed 4/5/2010.

OFFICE OF MANAGEMENT AND BUDGET (OMB)

ROLES AND MISSION

OMB's predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. In helping to formulate the President's spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President's Budget and with Administration policies.

In addition, OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies. In each of these areas, OMB's role is to help improve administrative management, to develop better performance measures and coordinating mechanisms, and to reduce any unnecessary burdens on the public.

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

None

CONGRESSIONAL BUDGET OFFICE (CBO)

ROLES AND MISSION

CBO's mandate is to provide the Congress with objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the Federal budget, and the information and estimates required for the Congressional budget process.

CBO assists the House and Senate Budget Committees, and the Congress more generally, by preparing reports and analyses. In accordance with the CBO's mandate to provide objective and impartial analysis, CBO's reports contain no policy recommendations.

OVERSIGHT REPORTS

CBO, "The Budgetary Impact and Subsidy Costs of the Federal Reserve's Actions During the Finance Crisis," May 2010, http://cbo.gov/ftpdocs/115xx/doc11524/05-24-FederalReserve.pdf, accessed on 6/22/2010.

RECORDED TESTIMONY

None

FEDERAL RESERVE BOARD (FEDERAL RESERVE)

ROLES AND MISSION

Federal Reserve's duties fall into four general areas:

- *conducting the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates*
- *supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers*
- *maintaining the stability of the financial system and containing systemic risk that may arise in financial markets*
- *providing financial services to depository institutions, the U.S. government, and foreign official institutions, including playing a major role in operating the nation's payments system*

FEDERAL RESERVE BOARD (FEDERAL RESERVE)

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

Federal Reserve, "Economic outlook," Chairman Ben S. Bernanke, Before the Joint Economic Committee, Washington, D.C., 4/14/2010, http://federalreserve.gov/newsevents/testimony/bernanke20100414a.htm, accessed 6/22/2010.

Federal Reserve, "Lessons from the failure of Lehman Brothers," Chairman Ben S. Bernanke, Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., 4/20/2010, http://federalreserve.gov/newsevents/testimony/bernanke20100420a.htm, accessed 6/22/2010.

Federal Reserve, "Government assistance to AIG," Scott G. Alvarez, General Counsel, Before the Congressional Oversight Panel, U.S. Congress, 5/26/2010, http://federalreserve.gov/newsevents/testimony/alvarez20100526a.htm, accessed 6/22/2010.

Federal Reserve, "Economic and financial conditions and the federal budget," Chairman Ben S. Bernanke, Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., 6/9/2010, http://federalreserve.gov/newsevents/testimony/bernanke20100609a.htm, accessed 6/22/2010.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

ROLES AND MISSION

The FDIC is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

FDIC, "Examining the Role of Regulators in the Supervision of Washington Mutual Bank 2004-2008," Statement of Federal Deposit Insurance Corporation, Before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, 4/16/2010, http://fdic.gov/news/news/speeches/chairman/spapr1610.html, accessed 6/22/2010.

FEDERAL DEPOSIT INSURANCE CORPORATION OFFICE OF THE INSPECTOR GENERAL (FDIC OIG)

ROLES AND MISSION

The Office of Inspector General promotes the economy, efficiency, and effectiveness of FDIC programs and operations, and protects against fraud, waste, and abuse, to assist and augment the FDIC's contribution to stability and public confidence in the nation's financial system.

OVERSIGHT REPORTS

FDIC OIG, "Material Loss Review of Colonial Bank, Montgomery, Alabama," 4/9/2010, www.fdicig.gov/reports10/10-031.pdf, accessed 07/09/2010.

RECORDED TESTIMONY

FDIC OIG, "Hearing on the Role of Regulators in Exercising Their Supervision of Washington Mutual Bank from 2004 - 2008," Statement of John T. Rymer, Inspector General, Federal Deposit Insurance Corporation, Before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, 4/16/2010, www.fdicoig.gov/Testimony/FDIC%20IG%20Statement-WaMu-4-16-10.pdf, accessed 6/22/2010.

SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM (SIGTARP)
ROLES AND MISSION
Under EESA, the Special Inspector General has the responsibility, among other things, to conduct, supervise and coordinate audits and investigations of the purchase, management and sale of assets under the Troubled Asset Relief Program ("TARP"). *SIGTARP's mission is to advance economic stability by promoting the efficiency and effectiveness of TARP management, through transparency, through coordinated oversight, and through robust enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.*
OVERSIGHT REPORTS
SIGTARP, Q*uarterly Report to Congress*, 4/20/2010, http://sigtarp.gov/reports/congress/2010/April2010_Quarterly_Report_to_Congress.pdf, accessed 6/22/2010.
SIGTARP, "Assessing Treasury's Process to Sell Warrants Received From TARP Recipients," 5/11/2010, http://sigtarp.gov/reports/audit/2010/Assessing%20Treasury's%20Process%20to%20Sell%20Warrants%20Received%20From%20TARP%20Recipients_May_11_2010.pdf, accessed 6/22/2010.
SIGTARP, "Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance," 6/29/2010, http://sigtarp.gov/reports/audit/2010/Treasury's%20Monitoring%20of%20Compliance%20with%20TARP%20Requirements%20by%20Companies%20Receiving%20Exceptional%20Assistance%206_29_10.pdf, accessed 7/19/2010.
RECORDED TESTIMONY
SIGTARP, Statement of Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program, Before the Senate Committee on Finance, 4/20/2010, http://www.sigtarp.gov/reports/testimony/2010/Testimony%20Before%20the%20Senate%20Committee%20on%20Finance%204_20_10.pdf, accessed on 7/19/2010.
SIGTARP, Statement of Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program, Before the House Committee on Appropriations Subcommittee on Financial Services and General Government, 4/22/2010, http://sigtarp.gov/reports/testimony/2010/Testimony%20Before%20the%20House%20Committee%20on%20Appropriations%20Subcommittee%20on%20Financial%20Services%20and%20General%20Government_4_22_2-010.pdf, accessed on 6/22/2010.
SIGTARP, Statement of Kevin R. Puvalowski, Deputy Special Inspector General for the Troubled Asset Relief Program, Before the Senate Committee on Appropriations Subcommittee on Financial Services and General Government , 4/29/2010, http://sigtarp.gov/reports/testimony/2010/Testimony%20Before%20the%20Senate%20Committee%20on%20Appropriations%20Subcommittee%20on%20Financial%20Services%20and%20General%20Government%204_29_10%20Final.pdf, accessed on 6/22/2010.
SIGTARP, Statement of Kevin R. Puvalowski, Deputy Special Inspector General for the Troubled Asset Relief Program, Before the House Committee on Financial Services Subcommittee on Oversight and Investigations, 5/11/2010, http://sigtarp.gov/reports/testimony/2010/Testimony%20Before%20the%20House%20Committee%20on%20Financial%20Services%20Subcommittee%20on%20Oversight%20and%20Investigations%205_11_10%20.pdf, accessed on 6/22/2010.

Note: Italics style indicates verbatim narrative taken from source documents.

Sources: Treasury, www.treas.gov, accessed 7/6/2010; Treasury Inspector General, www.treas.gov, accessed 7/6/2010; Financial Stability Oversight Board, www.treas.gov, accessed 7/6/2010; SEC, www.sec.gov, accessed 7/6/2010; GAO, www.gao.gov, accessed 7/6/2010; COP, www.cop.senate.gov, accessed 7/6/2010; OMB, www.whitehouse.gov, accessed 7/6/2010; CBO, www.cbo.gov, accessed 7/6/2010; Federal Reserve Board, www.federalreserve.gov, accessed 7/6/2010; FDIC, www.fdic.gov, accessed 7/6/2010; FDIC OIG, www.fdicoig.gov, accessed 7/6/2010; SIGTARP, www.sigtarp.gov, accessed 7/6/2010; FDIC, response to SIGTARP data call, 7/7/2010; GAO, Response to SIGTARP data call,7/7/2010, Treasury, Response to SIGTARP data call, 7/7/2010.

CORRESPONDENCE

This appendix provides a copy of the following correspondence:

CORRESPONDENCE			
Date	**From**	**To**	**Regarding**
5/17/2010	SIGTARP	Congressman Elijah Cummings	SIGTARP's Review of Treasury's Small Business Lending Fund Act Proposal
5/20/2010	Treasury	SIGTARP	Follow-up on SIGTARP April 2010 Quarterly Report Recommendations on HAMP and CDCI
5/20/2010	Treasury	SIGTARP	Follow-up on HAMP Recommendations in the SIGTARP Audit Report
6/11/2010	Treasury	SIGTARP	Follow-up on Warrant Disposition Recommendations in the SIGTARP Audit Report
6/29/2010	Treasury	SIGTARP	SIGTARP Official Draft Audit Report
6/30/2010	Treasury	SIGTARP	Status Report on Recommendations in the SIGTARP Quarterly Report
7/1/2010	SIGTARP	Treasury	Treasury's Compliance and Internal Controls Program for PPIP
7/16/2010	Treasury	SIGTARP	Response to SIGTARP Quarterly Report to Congress

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

May 17, 2010

The Honorable Elijah Cummings
2235 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Cummings:

On or about May 7, 2010, the Department of the Treasury ("Treasury") submitted to Congress proposed legislation entitled "the Small Business Lending Fund Act" ("Treasury's Proposal"). Under Treasury's Proposal, Treasury would establish and capitalize a Small Business Lending Fund ("SBLF") that would provide up to $30 billion of preferred share investments in small banks (*i.e.*, those with total assets of $10 billion or less) to stimulate lending to small businesses. Although Treasury originally announced that funding for SBLF would come from the rescission of funds originally authorized for the Troubled Asset Relief Program ("TARP") (and, indeed, Treasury's most recent TARP allocation provided to SIGTARP still included reference to $30 billion intended for small business lending), the Treasury's Proposal leaves the source of funding to be determined.

Treasury's Proposal similarly does not assign specific oversight responsibility for SBLF, stating that "the Administration will work with the Congress to determine the most appropriate form of oversight for the Program." For the reasons explained below, I believe it is absolutely critical to protect taxpayers that the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") be permitted to continue its oversight of what is essentially an extension, with relatively minor differences from an oversight perspective, of TARP's Capital Purchase Program ("CPP"). Accordingly, I write to recommend that Congress provide for SIGTARP oversight over SBLF in any resulting legislation.[1]

Although Treasury's Proposal provides that SBLF would be established outside of TARP — and thus recipients would not be subject to TARP's executive compensation requirements or warrant provisions — the core goals and basic economic framework for SBLF are very similar to those of CPP, and the two programs share a wide range of features:

- As in CPP, SBLF involves capital investments in the form of preferred shares.
- As in CPP, the maximum amount of an investment under SBLF would be a percentage of the bank's risk-weighted assets — for banks with a $1 billion or more in total assets, the amount available under SBLF (3% of risk-weighted assets), would be the same as under CPP; banks with $1 billion or less in total assets could receive, under SBLF, as much as 5% of their risk-weighted assets.
- The initial SBLF dividend rate (5%) would be the same as the initial CPP dividend rate.[2]

[1] Pursuant to section 4(a)(2) of the Inspector General Act of 1978, as incorporated by section 121(c)(1) of the Emergency Economic Stability Act of 2008 ("EESA"), SIGTARP is charged with reviewing proposed legislation and making recommendations concerning its impact on the administration of TARP. Because the proposed legislation will likely result in the removal of a majority of TARP recipients from TARP, the increased taxpayer vulnerability to fraud if SIGTARP is not given oversight responsibility mandates that SIGTARP weigh in on the oversight provisions of Treasury's Proposal.

[2] SBLF would incorporate an incentive-based dividend structure that provides participants the opportunity to lower their cost of capital significantly compared to CPP investments. Under Treasury's Proposal, participating banks could reduce their dividend payments from 5% per annum to as low as 1% based on increases in their small business lending versus 2009 levels. Because of the need to monitor this new factor, this difference will only *increase* the need for strong oversight from the outset of the program, and thus further militates in favor of SIGTARP's oversight.

- As in CPP, banks' primary regulators would evaluate applications for new SBLF applications.

In fact, many current CPP participants are likely to convert their CPP investments into SBLF. Based on Treasury's Proposal, which expressly permits CPP participants with total assets of $10 billion or less to convert to SBLF, SIGTARP expects that up to 95% of the current CPP participants will be eligible to convert to SBLF; because of SBLF's financially more attractive and less restrictive provisions, SIGTARP anticipates that the overwhelming majority of eligible CPP participants will migrate to SBLF.

In sum, in terms of its basic design, its participants, its application process, and, perhaps, its funding source from an oversight perspective, SBLF would essentially be an extension of TARP's CPP program.

Due to these similarities, SBLF will present many of the same oversight challenges that CPP has thus far presented, and, because SIGTARP has already developed the specialized expertise and resources to address these challenges in connection with CPP, SIGTARP is uniquely qualified to address them under SBLF. Failing to take advantage of such expertise and existing resources would not only be a waste of taxpayer money (as another oversight entity would have to expend substantial investigative and audit resources that SIGTARP already has on board) but would also unnecessarily expose the program and thus taxpayers to waste, fraud and abuse during the substantial time period that another oversight entity gets up to speed on the complex program.[3]

The CPP program had already been launched when SIGTARP began on December 15, 2008, and, from its inception, SIGTARP has made extensive investments in time, personnel and infrastructure to develop the expertise and relationships necessary to oversee CPP. Our Audit Division has focused many of its efforts on developing an understanding of the complexities of CPP, which have resulted in key recommendations that improved the program immeasurably. Similarly, our Investigations Division was built in many ways to attack potential fraud in CPP. Drawing on a team of investigators and attorneys with extensive experience in complex accounting and bank frauds, SIGTARP has developed a highly sophisticated forensic platform designed to detect and investigate CPP-related fraud.

On the audit and oversight side, SIGTARP's involvement in CPP oversight has included:

- obtaining regular detailed briefings and updates on CPP's design (again, including many aspects that will be incorporated into SBLF);
- making recommendations regarding the structure and transparency of CPP, many of which have been implemented;
- developing contacts with counterparts at Treasury, the bank regulators and outside contractors administering the program (many of which will presumably play the same roles within SBLF);
- conducting four in-depth audits of key aspects of CPP, including two audits on CPP recipients' use of TARP funds, which included analysis of the impact of these funds on their lending, an audit into the CPP selection process (which was very similar to that now contemplated for SBLF) and a review of its vulnerability to outside influences, and an audit into the initial decision-making process that led to the creation of the CPP program;
- working on ongoing audits into the conditional approval of CPP applications, the exit of banks from CPP, and a material loss review of a failed CPP recipient; and
- developing the expertise to provide detailed quarterly reporting on CPP, including descriptions of its structure, investment portfolio and participants' lending. To ensure transparency and

[3] It is worth noting that the conduct under investigation in many of the CPP-related fraud cases related to conduct that occurred during the time before SIGTARP existed; keeping SIGTARP from overseeing SBLF risks creating a similar gap in oversight during the period that another oversight agency obtains the resources and then develops the expertise to protect fully taxpayer interests.

accountability, if granted oversight, SIGTARP would include similar quarterly updates on SBLF in its mandated quarterly reports to Congress.

Perhaps even more importantly, SIGTARP has developed the expertise, infrastructure and law enforcement relationships to detect, investigate and refer for prosecution the kinds of frauds that appear in CPP and will appear in SBLF. SIGTARP has more than two dozen ongoing criminal investigations into CPP-related matters, including banks that may have sought to obtain taxpayer funds fraudulently. In one recent case, the former President and CEO of one CPP applicant, Park Avenue Bank, was criminally charged with trying to steal $11 million from CPP through a complex accounting ruse uncovered with the assistance of SIGTARP agents. In another case, SIGTARP agents uncovered accounting irregularities at a now-failed bank that had received conditional approval for CPP funds, thereby saving taxpayers over $500 million. SIGTARP is the co-chair of the Rescue Fraud Working Group of the President's Financial Fraud Enforcement Task Force, and it has developed strong relationships with other law enforcement agencies, enforcement bodies and prosecutors around the country necessary to detect the same kinds of complex frauds that will threaten SBLF. Stated another way, SIGTARP is already the "cop on the beat" for CPP; finding a different entity to police the same kinds of activity for the very similar SBLF would be both duplicative and potentially dangerous.

Disregarding SIGTARP's substantial resources and unique expertise in fashioning SBLF oversight would be a waste of taxpayer resources and would unnecessarily expose SBLF to waste, fraud and abuse. Even assuming that another oversight agency could find the available resources to address the challenges posed by SBLF, trying to assemble, from scratch, the expertise, staff, forensic capability, audit experience and relationships necessary to meet this responsibility would needlessly duplicate the capabilities SIGTARP has already developed, and would potentially leave $30 billion of taxpayer funds vulnerable to waste, fraud or abuse for the significant amount of time another agency would require to develop the necessary expertise, capabilities and relationships. In other words, SIGTARP could provide vigorous and effective oversight of SBLF under ongoing initiatives already being conducted by our agency at no additional expense and without any gap in oversight. For these reasons, I believe that SIGTARP is the most appropriate oversight body for this program to protect taxpayers from potential fraud in the proposed SBLF, to ensure accountability in its management, and to ensure continuity of oversight.

I strongly urge that Congress explicitly provide oversight authority over SBLF to SIGTARP and permit us to continue our critical role in protecting taxpayer funds from waste, fraud or abuse. If you have any questions or comments about these issues, please do not hesitate to contact me.

Sincerely,

NEIL M. BAROFSKY
Special Inspector General

cc: Senate Committee on Appropriations
Senate Committee on Banking, Housing, and Urban Affairs
Senate Committee on Finance
Senate Committee on Homeland Security and Governmental Affairs
Permanent Subcommittee on Investigations
Ad Hoc Subcommittee on Contracting Oversight
Senate Committee on the Judiciary
Joint Economic Committee
House Committee on Appropriations
Subcommittee on Financial Services and General Government
House Committee on Ways and Means
Subcommittee on Oversight
House Committee on Financial Services
Subcommittee on Oversight and Investigations
House Committee on Oversight and Government Reform
Subcommittee on Domestic Policy
Congressman Elijah Cummings

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

May 20, 2010

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Re: Follow-Up on SIGTARP April 2010 Quarterly Report Recommendations

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) appreciates the recommendations made by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) in the April 2010 Quarterly Report to Congress. This letter is intended to provide a follow-up from our initial response letter dated April 17, 2010 regarding Treasury's analysis of your recommendations regarding program changes to the Home Affordable Modification Program (HAMP). As described under the section below, we have given careful consideration to the five recommendations on HAMP raised in your April 2010 Quarterly Report, and where applicable, discussed additional actions we are taking to insure that your particular concerns are addressed. We also have described below Treasury's progress in implementing three of the four recommendations regarding the Community Development Capital Initiative (CDCI) contained in your quarterly report.

Home Affordable Modification Program (HAMP): Treasury has given careful consideration to your recommendation on the program changes to HAMP. The actions that we have taken or plan to take to address your recommendations are described under each recommendation.

Recommendation 1: Treasury should publish the anticipated costs and expected participation for each HAMP program and subprogram, and that after each program is launched, Treasury should report monthly as to the programs' performance against these expectations.

Treasury plans to continue reporting monthly on program performance and participation metrics against our original published goal of offering up to 3 to 4 million homeowners' assistance in preventing avoidable foreclosure through all aspects of the Making Home Affordable (MHA) program. We publish monthly data reports on program performance – and have added additional sections to the report as more data becomes available. Our latest report includes additional information about servicer-specific conversion rates to permanent modifications, servicer performance in giving homeowners timely decisions, the number of borrowers eligible for HAMP modifications, and call center volume and borrower engagement efforts.

Recommendation 2:
Treasury should launch a broader based information campaign, including public service announcements in target markets that focus on warnings about potential fraud and include conspicuous fraud warnings whenever it makes broad public announcements about the program.

Treasury is a key partner, along with the U.S. Department of Housing and Urban Development and other federal agencies, in the "Loan Scam Alert" campaign currently being led by NeighborWorks America® and the Ad Council. NeighborWorks America® was asked by Congress to create this initiative, which raises public awareness through advertising, events, and media. In addition to advertising, representatives from this campaign are present at all MHA events to work with homeowners who have been the victim of a scam, as well as to raise awareness about the increase in mortgage modification and foreclosure rescue scams. Presentations about scam awareness take place at all MHA events and Treasury representatives work with local media to share this information in interviews and promotions for events. The Loan Scam Alert campaign directs homeowners to a website and the Homeowner's HOPE Hotline where they can receive more information and direct assistance.

Treasury's two-phase campaign with the Ad Council is already underway and compliments the above efforts. Advertisements remind homeowners that free help is available from the federal government and direct them to the Homeowner's HOPE Hotline and *MakingHomeAffordable.gov* website. This website features tips for homeowners about scams and an instructional video created with participation by the Federal Trade Commission. Further, we are developing an ancillary print flyer related to the campaign with anti-fraud tips. Treasury continues to seek ways to raise awareness about the increasing numbers of scams and to remind homeowners that there is no charge to apply for participating in MHA, which is the method of extracting money in most scams related to the program.

Recommendation 3:
Treasury should adopt a uniform appraisal process across all HAMP and HAMP-related short sale and principal reduction programs consistent with FHA's procedures.

Treasury specifically allows the use of certified AVM models in the HAMP program because they provide a reasonable estimate of property value, very quickly at very low cost. Appraisals cost between $350 and $500, which would ultimately either be charged to the borrower in the event the loan is not modified or would be capitalized if the loan is modified, increasing the borrower's debt. Additionally, the time required to obtain an appraisal would delay execution of trial period offers.

The MHA valuation guidance is consistent with the guidance provided by the Office of the OCC to its regulated banks. Banks are required to obtain appraisals at origination and are permitted to use certified AVMs or BPOs when valuing assets already in their portfolios. FHA, by contrast does not require its servicers to obtain any opinion of value when modifying delinquent loans, even those modified under the FHA-HAMP program.

Treasury does not dictate in its guidance what valuation method should be used, and instead instructs servicers to independently value the property according to investor guidelines. Given

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the above-mentioned reasons, Treasury feels that AVM and BPOs are sufficient options due to cost and efficiency considerations.

Recommendation 4:
Treasury should reevaluate the voluntary nature of its principal reduction program and, irrespective of whether it is discretionary or mandatory, Treasury should consider changes to better maximize its effectiveness, ensure to the greatest extent possible the consistent treatment of similarly situated borrowers, and to address potential conflict of interest issues.

In the initial announcement relating to HAMP's principal reduction alternative waterfall, Treasury stated that the application of the alternative waterfall was voluntary. In response to SIGTARP's recommendation, Treasury is re-evaluating that position and will report on our conclusion in the near future.

Treasury's initial conclusion was that making the principal reduction alternative waterfall mandatory may cause many servicers to write down more principal than the related investors would otherwise wish. Many servicers, in particular servicers of securitized pools, may consider a mandatory principal reduction alternative waterfall to be a material adverse change because it would force them to write down extensive amounts of principal on the loans, which would in turn cause the trustees or securities administrators to write down the principal balances of the most junior outstanding securitization securities. Those affected junior bondholders would thereafter suffer a loss in interest payments as a result of those principal writedowns, and thus would likely consider the principal reduction alternative waterfall to be a material change under the HAMP guidelines. Accordingly, many servicers would, in an effort to avoid such claims from securitization bondholders, pre-emptively "opt-out" of the alternative waterfall requirements, which is permitted under the Servicer Participation Agreements and Financial Instruments (SPAs). For these reasons, and because participation of servicers in HAMP is voluntary, Treasury concluded that in order to drive housing relief to the maximum number of potential borrowers it could not risk a substantial number of servicers and investors withdrawing from the proposed principal reduction alternative waterfall.

Recommendation 5:
Treasury should reconsider the length of the minimum term of HAMP's unemployment forbearance program.

After consulting with servicers, advocates, and other partners, Treasury has considered extending the unemployment program term limits. We understand that many borrowers are unemployed for much longer periods – according to the latest Bureau of Labor Statistics data from March 2010, approximately 44% of all unemployed persons were unemployed 27 weeks or longer. Given this data and our conversations with our partners, the final guidance, as promulgated in Supplemental Directive 2010-04, gives servicers the discretion to extend the forbearance beyond the initial three months with no set limit, subject to approval from the financial institution's regulator, or investor of any related mortgage backed security, as applicable. It should be noted that many borrowers may have shorter forbearance periods.

In addition, currently the OCC does not encourage unemployment forbearance periods longer than three months unless the borrower has found employment by the end of the initial forbearance period. If the forbearance lasts longer than six months, generally accepted

accounting standards may require a financial intuition to write down the value of the loan. Therefore, an investor's regulator or accountants may ultimately decide how long unemployment forbearances will last for the related borrowers.

Community Development Capital Initiative (CDCI): The actions that Treasury has taken or plan to take to address your recommendations are described under each recommendation.

Recommendation 1:
Treasury should institute careful screening before putting additional capital into an institution with insufficient capital to ensure that the TARP matching funds are not flowing into an institution that is on the verge of failure.

Treasury is developing a screening and approval process for the CDCI program that is similar to CPP. For each financial institution applying to participate in CDCI, Treasury will seek the recommendation of the appropriate federal regulator in determining eligibility for the CDCI. The eligibility recommendation will be based on an assessment of the overall strength and viability of the institution, which will take into account any proposed matching funds deemed necessary by the regulator to reach the viability standard. In certain cases, applications will also be reviewed by a council of representatives from appropriate regulators, including in all situations involving matching funds. Treasury officials will review the application received from the federal regulators and recommendations from one of the CDCI regulatory councils, if applicable, before approving any disbursement of funds under the CDCI. The screening and approval process will be in place before Treasury receives the CDCI applications from the federal regulators.

Recommendation 2:
Treasury should develop a robust procedure to audit and verify the bona fides of any purported capital raised and to establish adequate controls to verify the source, amount and closing of all claimed private investments.

Treasury will work with the federal regulators and its legal counsel to develop adequate controls to verify the source, amount and closing of all claimed private investments. Treasury is discussing options for identifying funds and obtaining a confirmation of receipt for the source of the funds. Treasury will implement a process before Treasury funds any approved CDCI applications.

Recommendation 3:
Treasury should revise CDCI terms to clarify that Treasury inspection and copy right continue until the entire CDCI investment is terminated and to expressly provide SIGTARP access to the CDFI records equal to that of Treasury.

The definitive documentation for CDCI will expressly acknowledge the jurisdiction and authority of SIGTARP and other oversight bodies. The definitive documentation will also state that both Treasury and SIGTARP will have access to personnel and any books, papers, records or other data relevant to ascertaining compliance with the financing terms and conditions of CDCT participants as long as Treasury owns the CDCI securities. Once the definitive documents have been fully executed, they will be published on our website, www.financialstability.gov.

Recommendation 4: Treasury should consider more frequent surveys than annually as currently contemplated.

As described in our April 17 letter, Treasury considered your recommendation to require more frequent surveys from financial institutions participating in the CDCI program and continues to believe that the required annual survey will provide sufficient transparency on the operational activities of these institutions.

Thank you again for your suggestions. We look forward to continuing to work with you and your team as we move forward.

Sincerely,

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

May 20, 2010

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

RE: Follow-Up on HAMP Recommendations in the SIGTARP Audit Report

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) appreciates the recommendations made by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) in the official audit report titled "Factors Affecting Implementation of the Home Affordable Modification Program (HAMP)." This letter supplements our initial response letter dated March 22, 2010 and describes Treasury's progress in addressing the concerns raised in your audit recommendations. We have described under each recommendation the actions that we have taken, or plan to take, to address the recommendation.

Recommendation 1:
Treasury should rectify the confusion that its own statements have caused for HAMP by prominently disclosing its goals and estimates (updated over time, as necessary) of how many homeowners the program will help through permanent modifications and report monthly on its progress toward meeting that goal.

As we noted in our March 22 response, the goal of HAMP is to offer up to 3 to 4 million homeowners assistance in preventing avoidable foreclosures through all available avenues including modifications and alternatives to foreclosure, such as short sales and deed-in-lieu. Treasury believes it is on pace to achieve this goal and does not plan to revise it. We will continue to report each month on our progress towards meeting this goal in the ways described in our monthly reports as noted in our earlier response. This information is available in the Making Home Affordable (MHA) Program Reports that are available on our website at www.financialstability.gov. Treasury will also report on all other MHA foreclosure prevention programs as the data becomes available.

Additionally, we believe that reporting comparative performance metrics by servicer provides a good measurement of our progress in meeting program goals. As discussed further in the response to the next recommendation, Treasury will continue to publicly report on servicer-specific progress on HAMP modifications in the MHA Program Reports, including reporting on the conversion rate of trial modifications to permanent modifications by servicers that represent the majority of loans eligible for the HAMP program.

Recommendation 2:
Treasury should set other performance benchmarks and publicly report against them to measure over time the implementation and success of HAMP.

Treasury has begun to report on servicer performance relative to key program objectives in the MHA Program Reports. Our latest report includes information about servicer-specific conversion rates to permanent modifications and servicer performance in giving homeowners timely decisions. Treasury announced plans for reporting performance measures on servicer compliance, program execution and homeowner experience beginning in July 2010. These new performance measures will include results of servicer-level loan-file reviews, average time from start of trial modification to start of permanent modification, information about alternatives made available to homeowners ineligible for HAMP, servicer handling of calls from homeowners, and servicers share of homeowner complaints to the HOPE Hotline.

Recommendation 3:
Treasury should undertake a sustained public service campaign as soon as possible, both to reach additional borrowers who could benefit from the program and to arm the public with complete, accurate information — this will help to avoid confusion and delay, and prevent fraud and abuse.

As described in our March 22 letter, Treasury is working with the Ad Council on a two-part public service announcement (PSA) campaign that is already underway. The campaign includes both television and radio advertising that has been sent to 12,000 media outlets across the country, as well as web banners and outdoor advertising. Treasury and HUD also continue to work with the Ad Council on a new multi-media campaign set to launch in the summer of 2010.

Early results from the first three months of advertising show 803 total airings of the TV PSA with over 1,483,000 household impressions. The Ad Council has reported 3,175 airings of the radio PSA, with the vast majority airing in the 100 largest media markets.

In addition, Treasury is a key partner, along with the U.S. Department of Housing and Urban Development and other federal agencies, in the "Loan Scam Alert" campaign currently being led by NeighborWorks America® and the Ad Council. Presentations about scam awareness take place at all MHA events and Treasury representatives work with local media to share this information in interviews and promotions for events. The Loan Scam Alert campaign directs homeowners to a website and the Homeowner's HOPE Hotline where they can receive more information and direct assistance. Further, we are developing an ancillary print flyer related to the campaign with anti-fraud tips.

Recommendation 4: Treasury should reconsider its policy that allows servicers to substitute alternative forms of income verification based on subjective determinations by the servicer.

As we described in our March 22 letter, we carefully considered your recommendation to restrict servicers from substituting alternative forms of income verification, and continue to believe that there are legitimate business reasons for allowing servicers to exercise good business judgment when evaluating income verification forms that auditors are able to assess during their fieldwork.

Recommendation 5: Treasury should re-examine HAMP's structure to ensure that it is adequately minimizing the risk of re-default driven by negative equity, high non-first-mortgage debt service, and other risk factors.

Treasury has re-examined HAMP's structure to ensure that it is adequately minimizing the risk of re-default driven by negative equity, high non-first-mortgage debt service, and other risk factors. The program changes to HAMP announced on March 26, 2010, were introduced in part to lower the probabilities of the risk of re-defaults in HAMP and were derived from a cost/benefit analysis of the proposed changes. These announcements include two alternatives for principal forgiveness on first mortgage liens in an effort to directly address the negative equity issue: the FHA Refinance program and Treasury's Principal Reduction Alternative. Treasury expects to publish guidance on these two new programs in June 2010. The FHA Refinance program will assist borrowers who are current on their first lien mortgage to refinance into a new FHA loan while also receiving a minimum 10% reduction of principal, and with a resulting maximum 115% combined loan-to-value ratio. Treasury's Principal Reduction Alternative will require servicers to compare the net present value (NPV) of HAMP modifications with and without principal forgiveness for all loans greater than 115% loan-to-value ratio. When the NPV of a modification with principal forgiveness is positive, servicers can choose to modify the loan with principal reduction applied in three equal installments over three years, assuming the borrower remains in good standing. Treasury will provide incentive payments of up to 21% of every dollar forgiven.

Additionally, revisions to the Second Lien Modification Program significantly increased investor incentives to encourage full or partial extinguishment of second mortgage liens. As of May 5, 2010, four large servicers that represent approximately 50% of all second mortgage liens have agreed to participate in the program and are actively modifying second liens in their mortgage portfolios. SIGTARP has acknowledged in its April 2010 Quarterly Report that the above announced revisions to the HAMP program structure will address the general concerns raised in the above recommendation.

Thank you again for your suggestions. We look forward to continuing to work with you and your team as we move forward.

Sincerely,

Herbert M. Allison, Jr.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 11, 2010

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

RE: Follow-Up on Warrant Disposition Recommendations in the SIGTARP Audit Report

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) appreciates the recommendations made by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) in the audit report titled "Assessing Treasury's Process To Sell Warrants Received From TARP Recipients." This letter supplements our initial response letter dated May 7, 2010 regarding your recommendations regarding the warrant disposition process.

As we noted previously, we are pleased that your report concludes that we have succeeded in negotiating prices from institutions for their warrants that are at or above our estimates of fair market value. We also are pleased that you found our process for estimating fair market value satisfactory. Your report should be helpful in explaining this complicated subject to the public.

With respect to your recommendations, which primarily address documentation and standardization of the process of evaluation of bids and negotiating with an issuer, we welcome your suggestions, and have set forth below the actions we are taking in response:

Recommendation 1: Treasury should ensure that more detail is captured by the Warrant Committee meeting minutes. At a minimum, the minutes should include the members' qualitative considerations regarding the reasons bids were accepted or rejected within fair market value ranges.

Treasury notes that the minutes of the Treasury Warrant Committee meetings include as an attachment a detailed valuation analysis that is prepared by Treasury's team with respect to each offer by an institution. This analysis sets forth, among other things, how the offer compares to each of the three fair market value ranges that Treasury estimates in accordance with its methodology and an explanation of how each of the ranges was derived. This document is the basis for the discussions by the Warrant Committee and its decision. Treasury's team then submits the detailed analysis and the committee meeting minutes articulating the committee's recommendation to the Assistant Secretary who ultimately decides whether to accept or reject the institution's bid.

Nonetheless, in response to your recommendation, Treasury will expand the scope of the Warrant Committee meeting minutes themselves to state some of the specific factors that the members of the Warrant Committee considered when recommending to accept or reject an institution's offer.

Recommendation 2: Treasury should document in detail the substance of all communications with recipients concerning the negotiations of warrant repurchases.

We understand that you believe this will help measure the consistency of Treasury's decisions on whether to accept bids to repurchase warrants. Treasury believes that the primary way to achieve consistency is to apply the same valuation methodology and overall process to all institutions. Treasury's results – the prices at which warrants have been repurchased – evidence that it has done so. Nonetheless, in response to your recommendation, Treasury will maintain a record of communications with each institution concerning the negotiations of warrant repurchases.

Recommendation 3: Treasury should develop and follow basic guidelines and internal controls concerning how negotiations will be pursued, including the degree and nature of information to be shared with repurchasing institutions concerning Treasury's valuation of the warrants.

Treasury is reviewing its procedures for sharing information with institutions in order to ensure adequate consistency in the negotiation process itself. It should be remembered, however, that although we follow the same valuation methodology and same general procedures in dealing with any firm, the negotiation process will always vary by institution, in light of differences among institutions in their warrant valuation methods, decision-making processes and negotiating styles, differences in the amount by which a first offer varies from Treasury's estimate, and differences in market conditions at the time of the negotiation, to name just a few factors. Treasury must maintain flexibility in the way it responds while maximizing overall returns for taxpayers.

We would also like to take this opportunity to note certain statements in the report which we believe are not accurate in a material way. These are listed in Appendix A.

We share your commitment to transparency and accountability in all of TARP's programs and policies. We look forward to continuing to work with you and your team as we continue our efforts to stabilize our financial system.

Sincerely,

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

Appendix A

Statements with which Treasury Disagrees from SIGTARP's May 10, 2010 Report

Listed below are areas in which Treasury disagrees with specific statements made in the Report. After each section, and in certain cases immediately following the individual statement, Treasury's reasons for disagreement and responses are listed.

1. Consistency – SIGTARP states that Treasury's process is inconsistent.

SIGTARP's Report contains the following statements that we believe demonstrate a misunderstanding of the consistent process Treasury has established for the warrant disposition process:

- Executive Summary and page 36 of the Report: "Unless Treasury addresses these deficiencies, it risks subjecting itself once again, fairly or unfairly, to criticism from third parties that through TARP it is favoring some institutions over others—picking winners and losers—irrespective of whether in fact it had legitimate reasons to take the negotiating positions that it did."
- Executive Summary of the Report: "This lack of documentation makes it impossible to test whether Treasury is fairly and consistently making decisions that could mean a difference of tens of millions of dollars for taxpayers."
- Page 21 of the Report: "Without such documentation, SIGTARP could not further determine the extent to which institutions were treated consistently and objectively during these discussions."
- Pages 32–33 of the Report: "Treasury lacks detailed documentation supporting the decisions of the Warrant Committee….This deficiency significantly limits the ability to test the consistency of Treasury's decisions."

Treasury's Response

Treasury has established a transparent warrant disposition process which is applied uniformly regardless of the size of the financial institution. Not only has Treasury developed and adhered to extensive policies and procedures for warrant valuation and disposition, Treasury has effectively disposed of warrants through repurchases by receiving fair market value, increasing the rate of return for TARP investments and, in turn, protecting the taxpayers, a fact that SIGTARP acknowledges in its Report—"[t]o its credit, Treasury has generally succeeded in negotiating prices from recipients for the warrants at or above its estimated composite value." (Executive Summary of the Report). These positive outcomes evidence the fact of a consistent process. Consistency should be measured by outcomes primarily and, as SIGTARP acknowledges, Treasury has succeeded in obtaining consistently positive results for the American taxpayers.

2. Transparency – SIGTARP states that there are certain failings with regard to transparency.

The following portions of SIGTARP's report, which appear to allege certain failings with respect to transparency, are inconsistent with the robust procedures Treasury has in place to provide for effective transparency to the public:

- Page 8 of the Report: "Treasury had provided only limited information about the warrant repurchase process".
    - This suggests that Treasury was withholding information from release for no good reason rather than waiting until it could do so without harming taxpayer interests as described below.
- Page 17 of the Report: "Most of the meeting minutes from Warrant Committee sessions were limited and included only the name of the institution, the institution's offer amount, the name of the analyst who presented Treasury's analysis of fair market value, the analyst's recommendation on whether to accept or reject the offer, whether the offer was at or close the analyst's composite value or fair market value range, and the final vote of the of the Warrant Committee members".
    - This statement ignores the fact that the Warrant Committee Memo, which contains a detailed analysis of a bid and how it compares to Treasury's range, is attached to the meeting minutes from the Warrant Committee sessions.
- Page 32 of the Report: "The first area of concern is that Treasury does not sufficiently document important parts of the process, impairing transparency and making a comprehensive review of the integrity of the decision-making process impossible."

Treasury's Response

Treasury's process for disposing of the warrants is transparent and Treasury has evidenced this transparency through multiple means. First, Treasury provides minutes of its decision to either accept or decline offers for the repurchase of the warrants. These minutes include as an attachment the Warrant Committee Memo, which sets forth detailed information upon which the Warrant Committee provides its advice on whether to accept the offer to the Assistant Secretary. Second, Treasury publicly reports the results of each of its transactions, which includes the disposition of the warrants either by repurchase by the issuer or through the auction process, on its publicly available transaction report. Third, Treasury produced a fulsome warrant report which provided detailed information, including, among other items, regarding the various bids provided by the issuers for the repurchase of their warrants from Treasury. Treasury produced this report once the release of bid information would not compromise its bargaining position in warrant negotiations. That point was reached in late December, once Treasury had disposed of most of the large bank warrant positions through negotiated repurchases and established a successful warrant auction platform for future dispositions. The latter was important because it confirmed that the market would value the warrants in generally the same manner as Treasury was doing in negotiated transactions. Treasury also made it clear in public testimony and to

SIGTARP and the other oversight agencies in meetings that it would release the bid information once it had achieved these objectives. Furthermore, Treasury has agreed to supplement the report as additional details become available as additional issuers either repurchase their warrants or have their warrants auctioned to the public. Finally, Treasury publicly posts its agreements with third-parties for public scrutiny on its website. These steps, among others, demonstrate Treasury's commitment to transparency and the results of those commitments.

3. Negotiation Consistency – SIGTARP believes negotiations were not consistent.

The following portion of the SIGTARP Report evidences a misunderstanding of the negotiation process:

- Page 34 of the Report: "Treasury does not have established guidelines or internal controls over how the negotiations proceed, and in particular as to how much information is shared with recipient institutions about Treasury's estimated fair market value and the price it will accept for the repurchase of the warrants."

Treasury's Response

Negotiations are consistent within certain parameters. No counter offers are provided by the analysts. Consistent with the securities purchase agreement, valuation metrics are discussed in order to resolve objections to the company's determination of fair market value. If a valuation is close to acceptable Treasury valuation metrics, more detail may be offered in order to resolve the difference. Each negotiation is specific to that institution. Although we follow the same valuation methodology and same general procedures in dealing with any firm, flexibility is necessary to protect taxpayer's interests when responding to differing negotiating tactics, market conditions, and factors specific to those discussions. Treasury continues to perfect its processes, including the negotiation process, which continues to evolve in light of past performance in line with best practices as they are learned.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

June 29, 2010

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

RE: SIGTARP Official Draft Audit Report

Dear Mr. Barofsky:

Thank you for giving the U.S. Department of the Treasury (Treasury) the opportunity to review and comment on your official draft audit report regarding compliance activities in connection with institutions receiving exceptional assistance under the Troubled Asset Relief Program (TARP). As Assistant Secretary Allison is travelling, he has asked me to respond on his behalf.

We take very seriously our responsibility to monitor compliance with TARP requirements by all recipients of TARP funds. We have carefully reviewed the statements made in your report and the recommendations based on those statements. Although we agree with a portion of your third recommendation regarding increasing the Office of Financial Stability's compliance staff, we strongly disagree with many of the statements and two of your recommendations in this report. Treasury is fully committed to a robust compliance regime, and is likewise fully committed to protecting the interests of taxpayers.

We will respond more fully to your findings and, provide a detailed description of Treasury's actions with regard to the concerns expressed in your report within 30 days of the final audit report's issuance.

We share your commitment to compliance with all of TARP's requirements. We look forward to continuing to work with you and your team as we continue our efforts to stabilize our financial system.

Sincerely,

Timothy G. Massad

Timothy G. Massad
Chief Reporting Officer
Office of Financial Stability

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

June 30, 2010

Neil M. Barofsky, Esq.
Special Inspector General
for the Troubled Assets Relief Program
United States Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Re: Status Report on Recommendations in the SIGTARP Quarterly Report

Dear Mr. Barofsky:

This letter comments on the actions taken by the U.S. Department of the Treasury (Treasury) in response to the outstanding recommendations outlined in the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) *Quarterly Report to Congress*, dated April 21, 2010. As Assistant Secretary Allison is travelling, he has asked me to respond on his behalf.

Treasury looks forward to the release of the SIGTARP's seventh major report on the Troubled Asset Relief Program (TARP) in June 2010, and has continued to take significant steps to address recommendations from the SIGTARP's quarterly and audit reports. We request that you include the enclosed *Summary Response to SIGTARP Recommendations* in your upcoming quarterly report.

As described in our enclosed *Summary Response to SIGTARP Recommendations*, Treasury has made significant progress in addressing the SIGTARP's comments. We agree that Treasury must do more in many of these areas, and appreciate the SIGTARP's recognition of the significant progress we have made in your report. The enclosed summary outlines steps Treasury is taking to implement action plans that are responsive to the SIGTARP's outstanding recommendations as well as the progress made in completing the action plans for each outstanding recommendation.

We appreciate the open and collaborative relationship with you and your team, and have strived to achieve the highest standard for protecting taxpayers while carrying out our mandate of promoting financial stability. We look forward to continuing to work with you and your team as we move forward.

Sincerely,

Timothy G. Massad
Chief Reporting Officer
Office of Financial Stability

Enclosure

The U.S. Department of the Treasury
Summary Response to SIGTARP's Outstanding Recommendations

June 30, 2010

The Department of the Treasury (Treasury) welcomes the recommendations on the Troubled Asset Relief Program (TARP) from the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). This summary response serves as a status report on Treasury's response to specific recommendations included in SIGTARP's quarterly and audit reports, which appear in the SIGTARP recommendation chart included in the April 2010 Quarterly Report to Congress.

Treasury has given careful consideration to all recommendations in SIGTARP's quarterly and audit reports. Treasury's policies and programs currently address many of the issues raised in your recommendations, and in many cases, Treasury has taken specific actions to implement your recommendations. When we believe a particular recommendation would not help carry out Treasury's statutory duties under the Emergency Economic Stabilization Act (EESA), we have developed alternative ways to address the underlying concerns SIGTARP has raised and have explained the measures we are employing to do so to in our summary responses to SIGTARP and to Congress. Finally, SIGTARP Recommendations 1, 3, 4, 5, 6 and 7 identified in this summary response should be closed because Treasury has either implemented the recommendation or believes that no further action is necessary or appropriate.

Specific Recommendations from SIGTARP's Reports

Recommendation 1 [re Use of Funds]: Treasury should require TARP recipients to report on the actual use of TARP funds.

Treasury collaborated with SIGTARP on designing a process that addressed this recommendation, which includes a *Use of Capital Survey*. The scope of the annual *Use of Capital Survey* covers how each financial institution has employed the capital infusion of funds received under the Capital Purchase Program (CPP) from the date they initially received the funds until the end of the fourth quarter 2009.

Treasury sent the *Use of Capital Survey* to CPP participants in March 2010, and received survey responses from many CPP participants. Treasury will post all answers that are collected from each individual CPP recipient through the *Use of Capital Survey*, and will publish the names of any financial institutions that fail to submit a survey response to Treasury, on the *FinancialStability.gov* website. Treasury expects to complete this process shortly. Additionally, Treasury has posted a summary of quantitative data on the categories provided in the overall Quarterly CPP Report for each individual CPP recipient on the *FinancialStability.gov* website.

Recommendation 2 [re HAMP]: Treasury should reevaluate the voluntary nature of its principal reduction program and, irrespective of whether it is discretionary or mandatory, Treasury should consider changes to better maximize its effectiveness, ensure to the greatest extent possible the consistent treatment of similarly situated borrowers, and to address potential conflict of interest issues.

The final principal reduction alternative (PRA) waterfall guidance requires all servicers to evaluate every Home Affordable Modification Program (HAMP) eligible borrower whose first mortgage lien exceeds 115 percent of the current market value of the property using both the standard and an alternative waterfall that includes principal reduction. Requiring servicers to evaluate homeowners for modifications with principal reduction will require a structural change in servicing and modifications. Servicers will now be required to analyze rigorously and systematically the benefit of principal reduction modifications. This increased transparency around the value of modifications with principal reductions should cause the industry to make better decisions for homeowners and investors. In addition, in many cases, where a modification with principal reduction has a higher NPV than a standard HAMP modification, servicers may be required by investor guidelines or other legal obligations to perform the modification that yields the highest NPV for the investor. It also includes significant financial incentives to offer principal reduction.

Additionally, servicers must have a written policy describing the circumstances under which borrowers will be offered principal reduction and that policy must be consistent with Fair Lending requirements. Treasury believes that the loans most likely to test NPV positive are those that under the standard waterfall require substantial principal forbearance in order to achieve monthly payments that represent 31 percent of the borrower's gross monthly income.

Supplement Directive 10-05 also clarified the appropriate treatment of principal forbearance in the HAMP context (in the absence of any other guidance in a pooling and servicing agreement), essentially requiring servicers to treat forbearance as a realized loss, in the same manner that they treat principal forgiveness. Because both events represent a realized loss, servicers and investors have additional motivation to forgive rather than forbear in order to receive principal forbearance incentives.

Following the initial announcement of the PRA waterfall on March 26, 2010 and the issuance of PRA guidance on June 3, 2010 in SD 10-05, Treasury gave careful consideration to SIGTARP's recommendation to require mandatory principal reduction whenever the alternative Net Present Value (NPV) result was positive. As described in SD 10-05, Treasury's final determination was to leave principal reduction as voluntary choice, as initially announced by the Administration. There are three primary reasons for this decision.

First, the most serious consideration was the potential moral hazard of strategic default created by "promising" a significant amount of principal reduction to all HAMP borrowers whose

overleveraged loans were NPV positive under the alternative waterfall. Treasury does not wish to promote strategic defaults among homeowners.

The next and equally serious consideration was the recognition of the very real frustration on the part of responsible borrowers who, although they are overleveraged, are continuing to make their scheduled payments but believe that their tax dollars are being used to subsidize principal reduction even in instances where investors would otherwise be unwilling to offer this benefit. Finally, as SIGTARP is aware that HAMP is a voluntary program in which servicers elect to participate. Servicers' obligations are based on contractual terms indentified in Servicer Participation Agreements (SPA). The form of SPA requires servicers to implement HAMP in accordance with Treasury directives, including those issued after the date a servicer signs the SPA, so long as Treasury does not issue guidance that represents a material change to the original program terms. Principal forgiveness has a substantial financial impact on investors and, based on discussions with both servicers and investors prior to issuance of the final guidance, would be construed as a material change to the SPAs. Investors were clear that they would challenge any mandatory principal reduction requirement and servicers, in an effort to avoid these legal challenges could preemptively "opt out" of the program which ultimately would negatively impact borrowers struggling to retain homeownership. Treasury determined that the risk of having a substantial number of servicers withdraw from HAMP, and the adverse consequences of such withdrawals to the program's ability to help borrowers, were too great.

Recommendation 3 [re PPIP]: Treasury should have appropriate metrics defined and an evaluation should be in place to monitor the effectiveness of the PPIF managers, both to ensure that they are fulfilling the terms of their agreements and to measure their performance against pre-established benchmarks and against each other.

Treasury continues to develop appropriate metrics to monitor the financial performance of the Public Private Investment Program (PPIP) Funds. Metrics are expected to include each PPIF's actual cumulative net returns on equity investments relative to the total equity investment returns promised by each fund manager. At this time, the most appropriate metric that we are monitoring is the return being generated by each fund manager. Treasury is in the process of identifying a qualified sub-contractor to assist in our ongoing monitoring of the portfolio and development of appropriate metrics. Treasury also continues to develop policies and procedures specific to the ongoing administration of the PPIP to ensure that the fund managers achieve Treasury's investment objectives while also protecting taxpayers from potential risks through robust oversight of the business, legal, operational, and compliance requirements of the PPIP. We expect to have these procedures finalized in August 2010.

Recommendation 4 [re CDCI Program]: Treasury should institute careful screening before putting additional capital into an institution with insufficient capital to ensure that the TARP matching funds are not flowing into an institution that is on the verge of failure.

Treasury has developed a careful screening and approval process for the Community Development Capital Initiative (CDCI) program that is substantially similar to CPP. As part of this process, Treasury will not approve a financial institution applying to participate in CDCI without the recommendation of the appropriate federal regulator. This screening and approval process is currently in place for all financial institutions applying to participate in CDCI. Treasury has documented the process for inclusion in the existing policies and procedures.

Recommendation 5 [re CDCI Program]:Treasury should revise CDCI terms to clarify that Treasury inspection and copy right continue until the entire CDCI investment is terminated and to expressly provide SIGTARP access to the CDFI records equal to that of Treasury.

The SPA expressly acknowledges the jurisdiction and authority of SIGTARP and other oversight bodies. The Agreement also clarifies that both Treasury and SIGTARP have access to personnel and any books, papers, records or other data relevant to ascertaining compliance with the financing terms and conditions of CDCI participants as long as Treasury owns the CDCI securities. The form documents, which include those provisions, have been published on our website, www.financialstability.gov.

Recommendation 6 [re Warrant Dispositions]: Treasury should ensure that more detail is captured by the Warrant Committee meeting minutes. At a minimum, the minutes should include the members' qualitative considerations regarding the reasons bids were accepted or rejected within fair market value ranges.

Treasury has expanded the scope of the Warrant Committee meeting minutes themselves to state the additional factors that the members of the Warrant Committee considered material when recommending to accept or reject an institution's offer. This additional documentation supplements the detailed valuation analysis that is attached to the Warrant Committee meeting minutes.

Recommendation 7 [re Warrant Dispositions]: Treasury should document in detail the substance of all communications with recipients concerning the negotiations of warrant repurchases.

In response to SIGTARP's recommendation, Treasury currently maintains a record of communications with each institution concerning the negotiations of warrant repurchases.

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

JUL 1 2010

Mr. Herbert M. Allison, Jr.
Assistant Secretary
Office of Financial Stability
U.S. Department of the Treasury
Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Treasury's Compliance and Internal Controls Program for PPIP

Dear Mr. Allison:

As you know, the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") began a review of Treasury's Public-Private Investment Program ("PPIP") compliance and internal controls program in October 2009, shortly after the first Public-Private Investment Fund ("PPIF") manager signed its Limited Partnership Agreement ("LPA"). We met with the Office of Financial Stability ("OFS") Compliance officials on numerous occasions and discussed their compliance and oversight efforts.

SIGTARP also consulted with officials at the New York Stock Exchange's Market Surveillance Team ("NYSE") and the Securities and Exchange Commission's Office of Compliance, Inspections and Examinations ("SEC") regarding best compliance practices for a program such as PPIP. We believe Treasury's compliance and internal controls program would greatly benefit by having incorporate the following suggestions.[1]

Treasury's PPIP Policies and Procedures

In its Quarterly Report to Congress issued July 21, 2009 (the "Quarterly Report"), SIGTARP recommended that metrics be defined and an evaluation system be put in place to monitor the effectiveness of the PPIF managers, ensure that they are fulfilling the terms of their agreements, and to measure their performance. The Quarterly Report noted that, without standardized policies and procedures, including written guidance as to how they would evaluate and test the PPIF managers' compliance with program rules, it is unclear how Treasury can consistently and properly identify and act on any potential risks to the program.

[1] These suggestions supplement and are not intended to replace any recommendations found in SIGTARP's Quarterly Reports.

A/S Herbert Allison
July 1, 2010
Page 2

Although Treasury reported that it would adopt this recommendation and was developing appropriate metrics and internal controls, nearly one year later, nothing has yet been issued. The Quarterly Report cautioned that expecting the PPIF managers, without detailed guidance, to design policies and procedures that meet Treasury's and the public's expectations is not appropriate in light of the risk of conflicts of interests inherent in the design of PPIP.

On February 17, 2010, Treasury informed SIGTARP that it had contracted with PricewaterhouseCoopers ("PwC") to develop PPIP compliance policies and procedures within six weeks. On June 18, 2010, however, Treasury stated that a recently completed draft of its PPIP compliance policies and procedures was going through a final approval process. SIGTARP has yet to see the draft and therefore cannot comment on specifics, but we suggest the policies and procedures include key provisions, such as:

- Guidelines to evaluate and test: (1) whether a PPIF manager has an overriding personal conflict of interest such as investment of his own money in other funds; and (2) whether other funds in a PPIF manager's portfolio could be benefiting at the expense of the PPIF fund.
- Plans to review PPIF managers' compliance with other provisions of the LPA not covered in the analysis performed by PwC, and actions it will take on instances of non-compliance (for example, how the PPIF manager keeps complete, accurate and appropriate books and records, or maintains compliance with the various trade and fee restrictions in Section 1.8 of the LPA).
- A framework addressing how Treasury will detect and report potential fraud or other potential securities laws violations by the PPIF managers. Treasury may want to incorporate step-by-step procedures that delineate, at a minimum: (1) whether and how Treasury will test for securities violations; (2) how potential securities violations will be treated; and (3) who supervises the process to ensure all steps are followed.

PPIF Manager Compliance and Internal Controls Review

Treasury stated that, as part of the due diligence during the asset manager selection process, the PPIF manager internal controls were reviewed. Although Treasury is assessing the need for a formal compliance review, Treasury has yet to initiate a formal review of those internal controls.

SIGTARP suggests that such a review is imperative. Review of the PPIF managers will provide Treasury the opportunity to analyze and determine whether each PPIF manager documents and complies with its internal controls requirements and provide a mechanism to monitor the program's risks and determine whether the PPIF managers are operating in accordance with the guidelines and rules in the LPA.

Currently, Treasury relies solely on the PPIF managers' Quarterly Certification. Although self-certifications are important to a compliance program, they alone are not sufficient

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to ensure compliance with the LPA. Further, Treasury may want to consider incorporating processes where The Bank of New York Mellon, as administrator, custodian and valuation agent, could validate the integrity of the data provided by the PPIF managers.

Treasury's reviews, which should be done periodically, should focus on at least the following areas:

1. Compliance Program: review the PPIF managers' policies and procedures for effectiveness
2. Portfolio Management: evaluate how the PPIF managers select securities and engage in risk management such as evaluating ratings of securities and trade allocation analysis
3. Valuation: assess reasonableness and accuracy of valuation process
4. Reporting: evaluate whether monthly reporting requirements are met and review accuracy of the reports
5. Conflicts: assess potential misappropriation of government funds, insider trading, and other conflicts of interest
6. Asset Verification: verify the existence of securities by reviewing settlement of trades and how errors are accounted for both in PPIF and non-PPIF accounts.[2]

Monitoring of Trade Data

Finally, Treasury, through PwC, analyzes the PPIF managers' trade data for compliance with certain elements of the LPA on a monthly basis.[3] SIGTARP has learned that the PPIF manager's weekly trade data is made available to Treasury on the FTP secured website. Both the SEC[4] and NYSE informed SIGTARP that a comprehensive surveillance program requires real-time monitoring along with a monthly review of trading.

The NYSE and SEC told SIGTARP that both real-time monitoring for trade aberrations such as significant price movements and monthly trade surveillance for fraud schemes based on trends over time are necessary. Each serves a unique purpose and together they provide a

[2] Treasury may want to consider instituting an asset verification process on an annual basis. This annual analysis would allow Treasury to review the entire universe of each PPIF manager's trade data to validate whether all eligible asset positions and trades have been captured in the current monthly reports. This would require a complete download of all purchases and sales in every PPIF and non-PPIF account, including eligible and non-eligible assets. The trade data download would come directly from the PPIF managers' trade order management system.

[3] Treasury told SIGTARP that it also performs other analyses like looking at trade settlement dates, outside of the monthly trade analysis.

[4] The opinions expressed by individuals at the Securities and Exchange Commission are the opinions of those individuals, and the Commissioners, the agency or any other employee of the Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees.

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comprehensive surveillance program. We recognize that real-time monitoring may be difficult, but at least a weekly analysis would be possible and might assist Treasury in identifying irregular trends or market movement.

SIGTARP encourages Treasury to adopt these suggestions in its PPIP compliance and internal controls program. These suggestions will strengthen Treasury's oversight of the program and further protect the taxpayers' investments from fraud, waste and abuse. As always, we are available to meet with you to discuss these issues.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 16, 2010

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

RE: Response to SIGTARP Quarterly Report to Congress

Dear Mr. Barofsky:

The U.S. Department of the Treasury (Treasury) appreciates the opportunity to review the recommendation section of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) July 2010 Quarterly Report to Congress to be issued next week. We welcome and consider policy recommendations received from SIGTARP as we design and execute TARP programs under the Emergency Economic Stabilization Act (EESA).

We have previously indicated our willingness to accept several of these recommendations at least in part, and have also described the measures we are employing to address the underlying concerns raised in your prior audit and quarterly reports. In this report you have reviewed our responses and stated why you believe our responses are not satisfactory and the additional steps you believe we should take. While we disagree with some of your characterizations of your responses, we wish to take more time to review your suggestions and comments in detail. Therefore we will respond more fully in the near future to your comments.

We take very seriously our responsibility to develop effective and efficient policies that fulfill the purposes and requirements of EESA. We also take seriously our responsibility to insure transparency in our programs.

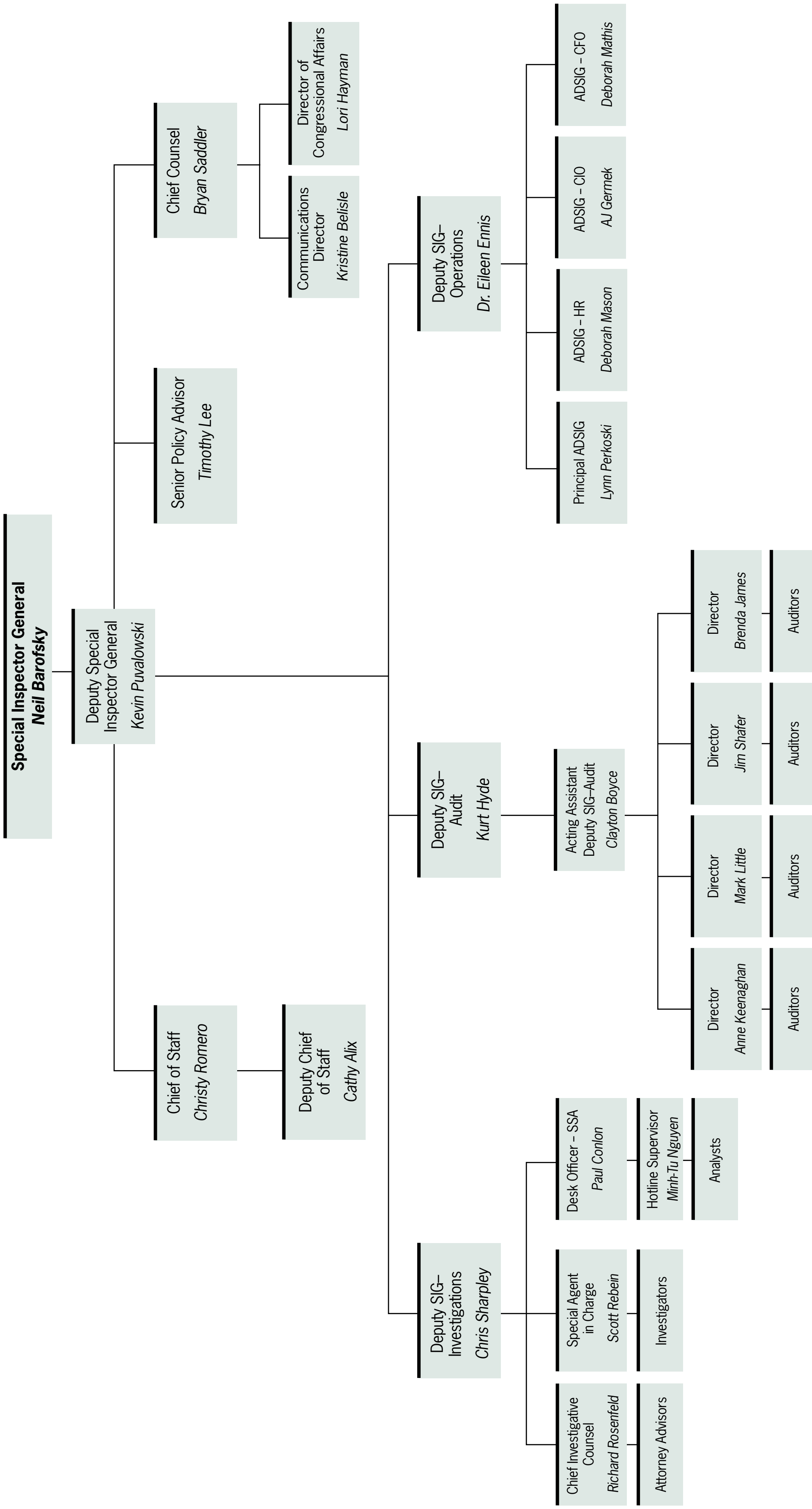
We appreciate the open and collaborative relationship with you and your team, and have strived to achieve the highest standard for protecting taxpayers while carrying out our mandate of promoting financial stability. We look forward to continuing to work with you and your team as we move forward.

Sincerely,

Herbert M. Allison, Jr.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

ORGANIZATIONAL CHART



Note: SIGTARP organizational chart as of 7/15/2010.

SIGTARP

SIG-QR-10-03

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