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
October 26, 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

More than two years have passed since the Emergency Economic Stabilization Act of 2008 ("EESA") authorized the creation of the Troubled Asset Relief Program ("TARP"). On October 3, 2010, Treasury's authority to initiate new TARP investments expired, marking a significant milestone in TARP's history but also leading to the widespread, but mistaken, belief that TARP is at or near its end. As of October 3, $178.4 billion in TARP funds were still outstanding, and although no new TARP obligations can be made, money already obligated to existing programs may still be expended. Indeed, with more than $80 billion still obligated and available for spending, it is likely that far more TARP funds will be expended after October 3, 2010, than in the year since last October when U.S. Treasury Secretary Timothy Geithner ("Treasury Secretary") extended TARP's authority by one year. In short, it is still far too early to write TARP's obituary.

At the same time, TARP's two-year anniversary is a fitting time for an interim assessment. To what extent has TARP met the goals set for it by the U.S. Department of the Treasury ("Treasury") in announcing TARP programs and by Congress in providing Treasury authorization to expend TARP funds — avoiding financial collapse, "increas[ing] lending," "maximiz[ing] overall returns to the taxpayers," "provid[ing] public accountability," "preserv[ing] homeownership," and "promot[ing] jobs and economic growth" — and at what cost? In answering these questions, it is instructive to compare TARP's impact on Wall Street with its impact on Main Street. By fulfilling the goal of avoiding a financial collapse, there is no question that the dramatic steps taken by Treasury and other Federal agencies through TARP and related programs were a success for Wall Street. Those actions have helped garner a swift and striking turnaround, accompanied by a return to profitability and seemingly ever-increasing executive bonuses. For large Wall Street banks, credit is cheap and plentiful and the stock market has made a tremendous rebound. Main Street, too, has reaped a significant benefit from the prevention of a complete collapse of the financial industry and domestic automobile manufacturers, the ripple effects such collapses would have caused, and increased stock market prices. Main Street has largely suffered alone, however, in those areas in which TARP has fallen short of its other goals.

As these quarterly reports to Congress have well chronicled and as Treasury itself recently conceded in its acknowledgment that "banks continue to report falling loan balances," TARP has failed to "increase lending," with small businesses in particular unable to secure badly needed credit. Indeed, even now, overall lending continues to contract, despite the hundreds of billions of TARP dollars provided to banks with the express purpose to increase lending. As to the goal of "promot[ing] jobs and economic growth," while job losses may have been far worse without TARP support, unemployment continues to hold at roughly 9.6%, 3% higher than at the start of the program. While large bonuses are returning to Wall Street, the nation's poverty rate increased from 13.2% in 2008 to 14.3% in 2009, and for far too many, the recession has ended in name only. Finally, the most specific of TARP's Main Street goals, "preserving homeownership," has so far fallen woefully short, with TARP's portion of the Administration's mortgage modification program yielding only approximately 207,000 (out of a total of 467,000) ongoing permanent modifications since TARP's inception, a number that stands in stark contrast to the 5.5 million homes receiving foreclosure filings and more than 1.7 million homes that have been lost to foreclosure since January 2009.

On the cost side of the ledger, the results have been mixed as well. It is undoubtedly good news that recent loss estimates continue to suggest that the financial costs of TARP may be far lower than earlier anticipated, with the most recent estimates placing the dollar loss at between $51 billion and $66 billion. But costs can involve far more than just dollars and cents. Any fair assessment of TARP must account for other costs that, while more difficult to measure, may be even more significant. For example, as SIGTARP has noted in past quarterly reports, increased moral hazard and concentration in the financial industry continue to be a TARP legacy. The biggest banks are bigger than ever, fueled by Government support and taxpayer-assisted mergers and acquisitions. And the repeated statements that the Government would stand by these banks during the financial crisis has given a significant advantage to the larger "too big to fail" banks, as reflected in their enhanced credit ratings borne from a market perception that the Government will still not let these institutions fail, although the impact of this cost may be blunted by recently enacted regulatory reform.

Another even more fundamental non-financial cost, as SIGTARP warned in October 2009, is the potential harm to the Government's credibility that has attended this program. Despite the recent surge in reporting on TARP's successes, many Americans to continue to view TARP with anger, cynicism, and mistrust. While some of that hostility may be misplaced, much of it is based on entirely legitimate concerns about the lack of transparency, program mismanagement, and flawed decision-making processes that continue to plague the program. When Treasury refuses for more than a year to require TARP recipients to account for the use of TARP funds, or claims that Capital Purchase Program participants were "healthy, viable" institutions knowing full well that some are not, or when it provides hundreds of billions of dollars in TARP assistance to institutions, and then relies on those same institutions to self-report any violations of their obligations to TARP, it damages the public's trust to a degree that is difficult to repair. Similarly, when the Government promotes programs without meaningful goals or metrics for success, such as its mortgage modification programs, or when it makes critical and far-reaching decisions without taking an even modestly broad view of their impact, such as pushing for dramatically accelerated car dealership closings without considering the potential for devastating job losses, or when it fails to negotiate robustly on behalf of the taxpayer, as it did when agreeing to compensate American International Group, Inc.'s ("AIG") counterparties 100 cents on the dollar for securities worth less than half that amount, the Government invites public anger, hostility, and mistrust. And by doing so, it dangerously undermines its ability to respond effectively to the next crisis.

While TARP is arguably moving to a new phase, recent actions this past quarter unfortunately suggest that the risks it poses to the public's trust in Government will continue. Indeed, two areas of the greatest anticipated spending going forward — the Home Affordable Modification Program ("HAMP") and the AIG recapitalization plan — highlight those risks.

AIG RECAPITALIZATION PLAN

On September 30, 2010, AIG announced that it had entered into an agreement in principle with Treasury, the Federal Reserve Bank of New York ("FRBNY"), and the AIG Credit Facility Trust ("AIG Trust"), the entity in which FRBNY placed oversight of the 79.8% ownership interest it received in AIG, to recapitalize AIG in order to facilitate repayment of the company's obligations to American taxpayers. Treasury's TARP "Two Year Retrospective" ("Retrospective"), published earlier this month, describes the agreement as "put[ting] taxpayers in a considerably stronger position to recoup their investment in the company." Indeed, Treasury suggests, using current market prices of AIG stock and its projected holdings after the recapitalization, that taxpayers might ultimately profit on the Government's overall support of AIG, consisting of a $5 billion loss on the TARP investment and a $22 billion gain from the sale of the ownership interest in AIG received by FRBNY outside of TARP.

Although the recapitalization plan does create the possibility of an accelerated Government exit from its ownership interest in AIG, Treasury's projections are subject to a degree of uncertainty. First, as described in more detail in Section 2: "TARP Overview," the recapitalization plan is enormously complex and subject to a significant number of conditions that may or may not be fulfilled. Second, Treasury's loss estimate is based on multiplying the share price of AIG's common stock by the number of shares Treasury expects to hold at the end of the recapitalization process. This calculation does not account for the volatility in AIG's stock price, which may result in losses or gains that are either greater or less than the projected amounts. The plan also includes providing AIG up to an additional $22 billion in TARP funds under its existing equity facility and an exchange of $49.1 billion of TARP preferred shares for approximately 1.1 billion more risky common shares, which will result in a 12% incremental increase in the Government's overall common ownership of AIG (from the 79.8% received by FRBNY in September 2008 to a post-recapitalization interest of 92%).

Treasury's most recent estimate of a $5 billion loss on its AIG investment also represents a dramatic shift from the $45 billion loss that Treasury had projected in its AIG investment just six months earlier. While AIG's fortunes may have indeed improved during the course of those six months, there is a serious question over how much of this decrease comes from a change in Treasury's methodology for calculating the loss as opposed to AIG's improved prospects. All of Treasury's prior loss estimates for AIG under TARP, including the March 31, 2010, estimate of $45.2 billion, were conducted in accordance with its published "Methodology to Calculate Estimated TARP Costs" ("Methodology"), which describes how Treasury values all of its investments, including its preferred shares of stock in AIG. Consistent with that document, Treasury's previous loss estimate for AIG, as with its estimates of other TARP investments in preferred shares of stock, accounts for a broad range of factors that might affect the value of Treasury's holdings. The Retrospective, however, abandoned the published Methodology, instead estimating a $5 billion loss based solely on the recent market closing price of AIG's common stock, on the assumption that the recapitalization plan will go exactly as planned and result in Treasury receiving approximately 1.1 billion common shares of AIG stock in return for its current preferred interests. While Treasury did describe its new methodology in the Retrospective, it did not disclose that this methodology differed from that used previously and from what is set forth in its published Methodology. The Retrospective also failed to disclose that its common-stock-based valuation would not and could not be used in Treasury's fiscal year 2010 TARP financial statements, which will be published in November and which will continue to use the auditor-approved methodology that has characterized every other Treasury estimate of loss on its AIG investment.

While SIGTARP offers no opinion on the appropriateness or accuracy of the valuation contained in the Retrospective, we believe that the Retrospective fails to meet basic transparency standards by failing to disclose: (1) that the new lower estimate followed a change in the methodology that Treasury previously used to calculate expected losses on its AIG investment; and (2) that Treasury would be required by its auditors to use the older, and presumably less favorable, methodology in the official audited financial statements. To avoid potential confusion, Treasury should have disclosed that it had changed its valuation methodology and should have published a side-by-side comparison of its new numbers with what the projected losses would be under the auditor-approved methodology that Treasury had used previously and will use in the future. This conduct has left Treasury vulnerable to charges that it has manipulated its methodology for calculating losses to present two different numbers depending on its audience: one designed for release in early October as part of a multifaceted publicity campaign touting the positive aspects of TARP and emphasizing the reduction in anticipated losses, and one, audited by the Government Accountability Office ("GAO"), for release in November as part of a larger audited financial statement. Here again, Treasury's unfortunate insensitivity to the values of transparency has led it to engage in conduct that risks further damaging public trust in Government.

Compounding this potential harm was the comparison made during the rollout of the Retrospective of the lowered projected losses with older estimates. This leaves Treasury vulnerable to additional criticism for making what some might characterize as an apples-to-oranges comparison, disclosing the change in the relative amounts of losses, but not the accompanying change in methodology used to calculate those losses.

As a result of these concerns and with the hope that Treasury would correct this problem, SIGTARP sent a letter to the Treasury Secretary, dated October 13, 2010, recommending that Treasury prominently publish an explanation of its change in methodology along with an updated side-by-side comparison of the loss projection under the prior methodology. A copy of the letter, along with Treasury's response, is contained in Appendix H: "Correspondence."

In its October 19, 2010, letter response, Treasury rejected SIGTARP's call for greater transparency, instead making the seemingly counterfactual claim that that "there has not been any change in our established valuation methodology," because its published Methodology contemplates that "investments in common stock are valued at the market price of that common stock" and that the Retrospective valuation "applies our established methodology." This explanation is puzzling. While the Methodology does contemplate the "use of market prices" for common stock and other securities, it does so only "for TARP investments that are standard financial instruments that trade in public markets or are closely related to tradable securities." According to the Methodology, Treasury, for its earlier valuation of AIG, made the determination that "no comparable preferred shares exist," and therefore used a different and more complex methodology. There is nothing in the Methodology that suggests that calculations on the valuation of preferred shares will be based on a *planned* conversion to common shares, which is presumably why Treasury's auditors will continue to require Treasury to use the more complex methodology in its audited financial statements. Indeed, Treasury has confirmed to SIGTARP that it did not apply the methodology that is applied to AIG in the Retrospective to similarly situated banks in which Treasury holds preferred shares that are under similar recapitalization agreements that contemplate a future conversion of Treasury's stake from preferred to common. That Treasury continued to value those shares using the standard preferred share valuation further undermines Treasury's assertion that there was no change in its treatment of AIG in the Retrospective. In any event, SIGTARP finds Treasury's contention that there was no change in its methodology to be unconvincing, and stands by this recommendation.

Treasury increased the risk of public confusion with another feature of the cost estimates in the Retrospective. In its cost estimates table, in addition to the $5 billion loss projection under the heading "AIG (TARP)," Treasury added a line entitled "Other Treasury AIG Investments," with a projected profit of $22 billion, which relates to the anticipated sale of the 79.8% equity interest that FRBNY received from AIG in September 2008, weeks before TARP's passage and more than two months before Treasury bailed out AIG through TARP. Treasury then offsets its estimated "Total TARP Cost" of $51 billion with this number, yielding a "Total Treasury Cost" of $29 billion. While the description may be technically accurate because FRBNY assigned its ownership interest to the AIG Trust that held the shares to the *United States* Treasury, and may be discoverable through a close inspection of the table, it is potentially misleading. There is little reason to include the effect of the previous *FRBNY* investment in a *TARP* retrospective table that Treasury well knew would be widely used to describe potential *TARP* losses. Indeed, the chart makes no reference to other forms of FRBNY support to AIG, such as the close to $44 billion provided through its Maiden Lane II and Maiden Lane III transactions. In any event, Treasury's lack of specificity did in fact lead to inaccurate reporting, with a number of media outlets reporting that Treasury's projected TARP losses were under $30 billion. Treasury should take far greater care in taking steps in the future to avoid such potentially misleading accounts.

Unfortunately, Treasury's failures in transparency in its presentation of its loss estimates distract from an otherwise positive story — calculations of loss far lower than what was previously expected and a potential exit from AIG that few thought would ever be possible. Treasury should resist in the future taking similar actions with anything less than complete and thorough disclosure of any changes in valuation and without including extraneous information in its TARP projections. If Treasury wants to improve the public's perception of TARP – the apparent goal of the Retrospective — and start addressing the cost to Government credibility that has too often attended its administration of TARP, it must elevate transparency above other short-term concerns in its communications with the American people.

HAMP

SIGTARP, along with the other TARP oversight bodies (GAO and the Congressional Oversight Panel), has long argued that Treasury should adopt meaningful benchmarks and goals for HAMP, including setting forth its expectations and goals for the most meaningful aspect of HAMP — permanent modifications that offer secure, sustainable relief to the program's intended beneficiaries. Remarkably, Treasury has steadfastly rejected these recommendations, and now finds itself defending a program that is failing to meet TARP's goal of "preserv[ing] homeownership." As a result, a program that began with much promise now must be counted among those that risk generating public anger and mistrust.

The problems that HAMP and its companion programs are meant to address, unfortunately, remain painfully clear as the housing crisis continues to have devastating consequences for millions of families across the nation. According to RealtyTrac data, when HAMP has been at its apex, from January 2010 through September 2010, close to 2.7 million homes have been subject to foreclosure notices. At that pace, foreclosure notices will have been sent to more than 3.5 million homes by the end of the year, an increase of 26% over the 2.8 million homes in 2009 and nearly five times the comparable 2006 number.[1] Similarly, RealtyTrac data reveal that bank repossessions continue to increase. Indeed, a record total of more than 102,000 bank repossessions were reported in September alone, the first time that bank repossessions have surpassed the 100,000 mark in a single month. Repossessions totaled nearly 820,000 from January 2010 through September 2010. At that rate, there will be close to 1.1 million bank repossessions this year, an increase of 19% over the approximately 918,000 repossessions in 2009.

By contrast, HAMP, as of September 30, 2010, has only approximately 467,000 ongoing permanent modifications, with fewer than 207,000 of those funded by and attributable to TARP. The remaining were funded outside of TARP by the Government-sponsored enterprises ("GSEs"). A combined total of close to 700,000 of the almost 1.4 million total trial modifications were canceled after failing to be converted to permanent; more than 28,000 permanent modifications have been canceled due to missed payments, and more than 173,000 trial modifications remain in limbo. Over the past quarter, HAMP produced a net increase of fewer than 26,000 permanent modifications per month, with the TARP portion yielding an average of just more than 14,000 per month. Even more worrisome, over that quarter the total average number of incoming HAMP trial modifications has fallen to fewer than 29,000 per month, signaling that the anemic pace of permanent modifications may only get even worse. And as set forth in greater detail later in this report, TARP has only funded a modest number of second-lien modifications or foreclosure alternatives since inception.

Treasury has not acknowledged the implications of these facts with sufficient transparency, and it has steadfastly and explicitly declined to articulate well-considered, consistent, and meaningful success standards for HAMP, particularly when it comes to participation goals for permanent modifications and HAMP's other programs. Instead, it continues to cite the number of HAMP trial modifications, as opposed to permanent modifications, as an indication of success. As recently as October 5, 2010, in the Retrospective, Treasury asserted no fewer than three times that "[e]ighteen months into the program, HAMP has helped more than 1.3 million homeowners by reducing their monthly mortgage payments to more affordable levels." Furthermore, Treasury makes the remarkable argument that every single one of these modifications is a success, including the nearly 700,000 that have failed and more than 173,000 that remain in limbo, claiming that "every single person who is in a temporary modification is getting a significant benefit" from temporarily reduced payments. Put another way, in the absence of benchmarks for HAMP's original goal, to "help up to 3 to 4 million at-risk homeowners avoid foreclosure . . . by reducing monthly payments to sustainable levels," Treasury is reduced to now trying to define every single one of the nearly 700,000 HAMP trial modification failures as "successes."

Treasury's decision to declare such uniform success for so many failures disregards the harm and suffering that often accompany failed trial modifications. In Section 3: "The Economics of Loan Servicing," SIGTARP has provided some examples of the harms that failed modifications have inflicted, including complaints received through SIGTARP's Hotline. There have been many published reports of similar and more extreme examples, such as news website ProPublica's recent survey of HAMP participants. They all paint a similar portrait of many HAMP borrowers, often already contending with other hardships, who end up unnecessarily depleting their dwindling savings in an ultimately futile effort to obtain the sustainable relief promised by the program guidelines. Others, who may have somehow found ways to continue to make their mortgage payments, have been drawn into failed trial modifications that have left them with more principal outstanding on their loans, less home equity (or a position further "underwater"), and worse credit scores. Perhaps worst of all, even in circumstances where they never missed a payment, they may face back payments, penalties, and even late fees that suddenly become due on their "modified" mortgages and that they are unable to pay, thus resulting in the very loss of their homes that HAMP is meant to prevent.

While it may be true that many homeowners may benefit from temporarily reduced payments even though the modification ultimately fails, Treasury's claim that "every single person" who participates in HAMP gets "a significant benefit" is either hopelessly out of touch with the real harm that has been inflicted on many families or a cynical attempt to define failure as success. Worse, Treasury's apparent belief that all failed trial modifications are successes may preclude it from seeking to make the meaningful changes necessary to provide the "sustainable" mortgage relief for struggling families it first promised. What Treasury deems a universal benefit, many homeowners, members of Congress, and a growing number of commentators describe as "cruel" and offering little more than "false hope."

To combat the risk of growing mistrust that accompanies each Treasury announcement on HAMP, and in the spirit of full transparency, Treasury should acknowledge the program's failings and finally publish meaningful goals, no matter how modest they may now appear to be when compared to the original program announcements.

PROGRAM UPDATES AND FINANCIAL OVERVIEW

TARP consists of 13 implemented programs. As of October 3, 2010, $474.8 billion had been obligated across TARP to provide support for U.S. financial institutions, the automobile industry, the markets in certain types of asset-backed securities ("ABS"), and homeowners. Of this amount, $387.8 billion had already been spent, leaving $82.0 billion in six programs remaining as obligated and available to be spent. As of September 30, 2010, 122 TARP recipients had paid back all or a portion of their principal or repurchased shares for an aggregate total of $204.4 billion of repayments and a $5 billion reduction in exposure to possible future liabilities, leaving $178.4 billion in TARP funds outstanding.

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 September 30, 2010, the Government had received $21.8 billion in interest, dividends, and other income, and $10.2 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, 137 have missed dividend payments to the Government, although some of them made the payments on a later date. As of September 30, 2010, there was $211.3 million in outstanding unpaid CPP dividends.

THE ECONOMICS OF LOAN SERVICING

This quarter, Section 3: "The Economics of Loan Servicing," discusses the role of loan servicers in the residential mortgage business, especially relative to participation in HAMP. The goal is to provide context for how servicers operate as the recent financial crisis has resulted in a greater emphasis on handling defaults, modifications, short sales, and foreclosures, in addition to servicers' traditional duties of collecting monthly mortgage payments. To that end, Section 3 discusses the role of servicers, their efforts to conduct a profitable business, and the effect of HAMP on their roles and responsibilities. It also examines the factors that influence their decisions when working with borrowers who have distressed loans. To illustrate those factors and their effects on HAMP's administration and results, Section 3 reviews several scenarios involving the loan modification experience of a hypothetical couple working with their servicer to obtain a mortgage modification, and a series of examples drawn from contacts to SIGTARP's Hotline that describe several homeowners' interactions with servicers under HAMP.

OVERSIGHT ACTIVITIES OF SIGTARP

SIGTARP actively strives to fulfill its audit and investigative functions. This past quarter SIGTARP released the audit report, "Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks." The report, released on July 19, 2010, addressed (1) the role of Treasury's Auto Team in the decision to reduce the dealership networks for General Motors Corporation ("GM") and Chrysler LLC ("Chrysler"), (2) the extent to which GM and Chrysler developed and documented processes for deciding which dealerships to terminate and which to retain, and (3) the extent to which the dealership reductions were expected to lead to cost savings for GM and Chrysler. SIGTARP found that there were several aspects of how the Auto Team came to its decision to reject GM's initial plan to gradually shrink its dealership network and to encourage GM and Chrysler to use bankruptcy to accelerate their dealership terminations worth noting. First, although there was broad consensus that GM and Chrysler generally needed to decrease the number of their dealerships, there was disagreement over where, and how quickly, the cuts should have been made, a finding that was recently confirmed by GM's current chairman, who said he believed that the extent of dealership cuts that followed Treasury's rejection of GM's initial plan was "not necessary." Second, job losses at terminated dealerships were not a substantial factor in the Auto Team's consideration of the dealership termination issue. Finally, the acceleration of dealership closings was not done with any explicit cost savings to the manufacturers in mind. SIGTARP also identified important lessons from the circumstances surrounding the Auto Team's encouragement of GM and Chrysler to accelerate their planned termination of dealerships. Before the Auto Team encouraged such a move, Treasury (a) should have taken every reasonable step to ensure that accelerating the dealership terminations was truly necessary for the long-term viability of the companies, and (b) should have at least considered whether the benefits to the companies from the accelerated terminations outweighed the costs to the economy that would have resulted from potentially tens of thousands of job losses.

In follow-up letters to SIGTARP, Treasury set forth its disagreement with the conclusions of the report. In large part, Treasury's response consists of a series of arguments that have little to do with the actual content of the report, most prominently that absent Government assistance, GM and Chrysler would have faced the prospect of failure and liquidation, resulting in the loss of hundreds of thousands of jobs across multiple industries, an assertion that was neither addressed nor challenged in the report. Treasury left mostly unaddressed the fundamental criticism of SIGTARP's audit, that Treasury should have carefully considered whether such abrupt and large-scale dealership terminations were genuinely crucial to the auto manufacturers' viability, and whether the benefits of such a measure outweighed its larger costs to the economy as a whole.

For a more detailed discussion of the audit, Treasury's responses, and SIGTARP's evaluation of those responses, see Section 1: "The Office of the Special Inspector General for the Troubled Asset Relief Program," which also discusses SIGTARP's announcement of five new audit projects during the past quarter, as well as eight other previously announced audits in process, which will be released in the coming months.

Although much of SIGTARP's investigative activity remains confidential, over the past quarter there have been significant public developments in several of SIGTARP's other investigations. Goldwater Bank, N.A., ("Goldwater") located in Scottsdale, Arizona, which had previously received TARP funds, entered into a settlement agreement with the U.S. Attorney's Office for the Southern District of New York requiring it to forfeit $733,805 to resolve civil forfeiture claims related to Goldwater's alleged laundering of proceeds of illegal online gambling and to develop a series of governance reforms to ensure that it acts as a better steward of the taxpayers' investment in the bank. For a description of other recent investigative developments, including those relating to SIGTARP investigations into Park Avenue Bank, American Home Recovery, Nations Housing Modification Center, Mount Vernon Money Center, Colonial BancGroup Inc., and Omni National Bank, see Section 1.

SIGTARP's chief counsel also took action this quarter, continuing to explore the constitutionality of the appointment of the Special Master for TARP Executive Compensation ("the Special Master"). As discussed more fully in Section 1, SIGTARP, after extended discussions with Treasury, submitted to the Justice Department's Office of Legal Counsel a request for a legal opinion concerning whether the Special Master is a principal officer under the Constitution's Appointments Clause. Treasury's general counsel joined in the request, which is pending.

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: "SIGTARP Recommendations," contains new recommendations, provides updates on existing recommendations, and summarizes implementation measures for previous recommendations.

This quarter, Section 5 features discussion on transparency measures in an array of TARP programs, including SIGTARP's recommendations relating to the $30 billion Small Business Lending Fund ("SBLF") authorized by the Small Business

Jobs and Credit Act of 2010 Public Law 111–240. Although SBLF is to operate largely outside of TARP, in light of the likelihood that many CPP participants will seek to refinance their investments through SBLF, SIGTARP discusses three recommendations designed to ensure the soundness of TARP recipients who may seek to enter SBLF and to prevent TARP recipients from receiving windfall dividend reductions through SBLF without any relevant increase in lending. Section 5 also reviews Treasury's response to the recommendations contained in SIGTARP's previous audit report, "Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance," and SIGTARP's response. Finally, Section 5 includes a discussion of Treasury's last-minute objection to the disclosure of certain data in this report, notwithstanding Treasury's previous statement that it had no objection to the publication of the data, and notwithstanding SIGTARP's previous offer to delay disclosure so that Treasury could seek an appropriate remedy.

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.
- Section 3 discusses the role of loan servicers in the residential mortgage business, especially relative to participation in Making Home Affordable.
- 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 October 3, 2010.

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.

TARP investment authority expired on October 3, 2010. As a result, the U.S. Department of the Treasury ("Treasury") cannot make new purchases or guarantees of troubled assets. This termination of authority, however, does not affect Treasury's ability to administer existing troubled asset purchases and guarantees. In accordance with Section 106(e) of EESA, Treasury may also expend TARP funds as long as it does so pursuant to obligations entered into before that date. SIGTARP's oversight mandate did not end with the expiration of Treasury's authorization for new TARP funding. Rather, under the authorizing provisions of EESA, SIGTARP is to carry out its duties until the Government has sold or transferred all assets and terminated all insurance contracts acquired under TARP. In other words, SIGTARP will remain "on watch" as long as TARP assets remain outstanding.

SIGTARP OVERSIGHT ACTIVITIES SINCE THE JULY 2010 QUARTERLY REPORT

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

SIGTARP Audit Activity

SIGTARP has initiated a total of 23 audits and one evaluation since its inception. Over the quarter ending September 30, 2010, SIGTARP released an additional audit report and provided assistance to an audit report released by the Government Accountability Office ("GAO"). SIGTARP has also announced five new audit projects.

On October 7, 2010, shortly after the close of the quarter, SIGTARP released its latest audit report, "Selecting Fund Managers for the Legacy Securities Public-Private Investment Fund." Details will be discussed in SIGTARP's next quarterly report to Congress. In addition, eight other previously announced audits are nearing completion, and SIGTARP anticipates releasing reports on those audits in the coming months.

Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks

On July 19, 2010, SIGTARP released its audit report, "Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks." Conducted in response to a request by Senator Jay Rockefeller and Representative David Obey, this report addressed (1) the role of Treasury's Auto Team in the decision to reduce the dealership networks for General Motors Corporation ("GM") and Chrysler LLC ("Chrysler"), (2) the extent to which GM and Chrysler developed and documented processes for deciding which dealerships to terminate and which to retain, and (3) the extent to which the dealership reductions are expected to lead to cost savings for GM and Chrysler.

Pursuant to their loan agreements with Treasury, as a condition of receiving additional TARP funding, GM and Chrysler were required to submit restructuring plans in February 2009 to Treasury's Auto Team, a body created by the Administration and responsible for, among other things, evaluating the companies' restructuring plans and negotiating the terms of any further assistance. In March 2009 the Auto Team rejected both companies' plans and highlighted GM's planned "pace" of dealership closings as too slow and one of the obstacles to its viability. In response to the Auto Team's rejection of their restructuring plans, GM and Chrysler significantly accelerated their dealership termination timetables. In GM's case, instead of gradually reducing its network by approximately 300 dealerships per year through 2014, as it had proposed in the plan initially submitted to Treasury, GM responded to the Auto Team's decision by terminating 1,454 dealerships' ability to acquire new GM vehicles and giving them until October 2010 to wind down operations completely. For Chrysler (which also had originally planned to terminate dealers over five years), its acceleration was even more abrupt, with Chrysler terminating 789 dealerships (25% of its network) within 22 days.

The Auto Team's view about the need to reduce dealership networks and do so rapidly was based on a theory that, as in the case of GM and Chrysler's foreign competitors, with fewer dealerships producing less internecine competition, the remaining dealerships would be more profitable (through more sales volume per dealership and lower floor plan financing costs). This greater profitability would permit the dealerships to invest more in their facilities and staff. For GM and Chrysler, the theory went, this would mean better brand equity and would allow the manufacturers, over time, to decrease their substantial dealership incentives. In addition, the Auto Team felt the companies' best chance of success required "utilizing the bankruptcy code in a quick and surgical way" and noted further that it would have been a "waste of taxpayer resources" for the auto manufacturers to exit bankruptcy without reducing their networks. While perhaps only time will tell whether and to what extent the rapid reduction of the number of dealerships will improve the manufacturers' profitability, SIGTARP's audit found that there were several aspects of how the Auto Team came to this view about dealership reductions worth noting.

- First, although there was broad consensus that GM and Chrysler generally needed to decrease the number of their dealerships, there was disagreement over where, and how quickly, the cuts should have been made. In conversations with SIGTARP, some experts questioned whether it was appropriate to apply a foreign model of fewer dealerships located predominantly in metropolitan areas to the U.S. automakers, particularly in smaller and rural markets in which the U.S. companies currently have a competitive advantage, and one expert opined that closing dealerships in an environment already disrupted by the recession could result in an even greater crisis in sales. Similarly, Chrysler officials told SIGTARP that closing dealerships too quickly would have an adverse effect on sales from which several years would be required to recover — and even then, only if new markets were penetrated by opening new dealerships. The facts that, after the mandatory arbitration legislation was passed, GM and Chrysler offered to reinstate 666 and 50 dealerships, respectively, and that a senior GM official stated that the final number of dealerships would not damage GM's ability to recover or grow the company suggest, at the very least, that the number and speed of the terminations were not necessarily critical to the manufacturers' viability. Indeed, after the audit's release, GM Chairman and former Chief Executive Officer ("CEO") Ed Whitacre acknowledged both to the Detroit Press and to SIGTARP that GM may have tried to cut too many dealers in its initial reaction to Treasury's rejection of its viability plan. As he said to SIGTARP, "In my judgment, [cutting that many dealers] was not necessary."
- Second, job losses at terminated dealerships were not a substantial factor in the Auto Team's consideration of the dealership termination issue. In the face of the worst unemployment crisis in a generation and during the same period in which the Government was spending hundreds of billions of dollars on a stimulus package to spur job growth, Treasury's Auto Team rejected GM's original plan (which included gradual dealership terminations), expressly stated that GM's pace of terminations was too slow, and then encouraged the companies' use of bankruptcy to accelerate dealership terminations. Although the restructuring of GM and Chrysler inevitably required an overall reduction in their own work

forces (and the termination of a certain number of poorly performing dealerships), it is not at all clear that the greatly accelerated pace of the dealership closings during one of the most severe economic downturns in our nation's history was either necessary for the sake of the companies' economic survival or prudent for the sake of the nation's economic recovery.

- Finally, the acceleration of dealership closings was not done with any explicit cost savings to the manufacturers in mind. Again, the anticipated benefits to GM and Chrysler from a smaller dealership network were far more amorphous — a better "brand equity" and the potential ability to decrease dealership incentives over time. Indeed, one GM official emphasized this point by telling SIGTARP that GM would usually save "not one damn cent" by closing any particular dealership.

Once the decisions to accelerate the dealership terminations were made, Chrysler decided which dealerships to terminate based on case-by-case, market-by-market determinations. Chrysler did not offer an appeals process. Perhaps not surprisingly in light of the case-by-case nature of the process, SIGTARP did not identify any instances in which Chrysler's termination decision varied from its stated, albeit subjective, selection criteria. GM's approach, which was conducted in two phases, was purportedly more objective. However, SIGTARP found that GM did not consistently follow its stated criteria, nor did it set the criteria or process for appeals or document its reasoning for appeals decisions.

SIGTARP identified several important lessons that should be learned from the circumstances surrounding the Auto Team's encouragement of GM and Chrysler to accelerate their planned termination of dealerships. Although the dealership termination process is near its conclusion, these lessons should be considered in the event Treasury once again is compelled to make decisions that directly affect the businesses in which it has invested. Here, before the Auto Team rejected GM's original, more gradual termination plan as an obstacle to its continued viability and then encouraged the companies to accelerate their planned dealership closures in order to take advantage of bankruptcy proceedings, Treasury (a) should have taken every reasonable step to ensure that accelerating the dealership terminations was truly necessary for the viability of the companies, and (b) should have at least considered whether the benefits to the companies from the accelerated terminations outweighed the costs to the economy that would have resulted from potentially tens of thousands of accelerated job losses. The record is not at all clear that Treasury did either. It made no effort even to quantify the number of job losses to which the Auto Team's decision would contribute until after the decision was made, nor did it sufficiently consider the effect on the broader economy caused by accelerated dealership terminations.

Stated another way, at a time when the country was experiencing the worst economic downturn in generations and the Government was asking its taxpayers to support a $787 billion stimulus package designed primarily to preserve jobs, Treasury made a series of decisions that may have substantially contributed to the accelerated shuttering of more than 2,000 small businesses, thereby potentially adding tens of thousands of workers to the already lengthy unemployment rolls — all without sufficient consideration of the decisions' broader economic impact. There is no evidence that implementing a smaller or more gradual dealership termination plan would have materially increased the companies' risk of failure. That the automakers have offered reinstatement to hundreds of terminated dealerships in response to Congressional action without any apparent sacrifice of their ongoing viability further demonstrates the possibility that such dramatic and accelerated dealership closings may not have been necessary and underscores the need for Treasury to tread very carefully when considering such decisions in the future.

Furthermore, although it was certainly understandable for Treasury to defer to the automakers' management in selecting the criteria for closing dealerships, its decision not to monitor the process that they employed is far more questionable. In the absence of effective oversight, GM purportedly employed objective criteria but then deviated from them, making termination decisions with little or no transparency and making a review of many of these decisions impossible; Chrysler's process did not even include an opportunity for dealerships to appeal the termination decision. In the future, to the extent that Treasury takes action with respect to a TARP recipient that has the potential to affect so many jobs in so many different communities, Treasury should monitor the recipient's actions to ensure that they are carried out in a fair and transparent manner.

In a July 16, 2010, response to this audit report, Treasury stated that it "strongly disagree[s] with many of your statements, your conclusions, and the lessons learned." The response asserted that absent Government assistance, GM and Chrysler would have faced the prospect of failure and liquidation, resulting in the loss of hundreds of thousands of jobs across multiple industries. Treasury argued that "[t]he Administration's actions not only avoided a potentially catastrophic collapse and brought needed stability to the entire auto industry, but they also saved hundreds of thousands of American jobs and gave GM and Chrysler a chance to reemerge as viable, competitive American businesses." On August 19, 2010, Treasury submitted a follow-up letter. Both letters are reproduced in Appendix H: "Correspondence."

The second letter, in Treasury's words, "provide[s] responses to certain statements in the report which we believe are materially inaccurate or incomplete." It is important to note that Treasury was provided an opportunity to review a discussion draft of the report and provide comments. Treasury did so, changes were made to the report as appropriate, and, at the end of that process, Treasury offered no material factual objections to that draft audit report. The August 19, 2010, letter, while quoting numerous statements from the audit report, fails to identify a single factual assertion in the report as inaccurate. Treasury might not agree with how the audit's conclusions portray the Auto Team's decision making or with the lessons that SIGTARP has drawn from those facts, but it should be made clear that Treasury has not challenged the essential underlying facts upon which those conclusions are based. Instead, Treasury's objections to the audit's conclusions and lessons learned amount to little more than the erection of a series of straw men that appear to be designed to distract the reader from the lack of any meaningful substantive response.

Treasury's specific comments are summarized below, followed by SIGTARP's response.

- Treasury contends that certain statements in the report "overstate one factor of the restructurings and demonstrate a misunderstanding of Treasury's decision-making process." In particular, Treasury disagrees with SIGTARP's criticisms of the Auto Team for insufficiently taking job losses at terminated dealerships into account, pointing out that without steps to attain viability, both GM and Chrysler faced almost certain liquidations, which would have resulted in the loss of hundreds of thousands of jobs across multiple industries, including auto dealerships. In Treasury's view, it did not have either the "mandate to study how to best preserve jobs for one group of stakeholders given the enormity of the risk to the industry and the limited time in which a plan had to be implemented," or the time to conduct studies without "requir[ing] the Administration to continue to fund the companies with billions of taxpayer dollars in the absence of approved viability plans." Treasury further notes that employment losses since June 2007 for auto dealers have not been as severe as for the rest of the auto industry, and that "over the past year since GM and Chrysler emerged from bankruptcy, employment at auto dealers has actually increased."

Notably absent from these objections is any meaningful defense against the core criticism of the audit report — that the Auto Team's failure to seriously consider job losses at terminated dealerships was a fundamental flaw in its evaluation of the automakers' restructuring plans. SIGTARP does not dispute that Government assistance was necessary to prevent the failure of GM and Chrysler, and notwithstanding Treasury's attempt to erect this straw man criticism of the report, nothing in the audit suggests otherwise. Further, Treasury does not and cannot support its implication that had dealership closings not been dramatically accelerated, GM and Chrysler would have failed. None of the experts that SIGTARP interviewed supported such a proposition. Indeed, a senior member of the Auto Team, Ron

Bloom, when asked explicitly whether the Auto Team could have left dealerships out of the restructurings, affirmatively told SIGTARP that it "could have left any one component [of the restructuring plan] alone." Furthermore, that the companies have subsequently offered reinstatement to hundreds of dealerships without any impact to their ongoing viability in the U.S. suggests, at a minimum, that the speed and scale of the terminations were not essential to the companies' survival. Particularly telling are the statements of Whitacre, who not only acknowledged that the cuts before reinstatements were "not necessary," but also pointed out the value of preserving dealerships: "I thought from the start that if you had more good dealers then you can sell more good cars and that is what we are in the business of doing. I still believe that it is a much better idea to have more good dealers."

Treasury's reference to labor statistics, which demonstrate that from 2009 to 2010, depending on the month selected, there was a slight increase or slight decrease in the number of employees at all of the country's auto dealerships, foreign and domestic, used and new, likewise misses its mark. As an initial matter, whatever the current employment levels at auto dealerships, they are simply irrelevant to the audit's conclusion that Treasury should have at least considered whether the benefits to the companies from accelerated terminations outweighed the costs to the economy from potentially significant accelerated job losses. In other words, even if Treasury's actions did not significantly contribute to job losses, that fortuitous outcome would not have been the result of careful analysis, given Treasury's failure to consider the broader impact of its decision. In any event, the cited statistics fail to support Treasury's suggestion that the dealership closings in question have had no adverse impact on jobs. First, those statistics cover all auto dealerships, and so tell us little about the impact of GM and Chrysler dealership closings. Second, in response to Congressional action and other factors that softened the blow of Treasury's decision, GM and Chrysler significantly reduced the number of planned dealership closings originally approved by the Auto Team. Third, as Treasury is well aware, the statistic is potentially misleading because GM will not complete its dealership closings until the end of October 2010, so the mid-summer numbers do not reflect the impact of a substantial number of GM closings.

Finally, Treasury's claimed lack of any "mandate" to consider job preservation or time to conduct meaningful studies exposes its other arguments for what they are — efforts to distract from its failure to conduct meaningful analysis in support of well-founded, well-judged decisions that balance the benefits and costs for all stakeholders appropriately. The audit nowhere suggests that the Auto Team should have delayed its decision making for an extended period. Indeed, Treasury accomplished its after-the-fact analysis of job impact within weeks of its initial decision. In the face of the worst unemployment crisis in a generation, and in the context of one of the most severe economic downturns in our nation's history, Treasury certainly could have used some of the time it spent consulting its dozen experts considering the broader impact of its decision.

- Treasury contends that SIGTARP inaccurately "argues that the decisions of GM and Chrysler to accelerate dealership closures were based entirely on Treasury's written viability plan determination." Treasury asserts that it did not "direct" the companies to terminate specific dealers or accelerate dealer closings in particular. Rather, it determined that each company's initial viability plans failed to aggressively effectuate the entire restructuring across several different criteria. The companies determined that the only way to restructure their debt obligations was through a bankruptcy proceeding, which provided an opportunity for an extensive restructuring of other liabilities, including those concerning facilities, suppliers, environmental liabilities, and the dealer network. The restructuring of all liabilities minimized the amount of taxpayer money that had to be injected into each company.

Here Treasury has erected and attacked a new straw man. The audit report nowhere contends that the decisions of GM and Chrysler were based "entirely" on Treasury's written viability plan determination. Nor does the report state that Treasury "directed" GM and Chrysler to terminate specific dealers. Indeed, the report specifically stated otherwise. But to the extent that Treasury is trying to disclaim any responsibility for the accelerated closing plans, its position strains credulity. Treasury rejected both companies' initial restructuring plans, emphasizing (in writing to GM and orally to Chrysler) the importance to their long-term viability of accelerated dealership closings. Not surprisingly, particularly given that their ability to tap more TARP funds was contingent on Treasury's approval of the restructuring plans, GM and Chrysler both responded by amending their plans to accelerate dealer closings in conformance with Treasury's wishes. SIGTARP does not dispute Treasury's claim that the prospect of a bankruptcy proceeding made accelerated dealership closings more attractive, but that concept was not the companies' alone, and Treasury officials acknowledged to SIGTARP that they strongly encouraged the auto manufacturers to use bankruptcy to shed dealerships, in order to get around the laws that the states had enacted to protect these small businesses. In the words of an internal Auto Team memo concerning GM, the "team believes it is imperative that the company capitalize on the unique opportunity to reconfigure the dealer network outside the confines of restrictive state franchise laws."

- Treasury objects that SIGTARP failed to acknowledge the benefits of early implementation of planned dealership closings. It also disagrees with the criticism that the Auto Team embraced "not-universally-accepted" theories on the benefits of dealer terminations and did not perform explicit cost savings analyses before recommending acceleration of dealership closings. In Treasury's view, SIGTARP chose to downplay an almost unanimous consensus among industry experts that GM and Chrysler should reduce their dealership networks while emphasizing the views of one or two experts who, in part, disagreed. Treasury notes that GM and Chrysler had planned dealership closures on their own, irrespective of Treasury's guidance, in order to improve brand equity, sales throughput, and the dealer network's overall health. In Treasury's view, it would have been irresponsible not to use the bankruptcy process as a quicker, less expensive way to effect reductions in their dealer networks.

The audit report fully and accurately described the range of expert opinion on the benefits and costs of dealership closings. Contrary to Treasury's intimation, the report acknowledged the "broad consensus" that GM and Chrysler, in a general sense, needed to decrease the number of their dealerships. The report also noted, as Treasury seems reluctant to concede, that there is important disagreement over where, and how quickly, the cuts should have been made, and whether such cuts were necessary to the viability of GM and Chrysler. As noted above, some experts, as well as a former Chrysler deputy CEO, questioned whether it was appropriate to apply to U.S. automakers a foreign model of fewer dealerships overall, with a significantly reduced presence in smaller or rural markets (GM increased its planned termination of rural dealerships from 475 to 714 in response to Treasury's reaction to its initial plan), particularly when the U.S. companies held a competitive advantage in such markets. And, of course, even GM's chairman and former CEO believed that the cuts before reinstatement, which were made at Treasury's encouragement, might have been too drastic and "not necessary." A more thoughtful process from Treasury might have avoided such a conclusion.

- Treasury objects to SIGTARP's observation that because GM and Chrysler offered to reinstate hundreds of dealerships after Congress passed mandatory arbitration legislation, the number and speed of the terminations were not necessarily critical to either company's viability. Treasury contends that the report misunderstood the situation the companies faced after Congress acted, and notes that nearly 70% of the subsequent arbitration proceedings were decided in favor of the manufacturers.

The arbitration statistics cited by Treasury are wholly unrelated to the fundamental point at issue — that the Auto Team failed to adequately justify its conclusion that an aggressive acceleration of dealership terminations was necessary to the manufacturers' viability. That the manufacturers offered reinstatement to so many dealers without any threat to their viability, whatever the reason, undermines any such conclusion. In any event, Treasury's citation to the results of termination cases actually arbitrated is potentially misleading as well as irrelevant. Only 170 of the 1,584 arbitration claims filed actually proceeded through arbitration to a ruling. The vast majority of filings (approximately 89%) were resolved in other ways, including offers of reinstatement and financial settlements accepted by the dealer. In light of these facts, it is not surprising that those few that were not offered reinstatement or settlements did not ordinarily succeed in arbitration. Given the number of dealerships reinstated without any apparent threat to the companies' viability, the previously noted opinion of GM's chairman and former CEO that the initial cuts were likely too deep, and the current head of the Auto Team's acknowledgment that the accelerated dealership closings, as with any other single factor, were not essential for viability, it is curious that Treasury still clings to the contrary opinion.

- In Treasury's view, SIGTARP unfairly concluded that Treasury should have done more to monitor the process that the automakers employed in implementing their dealership closure plans. Treasury asserts that its role, as mandated by the President, was to take a broad commercial approach to these restructurings and refrain from intervening in day-to-day decisions. This policy was intended to preserve the long-term viability of GM and Chrysler and their ability to repay the Government's investment. In Treasury's words, "[t]he Government's role was not to run the companies."

Here again, Treasury misses the point. SIGTARP's report did not suggest that Treasury should involve itself in examining individual closure decisions. Rather, it made the commonsense suggestion that Treasury, having put in motion an aggressive dealership closing plan, should have monitored the process by which closure decisions were made to ensure that the process was both fair and transparent. Doing so would hardly have been more invasive than the Auto Team's approach to assessing the need to dramatically accelerate dealership closings, or a host of other business decisions, from plant closings to brand removal to leadership choices.

Having examined Treasury's objections, SIGTARP stands by its earlier findings.

Ongoing Challenges and Guiding Principles Related to Government Assistance for Private-Sector Companies

In response to a request by Senate Finance Committee Chairman Max Baucus, SIGTARP and GAO undertook a broad audit project examining corporate governance issues related to companies receiving exceptional assistance under TARP. As part of this project, in June 2010 SIGTARP released an audit report, "Treasury's Monitoring of Compliance with TARP Recipients by Companies Receiving Exceptional Assistance." As the July 2010 Quarterly Report discusses in greater detail, the report 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. A discussion of the recommendations contained in that audit, and Treasury's response, is contained in Section 5: "SIGTARP Recommendations" in this report.

As another part of this joint effort, in August 2010 GAO issued an audit report entitled "Ongoing Challenges and Guiding Principles Related to Government Assistance for Private-Sector Companies." SIGTARP provided assistance to GAO in connection with this audit report, which first described the Federal Government's wide range of ownership interests in recipients of exceptional assistance under TARP and other initiatives, from owning preferred shares with no general voting rights, to owning common shares with voting rights, to acting as a conservator. The report also examined the level of Government involvement in the companies, explaining that it too varied widely, from no material involvement to requiring some combination of corporate restructuring, the submission of periodic financial reports, and greater interaction with company personnel. The report also discusses the steps the Government has taken to manage its investments and consider exit strategies.

Finally, the report identified lessons learned from interventions that might be applied should the Government again face the prospect of having to intervene in private markets to avert a systemic crisis. According to this GAO audit, the Government could protect the taxpayer's interest by not only continuing to follow the principles previously identified by GAO (*i.e.*, identifying and defining the problem, determining a national interest and setting clear goals, and protecting the Government's and taxpayer's interests) but also by adhering to the following five additional principles:

First, it is essential to develop a strategic and coordinated approach when comprehensive and global governmental action is required. Second, taking actions to ensure that the Government has a strategy for managing any investments resulting from its intervention is necessary to help mitigate perceived or potential conflicts and manage external influences. Third, the Federal Government's intervention in private markets requires that those efforts be transparent and effectively communicated. Fourth, establishing an adequate oversight structure to help ensure accountability is essential. And finally, taking steps to mitigate moral hazard will be necessary not only to ensure that regulatory and market-based structures limit risk taking before a crisis occurs, but also to create strong disincentives to seeking Federal assistance through utilization of stringent requirements.

Audits Recently Completed and Underway

SIGTARP has ongoing audits on eight previously announced topics and expects to issue those audit reports in the coming months. In addition, SIGTARP released a new audit report shortly after the close of the quarter ending September 30, 2010.

Selecting Fund Managers for the Legacy Securities Public-Private Investment Funds ("PPIFs")

Issued on October 7, 2010, and undertaken at the request of Senator Claire McCaskill and Senator Robert Bennett, this audit reviewed the process Treasury followed to select fund managers to raise private capital for joint investment programs with Treasury through the Public-Private Investment Program ("PPIP"). It examined 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. This audit report will be discussed in greater detail in SIGTARP's next quarterly report to Congress.

Status of the Federal Government's Asset Guarantee Program with Citigroup Inc. ("Citigroup")

This review, requested by Representative Alan Grayson, is examining a series of questions about the Government's guarantee of certain Citigroup assets through the Asset Guarantee Program ("AGP") such as: (i) the basis for the decision to provide Citigroup with additional Government assistance, including an additional $20 billion in assistance to Citigroup through what would later be named the Targeted Investment Program ("TIP"); (ii) how the asset guarantee pool was determined; and (iii) the basis for the decision to permit Citigroup to terminate its AGP agreement and repay its TIP capital infusion, thereby freeing Citigroup from requirements of its TIP agreement.

Office of the Special Master Decisions on Executive Compensation

This audit is examining the decisions of the Office of the Special Master for TARP Executive Compensation 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.

Capital Purchase Program ("CPP") Applications Receiving Conditional Approval

This audit is examining 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 was Colonial Bancgroup Inc. ("Colonial"), which received CPP approval conditioned on its raising $300 million in private capital but was later the center of a major SIGTARP fraud investigation. 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.

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

This audit is examining the Federal Reserve's basis for hiring collateral monitors for the TALF program, the role of the collateral monitors, and the appropriateness of the approved loan amounts.

Office of Financial Stability Contracting for Professional Services

Undertaken at the request of Senator Tom Coburn, this audit is examining 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.

CPP Exit Strategy

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

For more information on HAMP, see SIGTARP's March 25, 2010, audit report "Factors Affecting Implementation of the Home Affordable Modification Program."

Home Affordable Modification Program ("HAMP") Internal Controls

Building on SIGTARP's other audit work on HAMP, this audit is examining the extent to which Treasury has established a system of internal controls for HAMP. This audit will also review the reasons Treasury reported erroneous re-default rates through June in its Servicer Performance Report and the corrective actions Treasury is taking to help ensure that its future performance reports are accurate.

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, is examining the following issues: (i) whether participating loan servicers are correctly applying the NPV test under the program; (ii) the extent to which Treasury ensures that servicers are appropriately applying the NPV test per HAMP guidelines when assessing borrowers for program eligibility; and, (iii) 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 Audits and Evaluations Underway

Over the past quarter, SIGTARP has announced three new audit and evaluation projects.

Hardest-Hit Fund ("HHF")

Undertaken at the request of Representative Darrell Issa, this audit is examining (i) the extent to which Treasury applied consistent and transparent criteria, including applicable provisions of EESA, in selecting the states and programs to receive money under HHF; (ii) the extent to which Treasury has determined the programs to be funded by HHF are innovative as compared to existing federal and state programs; (iii) whether Treasury has put sufficient mechanisms in place to prevent waste, fraud and abuse in HHF; and (4) the goals and metrics Treasury has adopted and reported to the public for the operation of the HHF.

Decision-Making Process Regarding Citigroup Deferred Tax Assets

Undertaken at the request of Representative Dennis Kucinich, this evaluation is examining (i) the rationale behind Treasury's decision to issue Notice 2010-2 (the "Notice") regarding Internal Revenue Code Section 382, which limits the amount of net operating losses a corporation experiencing a change of ownership may use to offset future taxable income; (ii) whether Treasury was aware of the tax effect that may result from the Notice's issuance; (iii) the identity of principal decision makers involved in issuing the Notice; and (iv) the extent to which Treasury's policy to timely dispose of TARP investments factored into the issuance decision.

Assessment of AIG Severance Payments

At the request of Senator Charles Grassley, SIGTARP is conducting an evaluation and review of executive compensation regulations issued by Treasury as they relate to severance payments to certain former executives at AIG. Additionally, this evaluation is examining the circumstances of an alleged conflict of interest within the Office of the Special Master.

SIGTARP Investigations Activity

SIGTARP's Investigations Division has developed into a leading white-collar investigative agency. As of September 30, 2010, SIGTARP had 130 ongoing criminal and civil investigations, many in partnership with other law enforcement agencies. Since SIGTARP's inception, its investigations have contributed to the recovery of $155.8 million and saved an estimated $555.2 million through fraud prevention. SIGTARP's 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, theft of trade secrets, money laundering, perjury to Congress, and tax-related investigations. While the majority of SIGTARP's investigative activity remains confidential, over the past quarter there have been significant public developments in several SIGTARP investigations.

Park Avenue Bank

On October 8, 2010, Charles Antonucci, the former president and chief executive officer of Park Avenue Bank, pled guilty in the U.S. District Court for the Southern District of New York to offenses including securities fraud, making false statements to bank regulators, bank bribery, and embezzlement of bank funds. As noted in SIGTARP's Quarterly Report to Congress dated April 20, 2010, Antonucci was arrested in March 2010 after attempting to steal $11 million of TARP funds by, among other things, making fraudulent claims about the bank's capital position. With his guilty plea, Antonucci became the first defendant convicted of attempting to steal from the taxpayers' investment in TARP.

Antonucci falsely represented that he had personally invested $6.5 million in Park Avenue Bank to improve its capital position. However, the funds were actually borrowed from the bank itself and reinvested as part of an undisclosed "round trip" transaction. This fraudulent transaction was touted by the bank as evidence of its supposedly improving capital position, a key factor that regulators consider when awarding TARP funds. In addition, Antonucci made false representations to bank regulators about the source of the $6.5 million. The ongoing SIGTARP investigation is being conducted in partnership with the Federal Bureau of Investigation ("FBI"), U.S. Immigration and Customs Enforcement ("ICE"), the New York State Banking Department Criminal Investigations Bureau, and the Office of the Inspector General of the Federal Deposit Insurance Corporation ("FDIC OIG").

Goldwater Bank, N.A. ("Goldwater")

On September 15, 2010, Goldwater, located in Scottsdale, Arizona, entered into a settlement agreement with the U.S. Attorney's Office for the Southern District of New York requiring it to forfeit $733,805 to resolve civil forfeiture claims related to Goldwater's alleged laundering of illegal online gambling proceeds. Goldwater had received approximately $2.6 million from Treasury through CPP. Between January and May 2009, more than $13.3 million in funds traceable to offshore online gambling companies were deposited in a bank account at Goldwater held by Allied Wallet, Inc. The forfeiture amount equaled the net income that Goldwater received to process these transactions. Additionally, in order to safeguard the Government's continued TARP investment in the bank, Goldwater agreed to develop and implement internal anti-money laundering procedures, to comply with the Bank Secrecy Act, and to create internal training programs and an independent audit function to ensure that its compliance is effective. SIGTARP jointly investigated Goldwater with the FBI and the U. S. Attorney's Office for the Southern District of New York.

American Home Recovery ("AHR")

On August 11, 2010, the U.S. District Court for the Southern District of New York unsealed a grand jury indictment charging Jaime Cassuto, David Cassuto, and Isaak Khafizov, the principals of American Home Recovery, a mortgage modification company located in New York City, with one count of conspiracy to commit mail and wire fraud, one count of wire fraud, and two counts of mail fraud, all relating to a mortgage modification scam. The indictment also included a forfeiture allegation that would require forfeiture of proceeds obtained as a result of the offenses.

As previously reported, the defendants were arrested by Special Agents from SIGTARP and the FBI as part of the Department of Justice's nationwide "Operation Stolen Dreams" mortgage fraud sweep. According to the indictment, the defendants perpetrated a scheme to defraud homeowners using mailings and telemarketing efforts. Through these channels, it is alleged that the defendants, through AHR, falsely promised to assist desperate homeowners by negotiating with banks to modify the terms of their mortgages in exchange for upfront fees of several thousand dollars. In fact, the indictment alleges, AHR did little or no work to modify the mortgages. Through their scheme, the defendants obtained more than $500,000 from homeowners throughout the country, according to the indictment.

The indictment further alleges that one of the defendants, Khafizov, directed AHR salespeople to falsely inform prospective clients that AHR had an 80%-90% success rate in securing modification of clients' mortgages and that AHR would issue a full refund of the upfront fee to any client whose mortgage was not successfully modified by AHR. In addition, it is charged that the AHR salespeople falsely represented to homeowners that AHR would ensure their participation in the TARP-funded Making Home Affordable ("MHA") program. Finally, AHR salespeople falsely advised homeowners that they were more likely to obtain a mortgage modification from their bank if they fell further behind on their mortgage payments and/or stopped making payments to their bank entirely, and sent their money to AHR instead, the indictment alleges. The case is pending. This ongoing SIGTARP investigation is being conducted in partnership with the FBI.

Nations Housing Modification Center ("NHMC")

On July 20, 2010, Roger Jones was arrested by Federal agents in Las Vegas pursuant to his June 18, 2010, indictment in the U.S. District Court for the Southern District of California. Jones was charged with providing false statements to SIGTARP agents and conspiracy to commit wire fraud.

The charges relate to Jones' alleged participation in an advance fee scheme noted in previous SIGTARP quarterly reports. According to his indictment, Jones and others took criminal advantage of the publicity surrounding the Administration's mortgage modification efforts under the MHA program. Operating companies under the names "Nations Housing Modification Center" or "Federal Housing Modification Department," they used fraudulent statements and representations to induce customers to pay $2,500 – $3,000 to purchase loan modification services that were never delivered, according to the charges. 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. Finally, the indictment claims that Jones, the sales manager for NHMC, attempted to extort money out of another co-conspirator, claiming he would lie to the grand jury to help him.

As previously reported, Glenn Steven Rosofsky and Michael Trap have pled guilty in connection with this case. Trap pled guilty in March 2010 to conspiracy to commit fraud and money laundering. Rosofsky pled guilty in June 2010 to offenses including money laundering, conspiracy to commit wire fraud, and filing a false tax return. This case was jointly investigated with the Internal Revenue Service-Criminal Investigation ("IRS CI") and the Federal Trade Commission, as well as the San Diego District Attorney's Office and the U. S. Attorney for the Southern District of California.

Mount Vernon Money Center ("MVMC")

On September 15, 2010, Robert Egan, president of Mount Vernon Money Center, pled guilty to conspiracy to commit bank fraud and wire fraud. On October 13, 2010, Bernard McGarry, the chief operating officer, pled guilty to the same offenses. The guilty pleas arose from a scheme in which Egan and McGarry defrauded MVMC clients, including banks that had received TARP funds, out of more than $50 million that had been entrusted to MVMC. MVMC engaged in various cash management businesses, including replenishing cash in more than 5,300 automated teller machines owned by financial institutions. From 2005 through February 2010, Egan and McGarry solicited and collected hundreds of millions of dollars from MVMC's clients on the false representations that they would not co-mingle clients' funds or use the funds for purposes other than those specified in the various contracts with their clients. Relying upon the continual influx of funds, Egan and McGarry misappropriated the clients' funds for their and MVMC's own use, to cover operating expenses of the MVMC operating entities, to repay prior obligations to clients, or for their own personal enrichment. This case was jointly investigated by SIGTARP, the FBI and the U.S. Attorney's Office for the Southern District of New York.

Colonial/Lee Bentley Farkas

As described in greater detail in the July 2010 Quarterly Report, Lee Bentley Farkas was charged in the Eastern District of Virginia in a 16-count indictment that included charges relating to his alleged role in attempting to steal $553 million from TARP through the fraudulent application of Colonial BancGroup, Inc. ("Colonial"). Farkas was also charged by the Securities and Exchange Commission ("SEC") in a civil complaint with violations of the antifraud, reporting, internal controls, and books and records provisions of Federal securities laws in connection with, among other things, the alleged 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 alleged 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 allegedly contributed, will be approximately $2.8 billion. Notwithstanding Colonial's initial conditional approval to receive $553 million in TARP funds, SIGTARP ensured that Treasury disbursed no TARP funds to Colonial, thereby avoiding any TARP losses.

On September 28, 2010, at SIGTARP's request, Treasury formally suspended Farkas from participation in United States Government programs and activities. The suspension precludes Farkas "from participating in transactions with the U.S. Government, including grants, loans and loan guarantees, and from acting as a principal of an organization participating in such transactions."

Omni National Bank ("Omni")

Omni was a national bank headquartered in Atlanta. 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. As part of a mortgage fraud task force that also included the U.S. Attorney's Office for the Northern District of Georgia, FDIC OIG, HUD OIG, the U.S. Postal Inspection Service ("USPIS"), and FBI, 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 investigation, on August 3, 2010, Brent Merriell was sentenced to three years and three months in prison for his role in a scheme to prompt Omni to forgive $2.2 million in loans. Merriell had previously pled guilty to charges of making false statements to the FDIC and six counts of aggravated identity theft in connection with the scheme. In addition to Merriell, Mark Anthony McBride, Christopher Loving, and Delroy Davy have pled guilty in connection with this case to mortgage fraud, making false statements to SIGTARP Special Agents, and bank fraud and conspiracy charges, respectively. Additionally, Jeffrey Levine, Omni's former executive vice president, pled guilty in January 2010 to charges of causing material overvaluations in the books, reports, and statements that were later submitted as part of Omni's TARP application.

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 September 30, 2010, the SIGTARP Hotline received and analyzed more than 20,000 Hotline 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.

Communications with Congress

One of the primary functions of SIGTARP is to ensure that members of Congress remain adequately and promptly informed of developments in TARP initiatives and of SIGTARP's oversight activities. To fulfill that role, the Special Inspector General and his staff meet regularly with and brief members and Congressional staff. Over the past quarter:

- On July 19 and 20, 2010, SIGTARP Chief of Staff Christy Romero presented open briefings for Senate and House staff, respectively. The focus of the briefings was the July 2010 Quarterly Report.
- On July 21, 2010, Special Inspector General Neil Barofsky testified at a hearing before the Senate Committee on Finance. The title of the hearing was "An Update on the TARP Program." Special Inspector General Barofsky's testimony covered the July 2010 Quarterly Report, which included an update on the progress of the TARP programs, SIGTARP's efforts to bring transparency and accountability to TARP, and a description of SIGTARP's role in bringing to justice those who sought to take criminal advantage of the TARP. His testimony also discussed SIGTARP's audit report, "Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks."

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.

Constitutionality of the Special Master

On November 2, 2009, SIGTARP sent a letter to Treasury inquiring about the constitutionality of its appointment of the Special Master for TARP Executive Compensation ("the Special Master"), pursuant to the Interim Final Rule on TARP Standards for Compensation and Corporate Governance. Treasury responded to SIGTARP's request on March 26, 2010, but it did not fully resolve SIGTARP's concerns. As a result, on April 9, 2010, SIGTARP asked that Treasury elaborate on its authority to review the actions of the Special Master. By letter dated July 29, 2010, Treasury responded to SIGTARP's supplemental request, but again did not resolve SIGTARP's concerns. Accordingly, on August 20, 2010, SIGTARP submitted to the Office of Legal Counsel ("OLC"), Department of Justice, a request for a legal opinion concerning whether the Special Master is a principal officer under the Appointments Clause of the United States Constitution. The General Counsel of the Treasury Department has joined in the request. (A copy of SIGTARP's request and Treasury's correspondence is attached in Appendix H: "Correspondence.") As of the drafting of this report, OLC has not yet issued its opinion.

THE SIGTARP ORGANIZATION

From the day that the Special Inspector General was confirmed by the Senate, SIGTARP has worked to build its organization through various complementary strategies, leveraging the resources of other agencies, and, where appropriate and cost-effective, obtaining services through SIGTARP's authority to contract. SIGTARP continues to make substantial progress in building its operation.

Hiring

As of September 30, 2010, SIGTARP had 135 full-time personnel, including two detailees from other agencies. SIGTARP's employees hail from many Federal agencies, including the Department of Justice, FBI, IRS CI, Air Force Office of Special Investigations, GAO, Department of Transportation, Department of Energy, 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 actively ongoing. The SIGTARP organizational chart, as of September 30, 2010, is included in Appendix I: "Organizational Chart."

Budget

Section 121(g) 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 fiscal year 2010 and that additional resources would be needed to fund operations fully. Accordingly, on June 3, 2009, SIGTARP submitted to Treasury — which forwarded to the Office of Management and Budget — a request for an amendment of Treasury's 2010 budget request in the amount of $23.3 million. The Consolidated Appropriations Act of 2010, Public Law 111-117, provided SIGTARP with the requested $23.3 million.

In addition, $15 million in funds was made available from PPIP by Public Law 111-22, which SIGTARP expects to spend over multiple years. These resources are not designated for general SIGTARP operations but for specific activities carried out by SIGTARP's audit and investigations teams to ensure that securities bought by the PPIFs are purchased in arm's-length transactions and that conflict of interest rules on managers of these funds are followed.

In fiscal year 2009, SIGTARP expended $19.6 million, and in fiscal year 2010, SIGTARP expended approximately $33.5 million. Approximately 51% of SIGTARP's budget is for personnel costs and 29% for services provided by other governmental agencies, as noted in the breakdown of 2010 funding provided by Figure 1.1.

On February 2, 2010, the Administration submitted to Congress Treasury's fiscal year 2011 budget request, which includes SIGTARP's full initial request for $49.6 million. Figure 1.2 provides a detailed breakdown of SIGTARP's fiscal year 2011 budget, which reflects a projected spending plan of $54.6 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. To facilitate more efficient and effective investigative activities across the nation, SIGTARP has also opened regional offices in New York City, Los Angeles, San Francisco and 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 48 million web "hits," and there have been nearly 2.8 million downloads of SIGTARP's quarterly reports, which are available on the site.[2]

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

FIGURE 1.1

SIGTARP FY 2010 ACTUALS
($ MILLIONS, PERCENTAGE OF $33.5 MILLION)

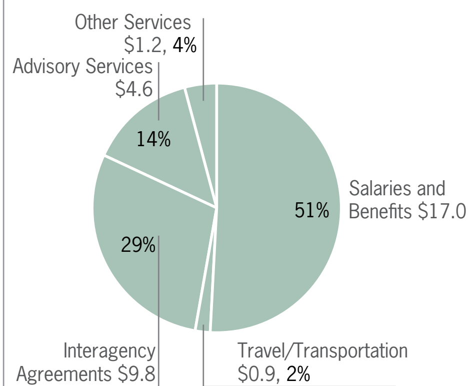
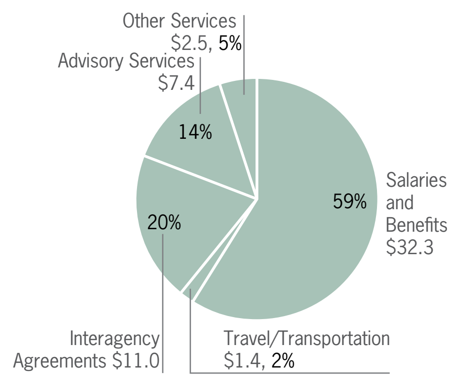


FIGURE 1.2

SIGTARP FY 2011 PROPOSED BUDGET
($ MILLIONS, PERCENTAGE OF $54.6 MILLION)



SECTION 2

TARP OVERVIEW

This section summarizes how the U.S. Department of the Treasury ("Treasury") has managed 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

Because TARP investment authority expired on October 3, 2010, no new obligations may be made with TARP funds. However, dollars that have already been obligated to existing programs may still be expended. As of October 3, 2010, $474.8 billion had been obligated to 13 announced programs. Of this amount, $387.8 billion had already been spent and $82.0 billion remains as obligated and available to be spent. Also, $5.0 billion was obligated under the Asset Guarantee Program ("AGP"), but was not expended and is unavailable for further use.[3]

Obligation: Definite commitment that creates a legal liability for the Government to pay funds.

Initial authorization for TARP funding came through the Emergency Economic Stabilization Act of 2008 ("EESA"), which was signed into law on October 3, 2008. EESA appropriated $700 billion to "restore liquidity and stability to the financial system of the United States."[4] On December 9, 2009, the Secretary of the Treasury ("Treasury Secretary") exercised the powers granted him under Section 120(b) of EESA and extended TARP through October 3, 2010.[5] In accordance with Section 106(e) of EESA, Treasury may expend TARP funds after October 3, 2010, as long as it does so pursuant to obligations entered into before that date.[6]

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which became law (P.L. 111-203) on July 21, 2010, amended the timing and amount of TARP funding.[7] The upper limit of the Treasury Secretary's authority to purchase and guarantee assets under TARP was reduced to $475 billion from the original $700 billion available. The Dodd-Frank Act further provided that Treasury could not use repayments to increase its total purchasing authority and that no new obligations could be made for any program or initiative not in existence as of June 25, 2010.[8] Existing investments and obligations made under TARP were permitted through October 3, 2010, as long as the overall cost did not exceed $475 billion. Under the Dodd-Frank Act, obligated but not expended TARP money could still be expended. In addition, according to Treasury, new obligations for programs that had been announced prior to July 25, 2010 (such as the previously announced Community Development Capital Initiative ["CDCI"]) could be made, up to the new overall $475 billion limit, until the expiration of Treasury's ability to obligate TARP funds on October 3, 2010.[9]

Treasury has reduced the final obligation amounts to the TARP programs from their original commitments as follows:[10]

- Term Asset-Backed Securities Loan Facility ("TALF") — reduced obligation from $20 billion to approximately $4.3 billion
- Unlocking Credit for Small Businesses ("UCSB") — reduced commitment from $15 billion to $380 million
- Public-Private Investment Program ("PPIP") — reduced commitment from $30 billion to approximately $22.4 billion to the Public-Private Investment Funds ("PPIFs")
- Automotive Industry Financing Program ("AIFP") — reduced commitment from $84.8 billion to $81.8 billion, including Auto Supplier Support Program ("ASSP") and Auto Warranty Commitment Program ("AWCP")
- Making Home Affordable ("MHA") Program/Home Affordable Modification Program ("HAMP") — reduced commitment from $50 billion to $45.6 billion

With the expiration of TARP funding authorization, no new expenditures may be made through the Capital Purchase Program ("CPP"), Capital Assistance Program ("CAP"), Targeted Investment Program ("TIP"), Asset Guarantee Program ("AGP"), ASSP, AWCP, or CDCI, because all obligated dollars have been spent. For six programs — HAMP, Systemically Significant Failing Institutions ("SSFI"), TALF, PPIP, UCSB, and AIFP — any dollars remaining as obligated but unspent as of October 3, 2010, are available to be expended up to the obligated amount. No new obligations can be made for TARP programs. Table 2.1 provides a program breakdown of obligations, expenditures, and obligations available to be spent. Table 2.1 lists 10 subprograms, instead of all 13, because it excludes CAP, which was never funded, and because ASSP and AWCP are included under AIFP.

TABLE 2.1

OBLIGATIONS, EXPENDITURES, AND OBLIGATIONS AVAILABLE FOR EXPENDITURE ($ BILLIONS)

Program Name	Obligation[a]	Expenditure[a]	Available to Be Spent
CPP	$204.9	$204.9	$0.0
AIFP[b]	81.8	79.7	2.1
SSFI	69.8	47.5	22.3
HAMP	45.6	0.6	45.0
TIP	40.0	40.0	0.0
PPIP	22.4	14.2	8.2[c]
AGP	5.0	0.0[d]	0.0[d]
TALF	4.3	0.1	4.2
UCSB	0.4	0.2	0.2[e]
CDCI	0.6	0.6	0.0[f]
Total	**$474.8**	**$387.8**	**$82.0**[g]

Notes: Numbers may not total due to rounding.
[a] Obligation figures as of October 3, 2010, and expenditure figures as of September 30, 2010.
[b] AIFP includes $0.6 billion for AWCP and $0.4 billion for ASSP.
[c] Total obligation of $22.4 billion and expenditure of $14.2 billion for PPIP includes $356 million of the initial obligation to TCW that was funded. The $356 million was paid to TCW, and TCW subsequently repaid the funds that were invested in its PPIF; however, these dollars are not available to be spent.
[d] AGP did not have an actual outlay of cash.
[e] UCSB obligation amount of $380 million. As of September 30, 2010, a total of $241 million in purchases have settled for UCSB. The remaining dollars are attributed to purchases that have not settled as of September 30, 2010.
[f] CDCI obligation amount of $570 million. There are no remaining dollars to be spent on CDCI. Of the total obligation, approximately $360 million was related to CPP conversions and approximately $210 million was related to expenditures for new TARP participants or as an additional investment in the CPP conversions.
[g] The $5.0 billion reduction in exposure under AGP is not included in the expenditure total since this amount was not an actual cash outlay, as stated in Note d.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010, accessed 10/7/2010; Treasury, response to SIGTARP data call, 10/21/2010.

In August 2009, the Office of Management and Budget ("OMB") estimated that TARP would ultimately cost the Government $341 billion.[11] Since then, that estimate has been adjusted downward several times. On February 1, 2010, OMB estimated that TARP would cost $117 billion, excluding administrative costs and interest effects.[12] As of the drafting of this report, OMB has not updated this estimate. On August 19, 2010, the Congressional Budget Office ("CBO") reduced its estimate of TARP's overall cost from $109 billion to $66 billion, but did not provide a breakdown of the costs by TARP program. CBO attributed the reduced estimate to three factors: "further repurchases of preferred stock and sales of warrants from banks, a lower estimated cost for assistance to the automobile industry, and the elimination (due to the passage of time and provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, P.L. 111-203) of the opportunity to create new programs."[13] Most recently, on September 30, 2010, Treasury lowered its cost estimate to approximately $51 billion. Treasury's most recent estimate

TABLE 2.2

COST (GAIN) OF TARP PROGRAMS ($ BILLIONS)

Program Name	CBO Estimate[a]	OMB Estimate[b]	Treasury Estimate
Systemically Significant Failing Institutions	$—	$50	$5[c]
Automotive Industry Financing Program	—	31	17
Housing Programs	—	49	46
Remaining TARP Funds	—	3	—
Cumulative Other	—	(6)	(17)[d]
Total	**$66**	**$127**	**$51**

Notes: Numbers may not total due to rounding.
[a] CBO stated that it was unable to provide SIGTARP a program-by-program breakdown for publication.
[b] Includes administrative costs and interest effects of $9.9 billion.
[c] For a description of Treasury's valuation methodology, see "AIG Repayment Plan" in this section.
[d] The $17.0 billion gain includes $16.0 billion estimated for TARP bank programs and $1.0 billion estimated for TARP credit market programs.

Sources: CBO Estimate: Congressional Budget Office, Director's Blog, "CBO Releases Its Annual Summer Update of the Budget and Economic Outlook: CBO's Latest Projections for the TARP," 8/20/2010, http://cboblog.cbo.gov/?p=1322, accessed 8/23/2010; CBO, response to SIGTARP data call, 10/1/2010; 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, response to SIGTARP data call, 10/7/2010.

included a change in the methodology that it previously used to calculate losses for its assistance to American International Group, Inc. ("AIG").[14]

TARP losses are expected to stem mainly from assistance it provided to struggling homeowners, the automotive industry, and AIG.[15] These figures are listed in Table 2.2.

Resignation of Assistant Secretary Allison

On September 22, 2010, Herbert Allison, Treasury's Assistant Secretary for Financial Stability, announced that he was stepping down. Mr. Allison was responsible for overseeing TARP and developing and managing Treasury's policies affecting financial stability, including legislative and regulatory issues. On September 30, 2010, Tim Massad took over as the acting Treasury Assistant Secretary for Financial Stability. Mr. Massad previously served as the Chief Counsel and Chief Reporting Officer for the Office of Financial Stability.[16]

FINANCIAL OVERVIEW OF TARP

The July 21, 2010, enactment of the Dodd-Frank Act reduced TARP's maximum investment authority from $698.8 billion to $475.0 billion.[17] The $698.8 billion represented the initial $700 billion authorized for TARP by EESA less a $1.2 billion reduction as a result of the Helping Families Save Their Homes Act of 2009.[18]

Treasury has obligated $474.8 billion of the $475.0 billion. Of the total obligations, $387.8 billion was expended as of September 30, 2010, through 13 announced programs intended to support U.S. financial institutions, companies, and individual mortgage borrowers.[19]

As of September 30, 2010, 122 TARP recipients had repaid all or a portion of their principal or repurchased their shares, for a total of $204.4 billion returned to Treasury and a $5.0 billion reduction in Government exposure.[20] As of September 30, 2010, $178.4 billion of TARP funds remain outstanding, and $82.0 billion is still available to be spent.[21]

Figure 2.1 provides a snapshot of the cumulative obligations, expenditures, repayments, and exposure reductions.

Treasury has also collected interest and dividends on its investments, as well as revenue from the sale of its warrants, all of which went toward deficit reduction and cannot be re-issued by Treasury.[22] As of September 30, 2010, the Government had received $21.8 billion in interest, dividends, and other income and approximately $10.2 billion in proceeds from the sale of warrants and stock received as a result of exercised warrants.[23]

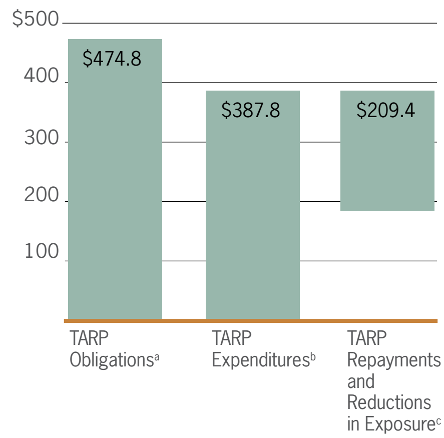
Most of the outstanding TARP money is in the form of equity ownership in troubled, or previously troubled, companies. Treasury (and therefore the taxpayer) remains a shareholder in companies that have not paid back the Government. Treasury's equity ownership is largely in two forms — common and preferred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

TARP consisted of 13 announced programs, all of which are closed to new investment, although, as noted above, under six ongoing programs, a number of TARP recipients will still be able to draw down up to $82.0 billion in already obligated TARP funds.[24]

FIGURE 2.1

CUMULATIVE TARP OBLIGATIONS, EXPENDITURES, REPAYMENTS AND REDUCTIONS IN EXPOSURE

$ BILLIONS



Notes: Numbers may not total due to rounding. Obligations reported as of 10/3/2010. Expenditures and repayments and reductions in exposure reported as of 9/30/2010.
[a] Treasury experienced a $2.6 billion loss on some investments under the Capital Purchase Program ("CPP").
[b] Expenditure total does not include $5.0 billion for AGP as this amount was not an actual cash outlay.
[c] Repayments include $152.8 billion for CPP, $40.0 billion for TIP, $11.2 billion for auto programs, $0.4 billion for PPIP, and a $5.0 billion reduction in exposure under AGP. The $5.0 billion reduction in exposure under AGP is not included in the expenditure total since this amount was not an actual cash outlay, as stated in Note b.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010, accessed 10/7/2010.

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

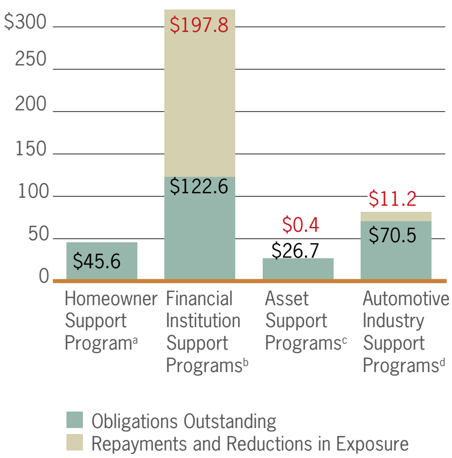
Common Stock: Equity ownership entitling an individual to share in corporate earnings and voting rights.

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

TARP OBLIGATIONS OUTSTANDING, REPAYMENTS, AND REDUCTIONS IN EXPOSURE BY SUPPORT CATEGORY
$ BILLIONS



Notes: Numbers may not total due to rounding. Obligations as of 10/3/2010, and repayments as of 9/30/2010.
[a] Includes MHA.
[b] Includes CPP, CDCI, SSFI, TIP, and AGP. Repayments include $152.8 billion for CPP, $40 billion for TIP, and a $5 billion reduction in exposure under AGP.
[c] Includes TALF, PPIP, and UCSB. Repayments include $428 million for PPIP.
[d] Includes AIFP, ASSP, and AWCP. Repayments include $10.2 billion for AIFP, $413 million for ASSP, and $641 million for AWCP.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010.

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, potential equity declines, and incentives for foreclosure alternatives.
- **Financial Institution Support Programs** — These programs shared a common stated goal of stabilizing financial markets and improving the economy.
- **Asset Support Programs** — These programs attempted to support asset values and market liquidity 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.

Figure 2.2 shows how TARP funding is distributed among the four program categories.

Homeowner Support Programs

The stated purpose of TARP's homeowner support programs is to help homeowners and financial institutions holding troubled housing-related assets. Although Treasury originally committed to use $50 billion in TARP funds, it only obligated a total of $45.6 billion for these programs.[25]

- **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."[26] MHA, for which Treasury has obligated $29.9 billion, has many components, including several funded through TARP: the Home Affordable Modification Program ("HAMP"), the Federal Housing Administration ("FHA") HAMP loan modification option for FHA-insured mortgages, and the Second Lien Modification Program ("2MP").[27] HAMP in turn encompasses various initiatives in addition to the modification of first-lien mortgages, including the Home Affordable Foreclosure Alternatives ("HAFA") program, the Home Price Decline Protection ("HPDP") program, the Home Affordable Unemployment Program ("UP"), and the Principal Reduction Alternative ("PRA") program. HAMP helps homeowners with mortgage modifications and foreclosure-prevention efforts.[28] Additionally, part of the overall $29.9 billion obligation includes $2.7 billion to support the Treasury/FHA Second Lien Program ("FHA2LP"), which is a complementary program to the FHA Refinance program and is intended to support the extinguishment of second-lien loans.[29] As of September 30, 2010, HAMP had expended $483.3 million of TARP money.[30] Total expenditures for the other two programs were $1.6 million in incentives and payments for HAFA and $10,500 in incentives and payments for 2MP.[31] As of September 30, 2010, servicers have completed 206,734 active permanent modifications of first liens, under the TARP-funded portion of the program, an increase of 42,106 active permanent modifications over the past quarter.[32] In addition, the Government-sponsored enterprises ("GSEs") have provided 259,974 active permanent modifications using $451.0 million in non-TARP funds, an increase of 35,404 over the past quarter.[33] See the "Making Home Affordable Programs" discussion in this section for more detailed information, including participation numbers for each of the MHA programs and subprograms.

- **Housing Finance Agency ("HFA") Innovation Fund for the Hardest-Hit Housing Markets ("Hardest-Hit Program")** — The stated purpose of this program was to provide TARP funds to create "measures to help families in the states that have been hit the hardest by the aftermath of the burst of the housing bubble."[34] Treasury obligated $7.6 billion for this program in four increments: an initial amount of $1.5 billion made available on June 23, 2010, a second amount of $600 million made available on August 3, 2010, a third amount of $2.0 billion made available on September 23, 2010, and a final $3.5 billion made available on September 29, 2010.[35] As of September 30, 2010, $56.1 million has been drawn down by HFAs for the Hardest-Hit Fund.[36] See the "Making Home Affordable Programs" discussion in this section for more detailed information.
- **FHA Refinance** — This program is estimated to use $10.8 billion of TARP funds, which includes approximately $8.1 billion to purchase a letter of credit to provide loss protection on refinanced first liens. Additionally, to facilitate the refinancing of new FHA-insured loans under this program, TARP funds will provide approximately $2.7 billion for incentive payments to servicers and holders of existing second liens for full or partial principal extinguishments under the related FHA2LP; the $2.7 billion in funds for FHA2LP are part of the overall HAMP funding of $29.9 billion as noted above.[37] As of September 30, 2010, no incentives and payments have been expended for FHA refinance.[38] See the "Making Home Affordable Programs" 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").

Qualifying Financial Institutions ("QFIs"): Private and public U.S.-controlled banks, savings associations, bank holding companies, certain savings and loan holding companies, and mutual organizations.

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.

Financial Institution Support Programs

Treasury primarily invests capital directly into the financial institutions it aids. For TARP purposes, financial institutions included 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 in qualifying financial institutions ("QFIs").[39] 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]."[40] Treasury invested $204.9 billion in 707 institutions through CPP; $152.8 billion had been repaid as of September 30, 2010, leaving a balance of $52.1 billion outstanding.[41] Of the repayment amount, $363.3 million are funds that were converted from CPP investments into CDCI and therefore still represent outstanding obligations to TARP.[42] CPP closed on December 29, 2009.[43] Treasury continues to manage its portfolio of CPP investments, including, for certain struggling institutions, converting its preferred equity ownership into a more junior form of equity ownership, often at a discount to par value (which may result in a loss) in an attempt to preserve some value that might 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 used TARP money to buy preferred stock or subordinated debt in Community Development Financial Institutions ("CDFIs"). Treasury intended for CDCI to "improve access to credit for small businesses in the country's hardest-hit communities."[44] Under CDCI, TARP made capital investments in the preferred stock or subordinated debt of eligible banks, bank holding companies, thrifts, and credit unions.[45] Eighty-four institutions have received approximately $570 million in funding under CDCI;[46] 28 of these institutions, however, converted their existing CPP investment into CDCI and 10 of those that converted received additional funding under CDCI.[47]
- **Small Business Lending Fund** (**"SBLF"**) — On September 27, 2010, the President signed into law the Small Business Jobs Act of 2010, which created a $30 billion Small Business Lending Fund. The fund is intended to stimulate small-business lending.[48] Under SBLF, Treasury will invest capital in banks that have less than $10 billion in assets in return for preferred shares, in a manner similar to that followed under CPP and CDCI, albeit with incentives to increase certain types of lending and with fewer governance provisions.[49] Under the new law, the Treasury Secretary is 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."[50] The SBLF operates outside of TARP but will likely involve a large number of current TARP recipients. See the "Small Business Lending Initiatives" discussion in this section for more detailed information.

- **Systemically Significant Failing Institutions ("SSFI") Program/AIG Investment Program** — The SSFI program enabled Treasury to invest in systemically significant institutions to prevent them from failing.[51] Only one firm 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 Bank of New York ("FRBNY"). Then, on April 17, 2009, Treasury obligated approximately $29.8 billion to an equity capital facility on which AIG can draw as needed.[52] As of September 30, 2010, AIG had drawn down $7.5 billion of the facility and had not repaid TARP at all, leading to total outstanding TARP assistance of $47.5 billion.[53] Additionally, AIG has not paid $6.7 billion in scheduled dividends.[54] Despite the expiration of TARP, AIG will still be able to draw down the remaining $22.3 billion of unused funding in the equity capital facility if necessary.[55] On September 30, 2010, AIG announced it had entered into a restructuring plan and agreement in principle with Treasury, FRBNY, and the AIG Credit Facility Trust, which was created in order to oversee the 79.8% ownership interest FRBNY received in consideration for extending its credit facility to AIG. The plan is intended to permit the Government to exit its ownership interests in AIG.[56] 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.[57] There were two expenditures under this program, totaling $40 billion — the purchases of $20 billion of senior preferred stock in Citigroup Inc. ("Citigroup") and in Bank of America Corp. ("Bank of America").[58] Treasury also accepted common stock warrants from each, as required by EESA. Both banks fully repaid Treasury for their respective TIP investments.[59] Treasury auctioned its Bank of America warrants on March 3, 2010, but still holds its Citigroup warrants.[60] 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 for a select pool of mortgage-related or similar assets held by participants whose portfolios of distressed or illiquid assets threatened market confidence.[61] Treasury, the Federal Deposit Insurance Corporation ("FDIC"), and the Federal Reserve offered certain loss protections for $301 billion in troubled Citigroup assets.[62] In exchange for providing the loss protection, Treasury received a premium of $4 billion of preferred stock that

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 ("TRUPS"): Securities that have both equity and debt characteristics, created by establishing a trust and issuing debt to it.

was later converted to trust preferred securities on a dollar-for-dollar basis. The FDIC received $3 billion of preferred stock that was similarly converted.[63] On December 23, 2009, in connection with Citigroup's TIP repayment, the bank and the Government terminated the AGP agreement. Under the agreement, Treasury's guarantee commitment was terminated with no loss on the protected assets. In addition, 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 at the close of Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program, the FDIC may transfer $800 million of trust preferred securities that it retained as a premium to Treasury if no loss is suffered.[64] On September 30, 2010, Treasury announced the sale of all of its trust preferred securities for $2.25 billion in gross proceeds, all of which represents a profit to taxpayers.[65] 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 was to support the liquidity and market value of assets owned by financial institutions. These assets included various classes of asset-backed securities ("ABS") and several types of loans. Treasury's asset support programs sought to bolster the balance sheets of financial firms and help free capital so that these firms could extend more credit to support the economy.

Asset-Backed Securities ("ABS"): Bonds backed by a portfolio of 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"): Bonds backed by one or more mortgages on commercial real estate (*e.g.*, office buildings, rental apartments, hotels).

- **Term Asset-Backed Securities Loan Facility ("TALF")** — TALF was originally designed to increase credit availability for consumers and small businesses through a $200 billion 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").[66] The last subscription for newly issued CMBS was June 18, 2010; this marked the program's closure to new loans.[67] FRBNY facilitated 13 TALF subscriptions of non-mortgage-related ABS over the life of the program totaling approximately $59 billion, with $23.9 billion of TALF borrowings outstanding as of September 30, 2010.[68] FRBNY also conducted 13 CMBS subscriptions totaling $12.1 billion, with $5.8 billion in loans outstanding as of September 30, 2010.[69] Treasury originally obligated $20 billion of TARP funds to support this program by providing loss protection to the loans extended by FRBNY in the event that a borrower surrendered the ABS collateral and walked away from the loan.[70] Treasury reduced its obligation for TALF to $4.3 billion based on the amount of loans outstanding at the end of the active lending phase of the program on June 30, 2010. As of September 30, 2010, $0.1 billion of TARP funding has been expended under TALF.[71] An overview of TALF later in this section provides more information on these activities.

- **Public-Private Investment Program ("PPIP")** — PPIP's goal was to restart credit markets by using a combination of private equity, matching Government equity, and Government debt to purchase legacy securities, *e.g.*, CMBS and residential mortgage-backed securities ("RMBS"). Under the program, eight Public-Private Investment Funds ("PPIFs") managed by private asset managers invested in RMBS and CMBS.[72] Although Treasury initially pledged up to $30 billion for PPIP, the obligation is now limited to $22.4 billion.[73] As of September 30, 2010, the PPIFs have drawn down $14.2 billion in debt and equity financing from Treasury funding out of the total obligation, which includes $356 million related to TCW that has been repaid.[74] As the PPIFs continue to make purchases, they will continue to have access to the remaining funding through the end of their respective investment periods, the last of which will close in December 2012.[75] 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 announced that Treasury would buy up to $15 billion in securities backed by SBA loans under UCSB.[76] On March 2, 2010, Treasury entered into an agreement with Coastal Securities Inc. ("Coastal"), and on August 27, 2010, Treasury entered into an agreement with Shay Financial Inc.; these are the two pool assemblers in the UCSB program.[77] Under the agreements, Earnest Partners, on behalf of Treasury, anonymously purchased SBA pool certificates from Coastal and Shay Financial Inc.[78] Treasury obligated a total of $380 million for UCSB, and has made purchases of $357 million in securities under the program. This amount includes $167 million purchased in the last quarter.[79] 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 aimed 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."[80]

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"), now Ally Financial Inc. ("Ally Financial"), and assisted Chrysler and GM during their bankruptcy restructurings. Treasury initially allocated $84.8 billion to AIFP, then reduced the total obligation to $81.8 billion.[81]

Legacy Securities: Real estate-related securities lingering on the balance sheets of financial institutions because of pricing difficulties that resulted from 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).

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

As of September 30, 2010, $79.7 billion had been disbursed through the AIFP and $11.2 billion had been repaid. These investments paid an additional $2.9 billion in dividends, interest, and other income. These figures include the amounts related to ASSP and AWCP.[82]

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 retired) 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).[83] With respect to Chrysler, Treasury provided $12.5 billion in loans to Chrysler, Inc. ("Old Chrysler") and Chrysler Group LLC ("New Chrysler"), of which $5.4 billion is attributable to Old Chrysler and $7.1 billion is attributable to New Chrysler (taking into effect the assumption by New Chrysler of $500 million of Old Chrysler debt). Treasury also received a 9.9% equity stake (an amount that could also be diluted should certain performance metrics be reached).[84] With respect to GMAC, in return for a total investment of $17.2 billion, Treasury received a 56.3% common equity stake, $2.7 billion in trust preferred securities (including amounts received in warrants that were immediately converted into additional securities), and $11.4 billion in mandatorily convertible preferred shares.[85] Treasury provided a $1.5 billion loan to Chrysler Financial, which was fully repaid with interest in July 2009.[86] 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."[87] The original allocation of $5.0 billion was reduced to $3.5 billion — $1.0 billion for Chrysler and $2.5 billion for GM.[88] Of the $3.5 billion available, only $413.1 million was borrowed.[89] After purchasing substantially all of the assets of Old GM and Old Chrysler, New GM and New Chrysler assumed the debts associated with ASSP.[90] After repayment of all funds expended under ASSP, along with $115.9 million in interest, fees, and other income, ASSP ended on April 5, 2010, for GM and on April 7, 2010, for Chrysler.[91] 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

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

vehicle warranties during the companies' restructuring through bankruptcy. It ended in July 2009 after Chrysler fully repaid its AWCP loan of $280.1 million with interest and GM repaid just the principal of $360.6 million.[92]

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

- total funds subject to SIGTARP oversight as of October 3, 2010 (Table 2.3)
- obligations by program as of October 3, 2010 (Table 2.4)
- obligations outstanding by program (Figure 2.3)
- obligations outstanding, repayments, and reductions in exposure, by program (Figure 2.4)
- summary of TARP terms and agreements (Table 2.5 and Table 2.6)
- summary of largest warrant positions held by Treasury, by program, as of September 30, 2010 (Table 2.7)
- summary of dividends, interest payments, and fees received, by program, as of September 30, 2010 (Table 2.8)

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

TABLE 2.3

TOTAL FUNDS SUBJECT TO SIGTARP OVERSIGHT, AS OF 10/3/2010 ($ BILLIONS)

Program	Brief Description or Participant	Total Funding ($)	TARP Funding ($)
Capital Purchase Program ("CPP") CLOSED	Investments in 707 banks to date; received $152.8 billion in capital repayments	$204.9 ($152.8)	$204.9 ($152.8)
Automotive Industry Financing Program ("AIFP") CLOSED	GM, Chrysler, GMAC, Chrysler Financial; received $10.2 billion in loan repayments	$80.7 ($10.2)	$80.7 ($10.2)
Auto Suppliers Support Program ("ASSP") CLOSED	Government-backed protection for auto parts suppliers; received $0.4 billion in loan repayments	$0.4[a] ($0.4)	$0.4[a] ($0.4)
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	$0.4[b]	$0.4[b]
Systemically Significant Failing Institutions ("SSFI")/ AIG Investment Program	AIG Investment	$69.8	$69.8
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 ($41.4)	$4.3[c] ($0.0)
Making Home Affordable ("MHA") Program	Modification of mortgage loans	$70.6[d]	$45.6[e]
Community Development Capital Initiative ("CDCI") CLOSED	Investments in Community Development Financial Institutions ("CDFIs")	$0.6	$0.6
Public-Private Investment Program ("PPIP")	Disposition of legacy assets; Legacy Securities Program	$29.8[f] ($0.4)	$22.4[g] ($0.4)
TOTAL OBLIGATIONS		**$869.9**	**$474.8**

Notes: Numbers may not total due to rounding. Numbers in red represent repayments and reductions in exposure as of 9/30/2010.
[a] Treasury's original commitment under this program was $5 billion, which was reduced to $3.5 billion effective 7/1/2009. Of the $3.5 billion available, only $413 million was borrowed.
[b] Treasury reduced commitment from $15 billion to an obligation of $380 million.
[c] Treasury reduced obligation from $20 billion to approximately $4.3 billion.
[d] Program was initially announced as a $75 billion initiative with $50 billion funded through TARP. Treasury reduced commitment from $50 billion to an obligation of $45.6 billion; therefore, including the $25 billion estimated to be spent by the GSEs, the total program amount is $70.6 billion.
[e] Treasury reduced commitment from $50 billion to an obligation of $45.6 billion.
[f] PPIP funding includes $7.4 billion of private-sector equity capital.
[g] Treasury reduced commitment from $30 billion to approximately $22.4 billion in debt and equity obligations to the public-private investment funds.

Sources: FRBNY, response to SIGTARP data call, 10/7/2010; Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2008; Treasury, "Making Home Affordable Updated Detailed Program Description," www.treas.gov/press/releases/reports/housing_fact_sheet.pdf, accessed 7/2/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010, accessed 10/7/2010; Treasury Press Release, "U.S. Government Finalizes Terms of Citi Guarantee Announced in November," 1/16/2009, www.financialstability.gov/latest/hp1358.html, accessed 6/8/2009; Treasury, "Troubled Asset Relief Program: Two Year Retrospective," 10/5/2010, www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf, accessed 10/5/2010.

TABLE 2.4

EXPENDITURE LEVELS BY PROGRAM, AS OF 10/3/2010 **($ BILLIONS)**

	Amount	Percent (%)
Authorized Under EESA	$700.0	
Released Immediately	$250.0	52.6%
Released Under Presidential Certificate of Need	100.0	21.1
Released Under Presidential Certificate of Need & Resolution to Disapprove Failed	350.0	73.7
Helping Families Save Their Home Act of 2009	(1.2)	(0.3)
The Dodd-Frank Act	(223.8)	(47.1)
Total Released	**$475.0**	**100.0%**

Obligations by Treasury under TARP[a]	Obligation	Obligation as Percent of Released	Repaid/ Reduced Exposure	Obligation Outstanding	Section Reference
Capital Purchase Program ("CPP"):					
Investments	$204.9	43.2%			"Financial Institution Support Programs"
Repayments					
CPP Total Gross	**$204.9**	**43.2%**	**($152.8)**	**$52.1**	
Community Development Capital Initiative ("CDCI"):	$0.6				"Financial Institution Support Programs"
CDCI Total	**$0.6**	**0.1%**	**—**	**$0.6**	
Systemically Significant Failing Institutions ("SSFI") Program:					"Financial Institution Support Programs"
American International Group, Inc. ("AIG")	$69.8	14.7%			
SSFI Total	**$69.8**	**14.7%**	**—**	**$69.8**	
Targeted Investment Program ("TIP"):					
Bank of America Corporation	$20.0	4.2%			"Financial Institution Support Programs"
Citigroup, Inc.	20.0	4.2			
Repayments					
TIP Total	**$40.0**	**8.4%**	**($40.0)**	**—**	
Asset Guarantee Program ("AGP"):					
Citigroup, Inc.[b]	$5.0	1.1%			"Financial Institution Support Programs"
Repayments					
AGP Total	**$5.0**	**1.1%**	**($5.0)**	**—**	
Term Asset-Backed Securities Loan Facility ("TALF"):					"Asset Support Programs"
TALF LLC	$4.3	0.9%			
TALF Total	**$4.3**	**0.9%**	**—**	**$4.3**	
Unlocking Credit for Small Businesses ("UCSB"):	$0.4	0.1%			"Asset Support Programs"
UCSB Total	**$0.4**	**0.1%**	**—**	**$0.4**	

Continued on next page.

EXPENDITURE LEVELS BY PROGRAM, AS OF 10/3/2010 ($ BILLIONS) (CONTINUED)

Obligations by Treasury under TARP[a]	Obligation	Obligation as Percent of Released	Repaid/ Reduced Exposure	Obligation Outstanding	Section Reference
Automotive Industry Financing Program ("AIFP"):					
General Motors Corporation ("GM")	$49.5	10.4%			"Automotive Industry Support Programs"
Ally Financial/General Motors Acceptance Corporation LLC ("GMAC")	17.2	3.6			
Chrysler Holding LLC	12.5	2.6			
Chrysler Financial Services Americas LLC[c]	1.5	0.3			
Repayments					
AIFP Total	**$80.7**	**17.0%**	**($10.2)**	**$70.5**	
Automotive Supplier Support Program ("ASSP"):					
GM Suppliers Receivables LLC[d]	$0.3	0.1%			"Automotive Industry Support Programs"
Chrysler Holding LLC[d]	0.1	0.0			
Repayments					
ASSP Total	**$0.4**	**0.1%**	**($0.4)**	**—**	
Automotive Warranty Commitment Program ("AWCP"):					
GM	$0.4	0.1%			"Automotive Industry Support Programs"
Chrysler Holding LLC	0.3	0.1			
Repayments					
AWCP Total	**$0.6**	**0.1%**	**($0.6)**	**—**	
Legacy Securities Public-Private Investment Program ("PPIP")					
Invesco Legacy Securities Master Fund, L.P.	$2.6	0.5%			
Wellington Management Legacy Securities PPIF Master Fund, LP	3.4	0.7			
AllianceBernstein Legacy Securities Master Fund, L.P.	3.5	0.7			
Blackrock PPIF, L.P.	2.1	0.4			"Asset Support Programs"
AG GECC PPIF Master Fund, L.P.	3.7	0.8			
RLJ Western Asset Public/Private Master Fund, L.P.	1.8	0.4			
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	1.4	0.3			
Oaktree PPIP Fund, L.P.	3.5	0.7			
UST/TCW Senior Mortgage Securities Fund, L.P.[e]	0.4	0.1			
Repayments					
PPIP Total	**$22.4**	**4.7%**	**($0.4)**	**$22.0**	

Continued on next page.

EXPENDITURE LEVELS BY PROGRAM, AS OF 10/3/2010 ($ BILLIONS) (CONTINUED)

Obligations by Treasury under TARP[a]	Obligation	Obligation as Percent of Released	Repaid/ Reduced Exposure	Obligation Outstanding	Section Reference
Making Home Affordable ("MHA"):					
Home Affordable Modification Program ("HAMP")					
Countrywide Home Loans Servicing LP	$6.1	1.3%			"Homeowner Support Programs"
Wells Fargo Bank, NA	5.1	1.1			
J.P.Morgan Chase Bank, NA	3.2	0.7			
OneWest Bank	1.8	0.4			
Bank of America, N.A.	1.6	0.3			
GMAC Mortgage, Inc.	1.5	0.3			
American Home Mortgage Servicing, Inc	1.3	0.3			
CitiMortgage, Inc.	1.1	0.2			
Litton Loan Servicing LP	1.1	0.2			
Other Financial Institutions	7.1	1.5			
Housing Finance Agency: Hardest Hit Funds Program ("HFA")	7.6	1.6			
Treasury FHA Refinance	8.1	1.7			
MHA Total	**$45.6**	**9.6%**	**—**	**$45.6**	
TARP Obligations Subtotal	**$474.8**	**100.0%**			
TARP Repayments/Reductions in Exposure Subtotal			**($209.4)**		
TARP Obligations Outstanding Subtotal				**$265.4**	

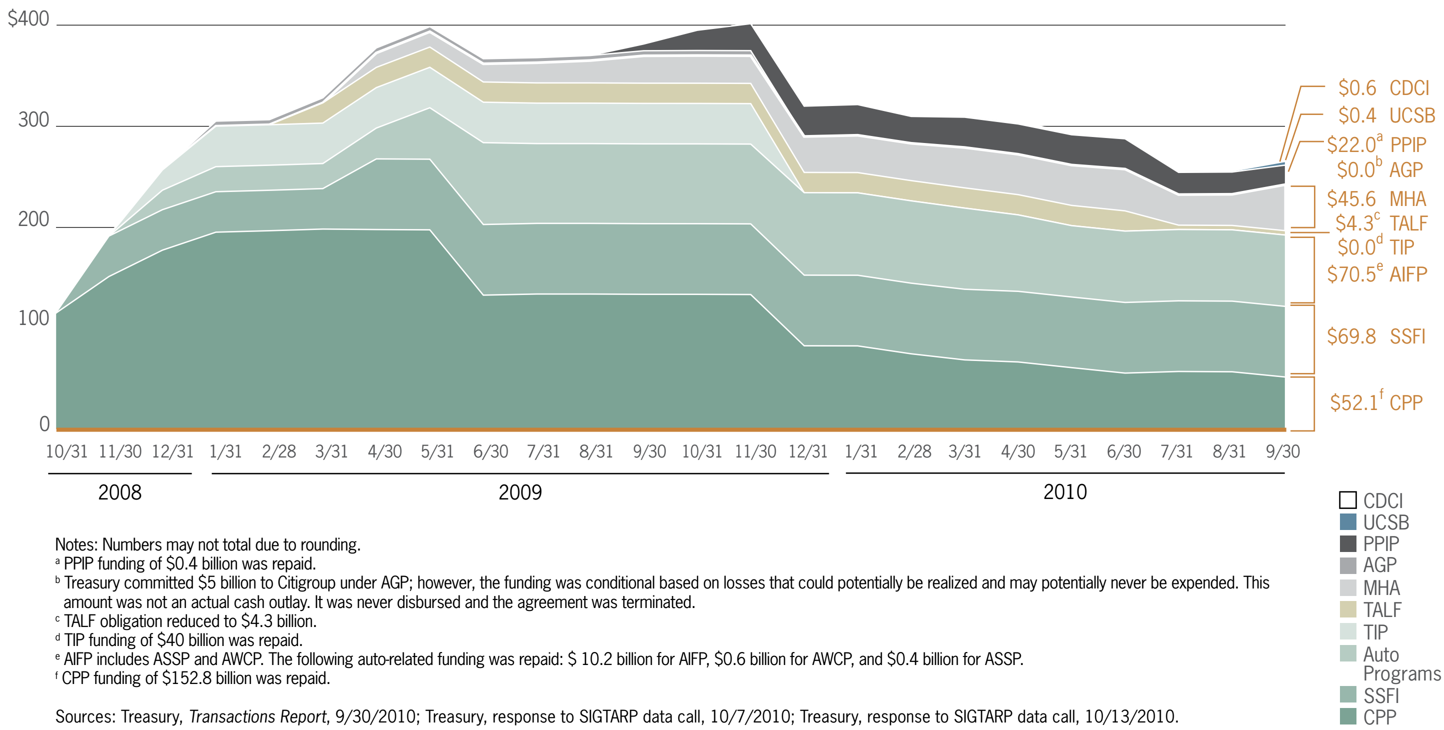
Notes: Numbers may not total due to rounding. Obligations as of 10/3/2010, and repayments/reductions in exposure as of 9/30/2010.
[a] From a budgetary perspective, what Treasury has obligated to spend (e.g., signed agreements with TARP fund recipients).
[b] Treasury committed $5 billion to Citigroup 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, but subsequently reduced to $3.5 billion effective 7/1/2009. Of the $3.5 billion available, only $413 million was borrowed.
[e] Treasury selected nine fund management firms to establish PPIFs. One PPIF manager, The TCW Group, Inc., subsequently withdrew. According to Treasury, the current PPIP obligation is $22.4 billion, this includes $365 million of an initial obligation to TCW that was funded. TCW repaid the funds that were invested in its PPIF.

Sources: Emergency Economic Stabilization Act, 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*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, *Section 105(a) Report*, 8/10/2010.

FIGURE 2.3

OUTSTANDING OBLIGATIONS, BY PROGRAM, CUMULATIVE

$ BILLIONS



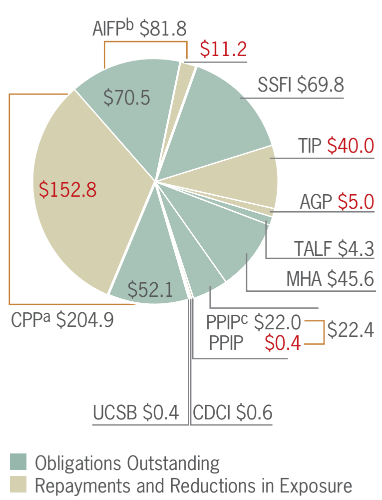
Notes: Numbers may not total due to rounding.
[a] PPIP funding of $0.4 billion was repaid.
[b] Treasury committed $5 billion to Citigroup under AGP; however, the funding was conditional based on losses that could potentially be realized and may potentially never be expended. This amount was not an actual cash outlay. It was never disbursed and the agreement was terminated.
[c] TALF obligation reduced to $4.3 billion.
[d] TIP funding of $40 billion was repaid.
[e] AIFP includes ASSP and AWCP. The following auto-related funding was repaid: $ 10.2 billion for AIFP, $0.6 billion for AWCP, and $0.4 billion for ASSP.
[f] CPP funding of $152.8 billion was repaid.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/13/2010.

FIGURE 2.4

OBLIGATIONS OUTSTANDING, REPAYMENTS AND REDUCTIONS IN EXPOSURE BY PROGRAM

($ BILLIONS, PERCENT OF $474.8 BILLION IN OBLIGATIONS)



Notes: Numbers may not total due to rounding.
[a] As of 9/30/2010, $152.8 billion of CPP funding had been repaid.
[b] As of 9/30/2010, $11.2 billion related to AIFP loans had been repaid (including $0.6 billion for AWCP and $0.4 billion for ASSP).
[c] As of 9/30/2010, $0.4 billion of PPIP funding had been repaid.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010.

TABLE 2.5

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 on 12/31/2008, $5.4 billion on 1/21/2009, and $4 billion 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 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 plus 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 subsequently 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 plus 1% for first year LIBOR plus 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 $6.6 billion. The total loan amount is up to $7.1 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 $5.1 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 New GM of which $0.4 billion was repaid resulting in $6.7 billion remaining outstanding.	Originally, (i) the greater of (a) 3-month Eurodollar rate 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 rate or (b) 2% plus (ii) 5%.	Originally 10/31/2009, for amounts assumed by New GM, 6/10/2015, subject to acceleration.
PPIP	ALL	"9/30/2009 and later"	$20.0 billion	Debt obligation with contingent interest promissory note	Each of the loans will be funded incrementally, upon demand by the fund manager.	LIBOR plus 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 *Transaction 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*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010.

TABLE 2.6

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 the 11/25/2008 investment date; 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 with 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 liqudation 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[f]	$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

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.	5/21/2009	$7.5 billion	Mandatorily Convertible Preferred Stock[g]	$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[g]	$3.0 billion	—	Perpetual
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 re-payment 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 a possible 2-year extension
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] On December 30, 2009, Treasury exchanged $5.25 billion of preferred stock, which it acquired on 12/29/2009, into mandatorily convertible preferred stock ("MCP").
[g] On December 30, 2009, Treasury converted $3.0 billion of its existing MCP, which was invested in May 2009 and converted 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*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010.

TABLE 2.7

LARGEST POSITIONS IN WARRANTS HELD BY TREASURY, BY PROGRAM, AS OF 9/30/2010

Participant	Transaction Date	Current Number of Warrants Outstanding	Strike Price	Stock Price as of 9/30/2010	"In" or "Out" of "the Money?"[a]	Amount "In the Money" or "Out of the Money" as of 9/30/2010
Capital Purchase Program ("CPP"):						
Citigroup Inc.	10/28/2008	210,084,034	$17.85	$3.91	OUT	($13.94)
Regions Financial Corporation	11/14/2008	48,253,677	$10.88	$7.27	OUT	($3.61)
Fifth Third Bancorp	12/31/2008	43,617,747	$11.72	$12.03	IN	$0.31
KeyCorp	11/14/2008	35,244,361	$10.64	$7.96	OUT	($2.68)
Systemically Significant Failing Institutions ("SSFI") Program:						
AIG[b]	11/25/2008	2,689,938	$50.00	$39.10	OUT	($10.90)
AIG[b]	4/17/2009	150	$0.00[c]	$39.10	IN	$39.10
Targeted Investment Program ("TIP"):						
Citigroup Inc.	12/31/2008	188,501,414	$10.61	$3.91	OUT	($6.70)
Asset Guarantee Program ("AGP"):						
Citigroup Inc.	1/16/2009	66,531,728	$10.61	$3.91	OUT	($6.70)

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.
[c] Strike price is $0.00002.

Source: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/7/2010; Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com.

TABLE 2.8

DIVIDEND, INTEREST, DISTRIBUTION, AND OTHER INCOME PAYMENTS

	Dividend	Interest	Distribution[a]	Other Income[b]	Total
AGP	$440,016,889	$—	$—	$2,246,000,000	$2,686,016,889
AIFP[c]	1,854,394,109	931,122,587	—	15,000,000	2,800,516,696
ASSP	—	31,949,931	—	84,000,000	115,949,931
CPP[d]	9,858,643,237	48,788,439	—	3,014,551,034	12,921,982,710
PPIP	—	56,295,661	159,054,852	20,644,319	235,994,832
TIP	3,004,444,444	—	—	—	3,004,444,444
Total	**$15,157,498,679**	**$1,068,156,618**	**$159,054,852**	**$5,380,195,353**	**$21,764,905,502**

Notes: Data as of 9/30/2010. This information does not reconcile to the "TARP Budget" provided by Treasury on 10/7/2010.
[a] 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.
[b] Other income includes Citigroup common stock gain for CPP, Citigroup payment for AGP, additional note proceeds from the auto programs, and repayments associated with the termination of the TCW fund for PPIP.
[c] Includes AWCP.
[d] Includes $13 million fee received as part of the Popular exchange.

Source: Treasury, response to SIGTARP data call, 10/12/2010; Treasury, response to SIGTARP data call, 10/18/2010; Treasury, *Transactions Report*, 9/30/2010.

HOMEOWNERS SUPPORT PROGRAMS

The Administration created the Making Home Affordable ("MHA") program on February 18, 2009, to help struggling homeowners reduce their monthly mortgage payments to sustainable levels, thereby preventing avoidable foreclosures.[93] The program's goal is "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."[94] MHA and related programs include four TARP-funded initiatives: a loan modification program (which includes distinct subprograms), a Federal Housing Administration ("FHA")-Treasury refinancing program, a program to support state-funded foreclosure prevention programs, and a program that offers homeowners an opportunity to modify their second mortgages to make them more affordable when their first mortgages have already been modified. These programs, along with parallel programs at the Government-sponsored enterprises ("GSEs"), make up what was originally announced as a $75 billion initiative.[95]

Of the anticipated $75 billion cost for MHA, $50 billion was originally to be funded through TARP. Treasury has since reduced this amount to a final program obligation of $45.6 billion for MHA and its related programs.[96] TARP funds support the Home Affordable Modification Program ("HAMP"), the Second Lien Modification Program ("2MP"), the Hardest-Hit Fund ("HHF"), and the FHA Refinance programs, along with efforts at FHA and the U.S. Department of Agriculture ("USDA") to use HAMP to modify mortgages that those agencies insure.[97]

TARP money is not used for incentive payments for modifications related to loans owned or guaranteed by the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). GSEs Fannie Mae and Freddie Mac pay those incentives from their operating funds. When HAMP was announced, the Administration estimated that the GSEs would contribute up to $25 billion to modify mortgages they own or guarantee.[98]

MHA and related programs include the following initiatives:

- Home Affordable Modification Program ("HAMP") — HAMP is intended to encourage loan servicers and investors, 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 and sustainable levels. HAMP also includes the following subprograms:
  - Home Price Decline Protection ("HPDP") — HPDP is intended to encourage additional investor participation and HAMP modifications in areas with recent price declines by providing TARP-funded incentives to offset potential losses in home values.[99]

Loan Servicer: Servicers administer monthly mortgage payments until the loan is repaid. This includes sending monthly payment statements and collecting monthly payments, maintaining records of payments and balances, collecting and paying taxes and insurance (and managing escrow and impound funds), remitting funds to mortgage investors, and following up on delinquencies.

Investor: Owner of mortgage loans, or bonds backed by mortgage loans, who receives interest and principal payments from monthly mortgage payments. Servicers manage the cash flow from these payments and distribute them to investors according to contractual ownership rights.

For more information on how servicers operate, see Section 3: "The Economics of Loan Servicing" in this report.

- Principal Reduction Alternative ("PRA") — PRA is intended to encourage the use of principal reduction in modifications for eligible homeowners whose homes are worth significantly less than the remaining amounts outstanding under their first-lien mortgage loans. It provides TARP-funded incentives to offset a portion of the principal reduction provided by the investor.[100]
- Home Affordable Unemployment Program ("UP") — UP is intended to offer assistance to unemployed homeowners through temporary forbearance of a portion of their payments.
- Home Affordable Foreclosure Alternatives ("HAFA") — HAFA is intended to provide incentives to 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.[101]

- 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.[102] As of September 30, 2010, 19 servicers participating in HAMP's first-lien modification program have agreed to modify second liens under 2MP. These servicers represent approximately 60% of the second-lien servicing market.[103]
- Agency-Insured Programs — Like their TARP counterparts, these initiatives for home loans insured by FHA, USDA, and the Department of Veterans Affairs ("VA") offer assistance to help eligible borrowers reduce payments on their first-lien mortgages to more affordable levels.[104] Treasury is providing TARP incentives to encourage modifications under the FHA and USDA modification programs.
- FHA Refinance — This initiative, which is partially supported by TARP funds, is intended to encourage FHA refinancing of existing underwater mortgage loans that are not insured by FHA. To facilitate the refinancing of new FHA-insured loans under this program, TARP funds will provide incentives to existing second lien holders who agree to partial or full extinguishment of second liens under the Treasury/FHA Second Lien Program ("FHA2LP"). The initiative also provides that Treasury, through TARP, will provide up to $8 billion in loss coverage on newly originated FHA first-lien loans.[105]
- 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.

Underwater Mortgage: Mortgage loan on which a homeowner owes more than the home is worth, typically after a decline in the home's value.

Status of TARP Funds Obligated to MHA and Related Programs

Treasury obligated $45.6 billion to support MHA and its related programs, of which $0.6 billion, or 1.3%, has been expended.[106] Effective October 1, 2010, Treasury established that the aggregate amount available to pay servicer, borrower, and investor incentives under MHA-related programs would be capped at $29.9 billion.[107] The amount obligated to each MHA-participating servicer is established pursuant to its Program Participation Cap under its Servicer Participation Agreement ("SPA") with Treasury.[108] Treasury set each servicer's initial cap by estimating the number of services expected to be performed by each servicer across all MHA and MHA-related programs in which it participates during the term of the SPA. According to new guidance issued by Treasury, a servicer's cap will be adjusted based on several factors: (1) upwards or downwards, pursuant to a Servicer Cap Model aiming to reallocate from servicers that have a large amount of unused funds under their cap to servicers with a small amount of unused funds under theirs; or (2) downwards, based on Treasury's analysis of the servicer's eligible loan portfolio.[109]

Treasury has announced the following program-specific cost estimates for MHA and its related programs:[110]

- Treasury has indicated that the $29.9 billion obligated to servicers is apportioned among the different programs as follows:[111]
  - Treasury has estimated that approximately $21.4 billion will be allocated to pay borrower, servicer, and investor incentives for first-lien modifications under the HAMP program, including approximately $2.0 billion that will be allocated to pay investor incentives under PRA.
  - Treasury has estimated that an additional approximately $1.3 billion will be allocated to pay investor incentives under HPDP.
  - Treasury has estimated that approximately $4.1 billion will be allocated to pay incentives in connection with foreclosure alternatives under HAFA, such as short sales/deeds-in-lieu of foreclosure ("SS/DIL").
  - Treasury has estimated that approximately $132.6 million will be allocated to second-lien holders to modify or extinguish second liens under 2MP.
  - Treasury has estimated that approximately $234.4 million will be allocated under Treasury FHA-HAMP.
  - Treasury has estimated that approximately $17.8 million will be allocated under the USDA Rural Housing Service's RD-HAMP.
  - Treasury has estimated that approximately $2.7 billion will be allocated to pay servicer and investor incentive payments to modify or extinguish second liens as part of the FHA2LP.

- Treasury and HUD have also announced that TARP will fund up to $8.1 billion to purchase a "letter of credit" providing up to $8.0 billion in potential loss coverage and pay an additional $117 million in fees under the FHA Refinance program.[112]
- Treasury has obligated a total of $7.6 billion in TARP funding for the HFA HHF program.[113]

Table 2.9 shows the breakdown in estimated funding allocations for these programs.

Under HAMP and its related programs, Treasury had signed agreements with 145 servicers as of October 3, 2010.[22] Of the $29.9 billion obligated to participating servicers under their SPAs, $483.3 million was spent on completing permanent modifications of first liens (206,734 of which remain active), $10,500 on completing 21 permanent modifications of second liens under the 2MP, and $1.6 million on incentives for 342 short sales or deeds-in-lieu under HAFA. Of the combined amount of incentive payments, approximately $268.0 million went to pay servicer incentives, $164.9 million went to pay investor incentives, and $52.0 million went to pay borrower incentives.[114] TARP has obligated $7.6 billion to state Housing Finance Agencies participating in the HHF. The remaining $8.1 billion has been obligated under the FHA Refinance program to purchase a letter of credit to provide up to $8.0 billion in first loss coverage under the FHA Refinance program and to pay $117 million in fees.[115]

Servicers of loans owned or securitized by a GSE are required to participate in that GSE's HAMP for their entire portfolio of GSE loans. Modifications of GSE loans are covered by servicers' contracts with the GSEs and the GSEs' respective servicing guides. Incentive payments to servicers and investors participating in GSE modification programs will be paid from the respective GSE's operating funds. Treasury initially estimated that total incentive and modification expenses would reach $25 billion under MHA, but declined to provide SIGTARP with an update as to whether that is still an accurate estimate. As of September 30, 2010, approximately $451.0 million was spent on completing permanent modifications (259,974 of which remain active). Of the combined amount for participant incentives, approximately $367.6 million went to pay servicers' incentives and approximately $83.4 million went to pay borrowers' incentives.[116] The breakdown of incentive payments for non-GSE and GSE-owned loans is shown in Table 2.10.

Letter of Credit: Letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank is required to cover the full or remaining amount of the purchase.

TABLE 2.9

TARP ESTIMATED ALLOCATIONS BY HOMEOWNERS SUPPORT PROGRAMS, AS OF 9/30/2010
($ BILLIONS)

HAMP First Lien (Standard Modification)	$19.4
HAMP First Lien (PRA Modification)	2.0
HAMP First Lien (HPDP)	1.3
HAFA	4.1
UP	—[a]
2MP	0.1
Treasury FHA-HAMP	0.2
RD-HAMP	0.0[b]
Treasury/FHA Second Lien Program (FHA2LP-2nd Lien)	2.7
FHA Refinance (Loss-Coverage)	8.1[c]
HHF	7.6
Total Allocations	**$45.6**

Notes: Numbers may not total due to rounding.
[a] Treasury does not allocate TARP funds to UP.
[b] Treasury estimates that $17.8 million will be allocated to RD-HAMP.
[c] This amount includes the up to $117 million in fees Treasury will incur for the availability and usage of the $8.0 billion letter of credit.

Source: Treasury, response to SIGTARP data call, 10/18/2010.

TABLE 2.10

BREAKDOWN OF INCENTIVE PAYMENTS (NON-GSE AND GSES), AS OF 9/30/2010 ($ THOUSANDS)

First-Lien Modification Incentives	Non-GSEs	GSEs
Servicer Incentive Payment ($1,000)	$205,450.0	$262,627.0
Servicer Current Borrower Incentive Payment ($500)	7,807.0	17,460.0
Annual Servicer Pay for Success	54,261.3	87,512.4
Investor Current Borrower Incentive Payment ($1,500)	22,380.0	—
Investor Monthly Reduction Cost Share[a]	133,622.3	—
HPDP	8,755.4	—
Annual Borrower Pay for Success	51,017.8	83,430.6
Total	**$483,293.7**	**$451,030.0**
HAFA Incentives		**—**
Servicer Incentive Payment	498.0	—
Investor Reimbursement	133.4	—
Borrower Relocation	996.0	—
TOTAL	**$1,627.4**	**$—**

Notes: Numbers may not total due to rounding.
[a]Investor Monthly Reduction Cost Share is considered an incentive payment

Source: Treasury, response to SIGTARP data call, 10/8/2010.

HAMP

According to Treasury, HAMP is intended "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."[117] The Administration envisioned a "shared partnership" between the Government and investors to bring distressed borrowers' first-lien monthly payments down to an "affordable" level — defined as 31% of the borrower's monthly gross income.[118]

Under the program, private-sector investors are responsible for all payment reductions necessary to bring the monthly payments of borrowers who have suffered economic hardship down to 38% of their monthly gross income. The additional reductions needed to bring the monthly payment down to a 31% ratio are shared between investors and the Government.[119] Treasury also compensates investors for reducing principal on certain underwater mortgages.[120]

Borrowers request participation in HAMP by sending their servicers the following documents, referred to as the "initial package":[121]

- a "request for modification and affidavit" form ("RMA")
- signed and completed requests for Federal tax return transcripts under IRA Forms 4506-T and 4506T-EZ (including all schedules and forms)
- evidence of income (employment income, rental income, etc.)

The RMA provides the servicer with the borrower's financial information, including the cause of the borrower's hardship, defined as any of the following:[122]

- reduction in or loss of income that was supporting the mortgage payment
- change in household financial circumstances
- recent or upcoming increase in the monthly mortgage payment
- increase in other expenses
- lack of sufficient cash reserves to maintain payment on the mortgage and cover basic living expenses
- excessive monthly debt payments and overextension with creditors, *e.g.*, the borrower is required to use other loans to make the mortgage payment

Trial Plan Evaluation

The servicer must verify the accuracy of the borrower's income and other eligibility criteria before offering the borrower a trial modification plan.[123] After verifying eligibility and income, the servicer follows the modification steps prescribed by HAMP guidelines to reduce the borrower's monthly mortgage payment to 31% of his or her gross monthly income.[124]

First, the servicer capitalizes any unpaid interest and fees (*i.e.*, adds them to the outstanding principal balance), then reduces the interest rate to as low as 2%. If the resulting payment reduction does not reach the 31% threshold, the servicer may then extend the term up to a maximum of 40 years from the modification date, which will further lower the monthly payment amount. If that is still insufficient, the servicer may forbear principal (defer its due date). The forbearance amount is not interest-bearing and results in a lump-sum payment due upon the earliest of the sale date of the property, the payoff date of the interest-bearing mortgage balance, or the maturity date of the mortgage.[125]

Servicers are allowed, but not required, to forgive principal to achieve the debt-to-income ("DTI") ratio goal of 31% on a stand-alone basis or before any of the other HAMP modification steps described above.[126] Finally, according to MHA's servicers' handbook, "all loans that meet HAMP eligibility criteria and are either [considered] to be in imminent default or delinquent [by] two or more payments must be evaluated using a standardized NPV test that compares the NPV result for a modification to the NPV result for no modification."[127] The NPV test compares the expected cash flow from a modified loan to the cash flow from the same loan with no modifications, based on certain assumptions. A positive NPV test result indicates that a modified loan is more valuable to the investor than if the loan is not modified. In that case, under HAMP rules, the servicer must offer the borrower a mortgage modification. If the test generates a negative result, modification is optional.[128]

NPV Test: NPV tests compare the money generated by a foreclosure alternative, such as a loan modification, to the amount an investor can reasonably expect to recover in a foreclosure sale.

Trial Modification: Under HAMP, a trial modification is a period of at least three months in which a borrower is given a chance to establish that he or she can make lower monthly mortgage payments.

With respect to loans owned or guaranteed by the GSEs, servicers are required to offer a trial modification if the NPV test results are equal to or greater than negative $5,000. In other words, even if the NPV test indicates that a modified mortgage would cost the GSE up to $5,000 more than foreclosure would, the servicer still must offer the modification.[129]

How Trial Modifications Work

As originally intended, HAMP trial period modifications were supposed to last three months; however, according to Treasury, as of September 30, 2010, there were a combined total of 173,592 (Non-GSE and GSE) active trials, of which 76,502, or 44.1%, had lasted more than six months.[130]

During a trial period, the borrower must make at least three modified payments.[131] Under a "trial period plan" ("TPP"), borrowers may qualify for a permanent modification as long they make all required payments on time, are eligible, and provide proper documentation, including a modification agreement.[132] These permanent modifications last for at least five years.[133] After five years, the loan's interest rate can increase if the modified interest rate had been reduced below the current 30-year conforming fixed interest rate on the date of the initial modification. The interest rate can rise incrementally by up to 1% per year until it reaches that rate.[134] Otherwise, the modified interest rate remains permanent.

If the borrower misses a payment during the trial or is denied a permanent modification for any other reason, the borrower is, in effect, left with the original terms of the mortgage. The borrower is responsible for the difference between the original mortgage payment amount and the reduced trial payments that were made during the trial modification period. In addition, the borrower may be liable for late fees that were generated during the trial period. In other words, a borrower can be assessed late fees for failing to make the original pre-modification scheduled payments during the trial period, even though under the trial modification the borrower is not required to make these payments. This applies to borrowers in default when they enter the program as well as those in "imminent default," who may never have missed a mortgage payment previously.[135]

Modification Incentives

Servicers receive a one-time payment of $1,000 for each permanent modification completed under HAMP. Servicers receive an additional compensation amount of $500 if the borrower was current but at imminent risk of default before enrolling in the trial plan. For borrowers whose monthly mortgage payment was reduced through HAMP by 6% or more, servicers also receive "pay for success" payments of up to $1,000 annually for three years if the borrower remains in good standing (defined as less than 90 days delinquent).[136]

Borrowers whose monthly mortgage payment is reduced through HAMP by 6% or more and who make monthly payments on time earn an annual "pay for performance" principal balance reduction.[137] The annual reduction amount is up to $1,000. The servicer receives this payment and applies it toward reducing the interest-bearing mortgage loan balance. The principal balance reduction accrues monthly and is payable for each of the first five years as long as the borrower remains current on his or her monthly payments.[138]

An investor is entitled to compensation, for up to five years, equal to one-half of the dollar difference between the borrower's monthly payment (principal and interest) under the modification based on 31% of gross monthly income and the lesser of the borrower's monthly principal and interest at 38%, and the borrower's pre-modification monthly principal and interest payment.[139] If applicable, investors also earn an extra one-time, up-front payment of $1,500 for modifying a loan that was current before the trial period (*i.e.*, in imminent default) and whose monthly payment was reduced by at least 6%.[140]

HPDP

HPDP is intended to address the fears of investors who may withhold their consent to loan modifications due to potential future declines in the value of the homes that secure the mortgages, should the modification fail and the loan go into foreclosure. In such a circumstance, the investor could suffer greater losses for offering modifications than under an immediate foreclosure. By providing incentive payments to mitigate that potential loss for a 24-month period, Treasury hopes to encourage more lenders and investors to modify loans.

Under HPDP, Treasury has published a standard formula, based on the unpaid principal balance ("UPB") of the mortgage, the projected decline in area home prices, and the loan-to-value ratio ("LTV"), that will determine the size of the incentive payment. The projected home price decline is determined by the change in surrounding-area home prices during the six months before the start of the HAMP modification.[141] The HPDP incentive payments accrue monthly over a 24-month period and are paid out annually on the first and second anniversary of the initial HAMP trial period mortgage payment. Accruals are discontinued if the borrower loses good standing under HAMP by missing three mortgage payments or if the mortgage loan is paid in full. If mortgage payments are discontinued, investors are entitled to receive all previously accrued but unpaid incentive payments.[142] Under HPDP, whether a particular area actually suffers further decline in home prices is irrelevant. The amount of the incentive depends entirely on the estimated decline in home prices in the market over the next year, based on changes in the related home price index during the six months preceding the modification.[143] As of September 30, 2010, approximately $8.8 million in TARP funds had been paid to investors in connection with 5,786 modifications under HPDP.[144]

Loan-to-Value Ratio ("LTV"): Lending risk assessment ratio that financial institutions and other lenders examine before approving a mortgage, which is calculated by dividing the outstanding amount of the loan by the value of the collateral backing the loan.
Typically, assessments with high LTV ratios are generally seen as higher risk.

TABLE 2.11

HAMP SNAPSHOT, AS OF 9/30/2010	
Number of HAMP Trials Started since Program Inception	1,369,414
Number of Trial Modifications Cancelled	699,924
Number of Permanent Modifications Cancelled	28,762

Source: Treasury, response to SIGTARP data call, 10/15/2010.

TABLE 2.12

HAMP MODIFICATION ACTIVITY BY GSE/NON-GSE, AS OF 9/30/2010

	Trials Started	Trials Cancelled	Trials Active	Trials Converted to Permanent	Permanents Cancelled	Permanents Active	Permanents Active and Trials Active
GSE	750,876	387,632	88,197	275,047	14,784	259,974	348,171
Non-GSE	618,538	312,292	85,395	220,851	13,978	206,734	292,129
TOTAL	**1,369,414**	**699,924**	**173,592**	**495,898**	**28,762**	**466,708**	**640,300**

Source: Treasury, response to SIGTARP data call, 10/15/2010.

Modification Statistics

As of September 30, 2010, a total of 640,300 mortgages were undergoing modification, either permanently or on a trial basis, under HAMP. Of those, 466,708 were active permanent modifications and 173,592 were active trial modifications. A snapshot of HAMP modifications is shown in Table 2.11. HAMP modification activity, broken out by GSE and non-GSE loans, is shown in Table 2.12.

Treasury's MHA Servicer Performance Report ("MHA Report") for June 2010 included data on the delinquency performance of HAMP permanent modifications. Treasury highlighted the low re-default rate among HAMP participants, citing statistics that only 7.7% of loans permanently modified in the third quarter of 2009 were 60 days or more delinquent nine months after being modified, and only 2.4% of loans modified in that period were 90 days or more delinquent. After questions were raised, Treasury discovered that a number of loans modified in the third quarter of 2009 had been omitted from the analysis and rescinded the data. The comparable statistics in the subsequent, corrected data release on August 6, 2010 were indeed higher: 19.6% and 14.9%, respectively, for 60- and 90-day delinquencies.[145] SIGTARP is currently auditing the circumstances surrounding this error.

On September 10, 2010, Treasury's monthly MHA Report included noncompliance rates for Wells Fargo Bank and JP Morgan Chase that were higher than the average for servicers participating in the HAMP modification program. Treasury has indicated that it will require these servicers to make changes to their processes for soliciting and evaluating borrowers' eligibility for participation in HAMP's modification program. Compliance reviews at Bank of America also identified necessary changes to the bank's solicitation and eligibility evaluation processes.[146]

HAFA

HAFA enables borrowers to pursue short sales or deeds-in-lieu of foreclosure in cases where the borrower meets basic HAMP eligibility but does not qualify for or cannot successfully complete a trial modification.[147] Under HAFA, the servicer forfeits the ability to pursue a deficiency judgment against a borrower who uses a short sale or deed-in-lieu when the property is worth less than the outstanding amount on the mortgage.[148] HAFA provides financial incentives and reimbursements to borrowers, servicers, and investors in the form of relocation assistance, one-time completion, and reimbursement for the release of subordinate liens. The program went into effect on April 5, 2010.

The incentive payment for borrowers who agree to relinquish their homes is $3,000. Additionally, servicer incentives are $1,500 for each successful short sale or deed-in-lieu transaction. In the case of a short sale only, for the release of subordinate liens, the servicer "will authorize the settlement agent to allow a portion of the gross sale proceeds as payment(s) to subordinate mortgage lien holder(s) in exchange for a lien release and full release of borrower liability."[149] The maximum allowable payoff to subordinate lien holders is 6% of the outstanding loan balance, subject to an aggregate cap of $6,000 for all the loans in total.[150] For such short sales, HAFA will pay incentives for subordinate lien releases to a maximum of $2,000 per lien, which is to be earned on a one-for-three matching basis (in other words, for each $3 an investor pays to secure release of a subordinate lien, the investor gets $1, up to the $2,000 maximum).[151] As of September 30, 2010, approximately $1.6 million in TARP funds had been paid to investors, borrowers, and servicers in connection with 342 short sales or deeds-in-lieu completed under HAFA.[152]

Short Sale: Sale of a home for less than the mortgage value. A borrower sells the home and the lender collects the proceeds as full or partial satisfaction of the unpaid mortgage balance, thus avoiding foreclosure.

Deed-in-Lieu of Foreclosure: Instead of going through the process of foreclosure, the borrower voluntarily surrenders the deed to the home to the lender, often as satisfaction of the unpaid mortgage balance.

Deficiency Judgment: Court order authorizing a lender to collect part of an outstanding debt resulting from the foreclosure and sale of a homeowner's property or from the repossession of a property securing a debt. A deficiency judgment is rendered after the foreclosed or repossessed property is sold and the proceeds are insufficient to repay the full mortgage.

2MP

According to Treasury, 2MP is designed to work in tandem with HAMP and includes homeowner relief for borrowers with second mortgages serviced by a participating 2MP servicer. Under the program, if the first lien is modified under HAMP, a participating servicer must modify or extinguish the second lien as well.[153] For a modification, the servicer first reduces the interest rate, which is determined by the nature of the loan. If it is an interest-only loan (non-amortizing), the interest rate drops to 2%, while the interest rate for amortizing second liens (those that require payments of both interest and principal) decreases to 1%.[154] When modifying the second lien, the servicer also matches the extension of the term of years for the modified first lien. To the extent that there is forbearance or principal reduction for the modified first lien, the second lien forbears or forgives the same percentage.[155]

The servicer gets $500 upon modification of a second lien. If a borrower's monthly second-lien payment is reduced by 6% or more, the servicer is potentially

TABLE 2.13

2MP COMPENSATION PER DOLLAR OF LOAN PRINCIPAL EXTINGUISHED

Mark-to-Market Loan-to-Value Ratio ("LTV") Range	<115	115 to 140	>140
Incentive Amounts	$0.21	$0.15	$0.10

Note: Loans less than or equal to six months past due. For loans that were more than six months delinquent within the previous year, investors will receive $0.06 per dollar in compensation, regardless of the LTV ratio.

Source: Treasury, "Update to the Second Lien Modification Program," 3/26/2010, https://www.hmpadmin.com/portal/docs/second_lien/sd0905r.pdf, accessed 8/18/2010.

eligible for an annual "pay for success" incentive of $250 annually for up to three years, and the borrower is potentially eligible for an annual "pay for performance" principal balance reduction payment of up to $250 for up to five years.[156] Investors receive a modification incentive payment equal to an annualized amount of 1.6% of the unmodified UPB, paid on a monthly basis for up to five years. If the borrower misses three consecutive payments on his or her modified second lien or if the associated first lien is no longer in good standing, no further incentive payments are made to the servicer.[157] If the second lien is fully or partially extinguished, the investor receives a payment of a percentage of the amount extinguished, using the schedule shown in Table 2.13. This schedule, however, is applicable only to those loans that have been six months delinquent or less within the previous year. For loans that have been more than six months delinquent within the previous year, investors are paid $0.06 per dollar of the unpaid principal balance of second liens being extinguished, regardless of the LTV ratio.[158] As of September 30, 2010, approximately $10,500 in TARP funds had been paid to servicers in connection with 21 modifications under 2MP.[159]

Agency-Insured Programs

Mortgage loans insured or guaranteed by Federal Government agencies, such as FHA, VA, and USDA's Rural Housing Service ("RHS"), are eligible for modification under HAMP, subject to each agency's issuance of HAMP guidance. Similar to HAMP, the FHA ("FHA-HAMP") and RHS ("RD-HAMP") programs reduce borrowers' monthly mortgage payments to 31% of their gross monthly income and require borrowers to complete trial payment plans before their loans are permanently modified. Subject to meeting Treasury's eligibility criteria, borrowers are eligible to receive a maximum $1,000 pay-for-performance compensation incentive and servicers are eligible to receive a maximum $1,000 pay-for-success compensation incentive from Treasury on mortgages in which the monthly payment was reduced by at least 6%.[160] Incentive payments to servicers are paid annually for the first three years after the first anniversary of the first trial payment due date, as long as the loan remains in good standing and has not been fully repaid at the time the incentive is paid. Incentive payments to borrowers are paid over five years.[161] Unlike HAMP, no payments are made to investors because they already have the benefit of a Government loan guarantee program.[162] In order to participate in these programs, by October 3, 2010, servicers that previously executed a SPA were required to execute an Amended or Restated SPA or an additional Service Schedule that includes Treasury FHA-HAMP or RD-HAMP.[163]

VA-HAMP follows the typical HAMP modification procedure, aiming to reduce monthly mortgage payments to 31% of a borrower's gross monthly income.[164] However, VA-HAMP modifications do not have a trial period and the modification agreement immediately changes the installment amount of the mortgage loan.[165] Treasury does not provide incentive compensation related to VA-HAMP.[166] VA-HAMP also does not require servicers to sign a SPA.[167] As of September 30, 2010, the amount of TARP funds and the number of modifications performed under the agency-insured programs was not yet available.[168]

Unemployment Program ("UP")

The Home Affordable Unemployment Program ("UP") was announced on March 26, 2010, to provide temporary assistance to unemployed borrowers while they look for work.[169] 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 find work. According to the directive, "[s]ervicers may extend the minimum forbearance period in increments at the servicer's discretion, in accordance with investor and regulatory guidelines."[170]

Before the guidelines were in place, 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.[171] Treasury cancelled this option with the adoption of UP effective July 1, 2010.[172] As of September 30, 2010, Treasury was unable to report on the number of borrowers who are participating in UP because it reports that it is still in the initial stages of designing a system to report data under UP.[173]

Who Is Eligible

For eligible UP borrowers, HAMP servicers must offer an UP forbearance plan of at least three months. Criteria are as follows:[174]

- The borrower is HAMP eligible.
- The mortgage is secured by a one- to four-unit property, one unit of which is the borrower's principal residence and is not vacant or condemned.
- The mortgage is a first-lien mortgage originated on or before January 1, 2009.
- The UPB for a one-unit property is equal to or less than $729,750 (multi-unit limits are higher).
- The mortgage was not modified under HAMP previously.
- The borrower has not received a previous UP forbearance.
- The request was made before the first-lien mortgage loan was seriously delinquent, *i.e.*, three months or more overdue.
- Pursuant to investor or regulator guidelines, servicers may require a borrower to have received unemployment benefits for up to three months before the forbearance period begins.
- The borrower is unemployed and can document his or her receipt of unemployment benefits.

Borrowers enrolled in HAMP trials who lose their jobs may seek consideration under UP as long as their mortgage loan was not seriously delinquent (before three monthly payments are due and unpaid on the last day of the third month) as of the first trial period payment due date. If the borrower becomes eligible for the UP 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 UP forbearance plan is completed. A borrower who was previously determined to be ineligible for HAMP may request assessment for an UP forbearance plan if he or she meets all the eligibility criteria.[175]

How UP Works

For qualifying homeowners, the mortgage payments during the forbearance period are lowered to no more than a maximum of 31% of gross monthly income, including unemployment benefits.[176] According to Treasury, "at the discretion of the servicer, the borrower's monthly mortgage payments may be suspended in full."[177] The UP forbearance plan is required to last a minimum of three months, unless the borrower becomes employed within that time.[178]

If the borrower regains employment but because of reduced income still has a hardship, the borrower must be considered for HAMP. If the borrower is eligible, the amount of the arrearage or forbearance is 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 becomes due.[179] If the UP forbearance period expires and the borrower is ineligible for HAMP, the borrower may be eligible for HAMP foreclosure alternatives, such as HAFA.[180]

PRA

On June 3, 2010, Treasury announced that it would implement a program intended to provide investors incentive payments to encourage them to forgive principal for significantly underwater mortgages. This Principal Reduction Alternative ("PRA") program is applicable only to non-GSE loans and therefore does not cover loans owned, guaranteed, or insured by FHA, VA, Freddie Mac, or Fannie Mae.[181] PRA officially took effect on October 1, 2010.[182] Servicers were permitted, however, to begin offering PRA assistance immediately.[183]

Before PRA started, servicers were allowed to forgive principal to achieve the DTI ratio goal of 31% on a stand-alone basis or before any of the other HAMP modification steps but would not receive additional incentive payments for doing so.[184] In contrast to other HAMP programs, PRA does not require servicers to forgive principal under any circumstances, even when doing so is deemed to offer greater financial benefit to the investor.[185]

Who Is Eligible

Borrowers who meet all HAMP eligibility requirements and who owe more than 115% of their home's value are eligible for PRA.[186] According to Treasury, borrowers who are already in HAMP trial period plans or HAMP permanent modifications may be evaluated for PRA assistance.[187]

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 date of the mortgage. Under PRA, however, if the borrower remains in good standing on the first, second, and third anniversaries of the modification, the servicer will reduce the principal balance in the separate forbearance account on each anniversary in installments equal to one-third of the initial PRA forbearance amount.[188]

As previously stated, participating servicers must evaluate for PRA assistance every HAMP-eligible loan that has an outstanding LTV greater than 115%. The servicer does so by running two NPV tests — one with and one without principal forgiveness — using methodologies prescribed by Treasury.[189] If the standard waterfall produces a positive NPV result, the servicer must modify the loan.[190] However, servicers are not required to offer principal reduction, even in instances where the NPV result under the alternative waterfall using principal forgiveness is positive and exceeds the NPV result produced using the standard waterfall; they are required simply to *consider* PRA-eligible borrowers for such assistance.[191]

The two versions of the NPV test differ in the following manner: the original NPV test calculates investor return if the mortgage is modified according to the standard HAMP procedures: reducing the mortgage interest rate, extending the term of the loan, and forbearing principal.[192] The alternative NPV test begins by reducing the outstanding principal balance to 115% of the property's value and then follows the standard HAMP modification steps if that alone is insufficient to bring the monthly payment to 31% of the borrower's monthly income. The NPV then uses the reduced outstanding principal balance to calculate the return to investors, taking into account incentive payments and the annual PRA principal reductions.[193]

Who Gets Paid

According to Treasury, in addition to the other incentives paid for first-lien modifications, investors are entitled to receive a percentage of each dollar of principal

TABLE 2.14

INCENTIVES TO INVESTORS PER DOLLAR OF LOAN PRINCIPAL REDUCED

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

Note: Loans less than or equal to six months past due. For loans that have been more than six months delinquent within the previous year, investors are paid $0.06 per dollar of principal reduction, regardless of the LTV ratio.

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

forgiven under PRA. Incentive payments are received on the first, second, and third anniversaries of the modification date and are paid at the same time that the previously forborne principal is forgiven.[194] The incentive payments range from $0.06 to $0.21 per dollar, depending on the level to which the outstanding LTV ratio was reduced and the period of delinquency.[195] Table 2.14 shows the schedule under which investors are compensated for forgiving principal. The schedule provides increasing incentive payments for the additional amount by which investors are willing to reduce a mortgage's outstanding principal balance compared with the property's value. This schedule, however, is applicable only to those loans that have been six months delinquent or less within the previous year. For loans that have been more than six months delinquent within the previous year, investors are paid $0.06 per dollar of principal reduction, regardless of the LTV ratio.[196]

Treasury states that, although servicers may reduce the mortgage principal balance below the floor of a 105% LTV ratio, no PRA incentives will be paid for that portion of the principal reduction amount.[197]

FHA Refinance

On March 26, 2010, Treasury and the Department of Housing and Urban Development ("HUD") announced a new program that gives borrowers the option of refinancing an underwater, non-FHA-insured mortgage into an FHA-insured mortgage at 97.75% of the home's value. The original program announcement contemplated TARP support of up to $14 billion.[198] This amount has been revised downward to an apportionment estimate of $10.8 billion.[199] This amount consists of: (1) up to $8.0 billion to provide loss protection to FHA on the refinanced first liens through the purchase of a letter of credit; (2) up to $117 million in fees Treasury will incur for the availability and usage of the letter of credit; and (3) an estimated allocation of $2.7 billion to make incentive payments to servicers and holders of existing second liens for full or partial principal extinguishments under the related FHA2LP.[200] FHA Refinance is voluntary for servicers; therefore, not all underwater borrowers who qualify may be able to participate in the program.[201] The refinance program was launched on September 7, 2010, and FHA2LP went into effect on September 27, 2010.[202] As of September 30, 2010, Treasury had not yet begun recording activity under FHA Refinance and FHA2LP.[203]

Who Is Eligible

For a loan to be eligible for FHA Refinance, the following conditions must be met:[204]

- The homeowner must be current on the existing mortgage.
- The homeowner must be in a negative equity position.
- The homeowner must occupy the home as a primary residence.

- The homeowner must qualify for the new loan under standard FHA underwriting requirements and have a FICO credit score of at least 500.
- The existing loan must not be insured by FHA.
- The homeowner must fully document his or her income.
- The homeowner must have a total DTI, including all recurring debt, of less than 50%.
- The homeowner must have a DTI for all housing-related debt (including second liens) of less than 31% after refinancing.

The FHA-refinanced loan will have the following characteristics:[205]

- The aggregate FHA insurance and TARP-supported loss coverage for the refinanced loan will be a maximum of 97.75% of the current value of the home.
- The borrower's combined mortgage debt (including all liens) must be written down to a maximum of 115% of the current value of the home.
- The borrower's original first-lien mortgage's unpaid principal balance must be written down by at least 10%.
- The original first-lien investor has the option of converting any amount of the original mortgage that is greater than 97.75% of the value of the home to a subordinated second lien for up to 115% of the current value of the home. The balance of the mortgage above 115% must be extinguished. If a second lien exists, the total combined mortgage amount after the refinance must not exceed 115% of the home's value.

Additionally, to be eligible under FHA2LP, second liens must:[206]

- have originated on or before January 1, 2009
- be immediately subordinate to the first lien prior to the FHA refinance
- require the borrower to make a monthly payment
- not be a GSE-owned or guaranteed lien
- have an unpaid principal balance of $2,500 or more on the day before the FHA refinance closing date

How FHA Refinance Works

Servicers must first determine the current value of the home pursuant to FHA underwriting standards, which, unlike other aspects of HAMP, require a third-party appraisal by a HUD-approved appraiser. Next, the borrower's income must be calculated to make sure that the total monthly mortgage payment (including all payments on subordinate liens) after the refinance is not greater than 31% of the

TABLE 2.15

TREASURY FHA2LP COMPENSATION PER DOLLAR OF LOAN PRINCIPAL EXTINGUISHED

Mark-to-Market Loan-to-Value Ratio ("LTV") Range[a]	<115	115 to 140	>140
Incentive Amounts	$0.21	$0.15	$0.10

Notes: Loans less than or equal to six months past due. For loans that have been more than six months delinquent within the previous year, second lien holders will receive $0.06 per dollar of principal extinguished, regardless of LTV ratio.
[a] The combined LTV is the ratio of all mortgage debt to the current FHA-appraised value of the property.

Source: Treasury, "Supplemental Directive 10-08: Making Home Affordable Program — Treasury/FHA Second Lien Program (FHA2LP) to Support FHA Refinance of Borrowers in Negative Equity Positions," 8/6/2010, www.hmpadmin.com/portal/docs/hamp_servicer/sd1008.pdf, accessed 8/20/2010.

borrower's gross monthly income and the total debt service including all forms of household debt will not be greater than approximately 50%.[207] Next, principal that is more than 115% of the value of the home must be forgiven by the lien holders. Although the first-lien investors must recognize a loss as a result of the mortgage write-down, they receive a cash payment for 97.75% of the current home value and may maintain a subordinate second lien for up to 17.25% of that value (for a total balance of 115% of the home's value).[208]

The 115% cap applies to all liens on the property. Under FHA2LP, existing second-lien holders may receive incentive payments to extinguish their debts in accordance with the schedule set forth in Table 2.15, or they may negotiate with the first lien holder for a portion of the new subordinate lien loan.[209] Regardless of which choice second lien holders make, the total of all liens cannot exceed the 115% cap. By obtaining a new FHA-guaranteed loan for an amount that is closer to the current home value than their previous loan, homeowners receive the benefits of a lower new monthly mortgage payment and reduction in the principal balance, increasing the chance for them to achieve positive equity in their homes.[210]

If a loan refinanced under FHA Refinance defaults, the letter of credit purchased by TARP compensates the refinancing investor for the first 7.75% of losses on each defaulted mortgage, up to the maximum amount specified by the program guidelines.[211] FHA thus is potentially responsible for the remaining approximately 90% of potential losses on each mortgage, until the $8.0 billion letter of credit posted by Treasury is exhausted, at which point it will bear all of the remaining losses. TARP has also made an estimated allocation of $2.7 billion under its existing servicer caps to make incentive payments, subject to certain limitations to (a) investors for preexisting second-lien balances that are partially or fully extinguished under FHA2LP and (b) servicers, in the amount of $500 for each second-lien mortgage placed into the program.[212]

Example of an FHA Refinance

In 2005, Family A took out a 30-year, 9% fixed $250,000 mortgage. The monthly mortgage payment was $2,012. Since then, home prices have dropped 28%. As a consequence, Family A's home is now worth $180,000.

Under FHA Refinance, the investor writes down Family A's loan balance by approximately $32,700, resulting in $207,000 in total debt, which is 115% of the value of the home. A new FHA-arranged refinancing of that amount pays the original investor $175,950, or 97.75% of the home's value. The investor also receives a second lien for $31,050, or 17.25%, to bring the total mortgage debt to 115% of the home's value. The investor then writes off the remaining $32,700. Family A's total monthly payment falls to about $1,308 per month, for a savings of $8,448 per year. (See Table 2.16.)

TABLE 2.16

EXAMPLE OF AN FHA REFINANCE

	Existing Mortgage		FHA Refinance	
	Terms	**Loan to Value**	**Terms**	**Loan to Value**
Balance	$239,700	133%	$207,000	115%
Remaining Years	25		30	
First Lien	$239,700	133%	$175,950	97.75%
Second Lien	—		$31,050	17.25%
Interest Rate	9.0%		6.5%	
Monthly Payment	$2,012		$1,308	
Borrower saves in principal and interest			**$704 per month**	
Investor writes down principal amount			**$32,700**	

Note: Numbers may not total due to rounding.

MHA Anti-Fraud Enhancement

Section 1481(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provides that no person will be eligible to begin receiving assistance under the MHA program if such person, in connection with a mortgage or real estate transaction, has been convicted within the last 10 years of money laundering, tax evasion, or a felony larceny, theft, fraud, or forgery. On September 21, 2010, Treasury provided guidance to servicers participating in MHA programs with respect to mortgage loans that are not GSE-owned or guaranteed, stating that beginning January 1, 2011, they must obtain a completed certification from borrowers applying for a trial or permanent mortgage modification attesting as to their history related to the above crimes.[213] Borrowers enrolled in MHA trial period plans and permanent modifications prior to September 21, 2010, are not affected by the new requirement.[214]

HFA Hardest-Hit Fund

On February 19, 2010, the Administration announced a new housing support program, the HFA Hardest-Hit Fund. HHF is intended to promote innovative measures to protect home values, preserve homeownership, and promote jobs and economic growth in the states that have been hit the hardest by the housing crisis.[215] The first round of the HHF was allocated $1.5 billion of the amount designated for MHA initiatives. According to Treasury, these funds were designated for five states where the average home price, determined using the Federal Housing Finance Agency ("FHFA") Purchase Only Seasonally Adjusted Index, had decreased more than 20% from its peak. The five states were Arizona, California, Florida, Michigan, and Nevada.[216] Plans to use these funds were approved on June 23, 2010.

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

TABLE 2.17

HARDEST-HIT FUNDING ALLOCATIONS BY STATE

Recipient	Funding Amount
Alabama	$162,521,345
Arizona	267,766,006
California	1,975,334,096
Florida	1,057,839,136
Georgia	339,255,819
Illinois	445,603,557
Indiana	221,694,139
Kentucky	148,901,875
Michigan	498,605,738
Mississippi	101,888,323
Nevada	194,026,240
New Jersey	300,548,144
North Carolina	482,781,786
Ohio	570,395,099
Oregon	220,042,786
Rhode Island	79,351,573
South Carolina	295,431,547
Tennessee	217,315,593
Washington, D.C.	20,697,198
TOTAL	**$7,600,000,000**

Source: Treasury, *Transactions Report*, 10/4/2010.

$2.1 billion. The additional $600 million is designated for North Carolina, Ohio, Oregon, Rhode Island, and South Carolina. Treasury indicated that these states were selected because of their high concentrations of people living in economically distressed areas, defined as counties in which the unemployment rate exceeded 12%, on average, in 2009.[217] Plans to use these funds were approved on August 3, 2010.

On August 11, 2010, the Government pledged a third round of Hardest-Hit funding of $2 billion in additional assistance to state HFA programs that focus on unemployed homeowners who are struggling to make their payments.[218] According to Treasury, the third funding round was limited to states that have experienced unemployment rates at or above the national average during the last 12 months.[219] The states designated to receive funding are Alabama, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, and Tennessee. Washington, D.C., will also receive funding.[220] States already covered by the first two HHF rounds of funding may use the additional resources "to support the unemployment programs previously approved by Treasury or they may opt to implement a new unemployment program."[221] States seeking to tap HHF for the first time were required to submit need-specific proposals that met program guidelines to Treasury by September 1, 2010.[222] Plans to use to these funds were approved on September 23, 2010.

Finally, on September 29, 2010, an additional $3.5 billion was made available to existing HHF participants, weighted by population, to be used in previously announced programs.[223] Table 2.17 shows the obligation of funds for states participating in the four rounds of HHF.

The HFAs of the 18 states and Washington, D.C. receiving Hardest-Hit funding each submitted proposals to Treasury to "meet the unique challenges facing struggling homeowners in their respective housing markets."[224] According to Treasury, each state's HFA will report program performance on a quarterly basis and post the reports on its website. Some states will initiate pilot programs to assess program performance before full implementation. According to Treasury, 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.[225] All programs will be funded incrementally up to their obligated amounts. Treasury indicated that states can reallocate between programs and modify existing programs as needed, with Treasury approval, until funds are expended or returned to Treasury after December 31, 2017. As of September 30, 2010, $56.1 million had been drawn down by HFAs for the HHF.[226] A description of state-by-state funding allocations and published program details approved in the subsequent funding rounds is provided below.

HARDEST-HIT FUND – State-by-State Description

For a summary of state programs initiated under the first round of HHF, see SIGTARP's July 2010 Quarterly Report, pages 66–68.

ALABAMA

Description	Allocation	Estimated Number of Borrowers Helped
Alabama's HFA will administer Hardest-Hit funds to subsidize eligible unemployed homeowners' current mortgage payments and all other mortgage-related expenses up to a total of 12 consecutive months or $15,000 per household. Continued eligibility will be contingent upon homeowners remaining in their homes and their eligibility to receive unemployment compensation. Assistance will cease two months after the homeowner returns to work. Assistance will be in the form of a zero-interest loan that will be forgiven in equal annual increments based on the term of the loan.	$150,857,245	3,500
Administrative Costs	**$11,664,100**	**N/A**
Total	**$162,521,345**	**3,500**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/AL%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

GEORGIA

Description	Allocation	Estimated Number of Borrowers Helped
The Mortgage Payment Assistance ("MPA") program will provide loans to unemployed and substantially underemployed homeowners to help them remain in their homes and avoid preventable foreclosures despite loss of income due to involuntary job loss. Loan proceeds will be used to pay mortgage payments to assist unemployed and underemployed homeowners while they look for new jobs or complete training for new careers as well as provide a one-time payment to homeowners who have found new jobs in order to bring them current on their mortgage. Assistance will be in the form of zero-interest, nonrecourse, deferred-payment subordinate loans that will be forgiven 20% per year over the five-year loan. Assistance will last 18 months or two months beyond the date on which the homeowner secures adequate employment, whichever is less.	$327,051,532	6,829
Administrative Costs	**$12,204,287**	**N/A**
Total	**$339,255,819**	**6,829**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/GA%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

ILLINOIS

Description	Allocation	Estimated Number of Borrowers Helped
The Homeowner Emergency Loan Program ("HELP") will assist unemployed or substantially underemployed homeowners by paying their mortgages for up to 18 months while they search for employment and/or participate in job training. Homeowners must pay the Illinois Housing Development Authority at least 31% of household income to remain eligible. Assistance is limited to 18 months or until borrowers regain employment, whichever is sooner. This assistance will be in the form of a zero-interest, non-recourse, non-amortizing 10 year loan. Total assistance per homeowner will be capped at $25,000 in hardest-hit counties and $20,000 in all others.	$418,831,597	7,500-10,000
Administrative Costs	**$26,771,960**	**N/A**
Total	**$445,603,557**	**7,500-10,000**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/IL%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

INDIANA

Description	Allocation	Estimated Number of Borrowers Helped
The Unemployment Bridge Program ("UBP") will provide a monthly benefit to cover a portion of first mortgage payments for homeowners who are unemployed through no fault or neglect of their own, while they seek new employment. The program will also provide up to three months' assistance to homeowners who became delinquent while unemployed and still cannot bring their mortgage current with income from their new jobs. Program assistance will be capped at 18 months in hardest-hit counties and 12 months in all others. Assistance will be provided in the form of a zero-interest, forgivable, nonrecourse, non-amortizing loan, secured by a junior lien on the property. The loan will be forgiven at a rate of 20% per year in years 6 through 10 of the loan. If the homeowner sells and there is sufficient equity, the state can seek repayment of the loan. If the homeowner sells his or her property and there is not sufficient equity to repay the junior lien, then the loan is forgiven.	$205,160,139	5,895
Administrative Costs	**$16,534,000**	**N/A**
Total	**$221,694,139**	**5,895**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/IN%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

KENTUCKY

Description	Allocation	Estimated Number of Borrowers Helped
The Unemployment Bridge Program ("UBP") will provide funds to lenders and servicers on behalf of qualified homeowners who are delinquent on their mortgages due to unemployment or substantial underemployment. Funds will be used to make 100% of the homeowner's monthly mortgage payment up to a limit of 12 months or $10,000. Assistance will be structured as a zero-interest loan that will be forgiven 20% each year over five years.	$138,942,010	4,500-7,500
Administrative Costs	**$9,959,865**	**N/A**
Total	**$148,901,875**	**4,500-7,500**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/KY%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

NEVADA

Description	Allocation	Estimated Number of Borrowers Helped
The Mortgage Assistance Program ("MAP") is designed to keep first mortgages current for families with an unemployed wage earner. The program will provide up to the lesser of one-third of the principal and interest payments or a $500 supplement to the family's monthly principal and interest payments on the first-lien mortgage. For qualifying families, MAP payments may extend up to six months. The payments are intended to serve as a financial bridge to unemployed homeowners while they attempt to upgrade their work skills. All MAP assistance will be structured as a zero-interest, forgivable nonrecourse loan. Borrowers who sustain homeownership for 60 successive months following the end of the MAP payments will have their payment amounts forgiven.	$34,056,581	11,352
Total	**$34,056,581**	**11,352**

Notes: The Mortgage Assistance Program was added to the Nevada HFA's existing HHF-funded programs as part of the third round of Hardest-Hit funding approved 9/23/2010. Total funding for all Nevada's HHF programs was $194,026,240.

Source: Treasury, "Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/NV%20Redacted%202nd%20Amendment.pdf, accessed 10/13/2010.

NEW JERSEY

Description	Allocation	Estimated Number of Borrowers Helped
The Homekeeper Program will provide zero-interest mortgage loans to unemployed and substantially underemployed homeowners unable to make their mortgage payments and in danger of losing their homes through no fault of their own. Loan proceeds will be used to cover mortgage arrearages and/or portions of monthly mortgage payments while the homeowner looks for work or trains for a new career. The maximum loan is $48,000 and may be available for up to 24 months. Assistance will be a zero-interest, deferred-payment, nonrecourse loan forgivable at a rate of 20% per year after the fifth year and in full at the end of the 10th year.	$285,363,654	2,500
Administrative Costs	**$15,184,490**	**N/A**
Total	**$300,548,144**	**2,500**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/NJ%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

NORTH CAROLINA

Description	Allocation	Estimated Number of Borrowers Helped
The Mortgage Payment Program ("MPP-1") will provide zero-interest, nonrecourse, deferred-payment subordinate loans that will be forgiven after 10 years to homeowners who are unemployed or dealing with a temporary program-eligible hardship. Loan proceeds will be used to pay monthly mortgage and mortgage-related expenses while homeowners seek or train for new jobs. Homeowners in hardest-hit counties will receive up to $36,000 (not to exceed 36 months of assistance). Homeowners in other counties will receive up to $24,000 (not to exceed 24 months of assistance).	$99,400,000	5,750
The Mortgage Payment Program ("MPP-2") will provide zero-interest, nonrecourse, deferred-payment, subordinate loans that will be forgiven after 10 years to homeowners who are unemployed or substantially underemployed, or in danger of losing their homes to foreclosure. Loan proceeds will be used to pay mortgage and mortgage-related expenses until the homeowner secures employment or completes training for a new career. Homeowners in counties where the unemployment rate is higher than 11.3% will receive up to $36,000 (not to exceed 36 months of assistance). Homeowners in other counties will receive up to $24,000 (not to exceed 24 months of assistance).	$323,781,786	5,625

Continued on next page.

NORTH CAROLINA (CONTINUED)

Description	Allocation	Estimated Number of Borrowers Helped
The Second Mortgage Refinance Program ("SMRP") will provide zero-interest, nonrecourse, deferred-payment subordinate loans that will be forgiven after 10 years to homeowners who can no longer afford their second mortgages because they were laid off, had their work hours cut, or faced certain other program-eligible hardships. The program will be offered only in hardest-hit counties.	$15,000,000	1,000
The Permanent Loan Modification Program ("PMLP") will provide zero-interest, nonrecourse, deferred-payment subordinate loans that will be forgiven after 10 years. The goal of the program is to streamline methods of modifying homeowners' loans whose mortgages have become unsustainable as a result of a program-eligible hardship. The program will provide for a principal reduction with the added option of a rate decrease and/or term extension by the lender to achieve a monthly mortgage payment of not more than 31% of the homeowner's monthly gross income.	$8,800,000	440
Administrative Costs	**$35,800,000**	**N/A**
Total	**$482,781,786**	**12,815**

Source: Treasury, "Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/NC%20Redacted%202nd%20Amendment.pdf, accessed 10/11/2010.

OHIO

Description	Allocation	Estimated Number of Borrowers Helped
The Rescue Payment Assistance Program will provide assistance to homeowners who are delinquent on their mortgage payments due to a delay in receiving unemployment benefits, insufficient income, or other unforeseen circumstances, by bringing them current on delinquent mortgage obligations. Program assistance will be available to eligible low- and moderate-income homeowners throughout Ohio, up to the maximum amount listed for each county. The program will also be available to eligible unemployed low- and moderate-income homeowners throughout Ohio, up to $15,000. Rescue Payment Assistance will be structured as a zero-interest, five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. Twenty percent of the loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017.	$59,650,903	8,700
The Partial Mortgage Payment Assistance Program supports unemployed homeowners by assisting them with their mortgage payments for up to 15 months while they search for a job and/or participate in job training. To remain eligible for assistance, participating homeowners must make an Affordable Monthly Payment equaling no less than 31% of household income and at least 25% of their total monthly payments to a special servicer approved by OHFA. The program will be available to eligible unemployed low- and moderate-income homeowners throughout Ohio, up to $15,000. Assistance will be a five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. Twenty percent of the loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017.	$439,206,235	16,200
The Modification Assistance with Principal Reduction Program will provide assistance to homeowners who do not qualify for existing loan modification programs due to severe negative equity. Funds will be used to incentivize servicers/lenders to reduce a participating underwater homeowner's mortgage principal to the level necessary to achieve a target of a 115% LTV or less and to achieve an Affordable Monthly Payment equal to 31% or less of household income. Servicers will provide principal forbearance or forgiveness equal or greater than the program payment. Assistance will be a five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. Twenty percent of the loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017.	$22,717,635	2,350
The Transitional Assistance Program will assist homeowners whose mortgage payment exceeds the Affordable Monthly Payment, and/or must relocate to gain meaningful employment. The program also offers incentives to servicers to agree to a short sale or deed-in-lieu of foreclosure option. Borrowers willing to relocate while leaving the property in sellable condition can receive a stipend. The program will be available to eligible low- and moderate-income homeowners throughout Ohio, up to the maximum benefit established in each homeowner's county.	$13,263,462	3,300
Administrative Costs	**$35,556,864**	**N/A**
Total	**$570,395,099**	**30,550**

Source: Treasury, "Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/OH%20Redacted%202nd%20Amendment.pdf, accessed 10/11/2010,

OREGON

Description	Allocation	Estimated Number of Borrowers Helped
The Loan Modification Assistance Program will provide funds to assist financially distressed borrowers who are in the process of modifying their home loans. A one-time payment will be made to servicers to fill a financial gap limiting the homeowner's eligibility for a loan modification. Funds may be used to reduce outstanding principal, pay delinquent escrow, or strategically apply resources to ensure an NPV test is positive. Modification must result in an LTV of not more than 125%, a total DTI ratio of up to 50%, and a mortgage payment of no more than 31% including principal, interest, taxes, and insurance. Program assistance will be a five-year loan in which a second lien is recorded on the property. Twenty percent of the loan will be forgiven each year it is outstanding. The maximum benefit per homeowner is $10,000.	$26,000,000	2,600
The Mortgage Payment Assistance Program will provide up to nine months of mortgage payment assistance, with a required one-to-one match from the investor for total anticipated assistance of 18 months for substantially underemployed homeowners. Program assistance will be a five-year loan in which a second lien is recorded on the property. Twenty percent of the loan will be forgiven each year it is outstanding. The program will provide up to $1,360 per month with a cap of $12,250 per borrower.	$144,907,608	4,000
The Loan Preservation Assistance Program will benefit homeowners who find new jobs or recover from financial distress. Program assistance will ensure successful modification and pay arrears, delinquent escrow, or other fees incurred during a period of unemployment or financial distress. Recipients may receive up to $20,000. Lenders/servicers are expected to match these funds on at least a one-to-one basis.	$29,550,000	1,500
The Transitional Assistance Program will be offered to homeowners at imminent risk of foreclosure. This program will be an alternative exit point for Mortgage Payment Subsidy Program participants who do not get new jobs or recover from financial distress to the extent that they would benefit from loan preservation assistance. This program will work with servicers' and lenders' short sale and deed-in-lieu of foreclosure programs to help homeowners transition to affordable housing. Funds would be available on a one-time basis up to $3,000.	$4,000,000	1,300
Administrative Costs	**$15,585,178**	**N/A**
Total	**$220,042,786**	**9,400**

Source: Treasury, "Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/OR%20Redacted%202nd%20Amendment.pdf, accessed 10/11/2010.

RHODE ISLAND

Description	Allocation	Estimated Number of Borrowers Helped
Loan Modification Assistance for HAMP ("LMA-HAMP") Customers will provide up to $6,000 to allow homeowners to qualify for HAMP modifications. Lenders/servicers must first exhaust all steps required under the HAMP waterfall process and still not be able to modify the mortgage. Borrowers must have monthly mortgage payments greater than 31% of their gross monthly income and must be able to document financial hardship putting them at risk of foreclosure. Program assistance will be a zero-interest five-year loan secured by the property and forgivable at 20% per year over five years. Lenders must agree to provide a one-to-one match and borrowers must contribute at least 20% of the match. An additional $2,500 may be available through the Temporary and Immediate Homeowner Assistance ("TIHA") program in cases where borrowers cannot make matching payments. In addition, up to $30,000 in total assistance may be available through the TIHA program for targeted homeowners at risk of foreclosure.	$6,900,000	1,150

Continued on next page.

RHODE ISLAND (CONTINUED)

Description	Allocation	Estimated Number of Borrowers Helped
Loan Modification Assistance for Non-HAMP (“LMA Non-HAMP”) Customers will provide up to $6,000 to allow homeowners to qualify for a modification. Borrowers making more than $35,000 must have a monthly mortgage payment that is greater than 35% of their gross monthly income. If borrowers’ gross annual income is $35,000 or less, they must have a monthly mortgage payment that is greater than 31% of their gross monthly income. All borrowers must be able to document their financial hardship. Program assistance will be a zero-interest five-year loan secured by the property and forgivable at 20% per year over five years. An additional $2,500 may be available through the TIHA program for borrowers facing special circumstances. In addition, up to $30,000 in total assistance may be available through the TIHA program for targeted homeowners who are at risk of foreclosure.	$9,000,000	1,500
The Temporary and Immediate Homeowner Assistance (“TIHA”) program aims to help homeowners who can document financial hardship caused by uncontrollable increases in housing expenses or uncontrollable decreases in incomes that put them at risk of foreclosure. To qualify, these income changes must meet a specified percentage on a sliding income scale. Assistance is capped at $6,000 per household but limited to $2,500 when the maximum amount has been provided under either LMA-HAMP or LMA Non-HAMP. Combined assistance is capped at $8,500 but can be raised to $30,000 in cases when the homeowner is at risk of foreclosure.	$37,182,761	1,800
The Moving Forward Assistance Program will offer eligible homeowners up to $4,000 to help them stay in their homes. In special circumstances, up to $30,000 may be available through TIHA to facilitate a short sale or deed-in-lieu of foreclosure for homeowners of targeted affordable properties that are at risk of foreclosure. Of the maximum cap of $4,000 per family, a maximum of $1,500 can be used to facilitate a short sale or deed-in-lieu of foreclosure and up to $2,500 to assist with relocation.	$3,500,000	550
The Mortgage Payment Assistance – Unemployed Program will provide up to $6,000 to help unemployed homeowners make partial mortgage payments while they search for a new job or participate in a job-training program. Homeowners will be required to contribute the greater of 25% of their total mortgage payment or 31% of their total gross monthly household income toward their mortgage obligation. Homeowners can receive up to two months of assistance after securing a job as long as the household limit has not been reached. Program assistance will be a zero- interest loan secured by the property and forgivable at 20% per year over five years. When used in combination with LMA programs and TIHA, maximum household assistance will be capped at $14,500. When combined with MFA, household assistance is capped at $10,000.	$13,570,770	2,000
Administrative Costs	**$9,198,042**	**N/A**
Total	**$79,351,573**	**7,000**

Source: Treasury, “Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement,” 9/29/2010, www.financialstability.gov/docs/RI%20Redacted%202nd%20Amendment.pdf, accessed 10/11/2010.

SOUTH CAROLINA

Description	Allocation	Estimated Number of Borrowers Helped
The Monthly Payment Assistance Program will help eligible homeowners make all of their monthly mortgage payments. Assistance terms and duration will vary and be reviewed periodically. The goal of the program is to bridge borrowers across a gap in employment, thus giving them time to become self-sustaining and avoid delinquency or foreclosure. Program assistance will be capped at 24 months or $36,000, depending on the unemployment rate in the county in which the property is located. Assistance will be a zero-interest loan forgiven over five years at a rate of 20% per year.	$212,159,200	4,200-8,500

Continued on next page.

SOUTH CAROLINA (CONTINUED)

Description	Allocation	Estimated Number of Borrowers Helped
The Direct Loan Assistance Program will assist homeowners who may have fallen behind on their mortgage payments but later regained the ability to make their full payments. In many cases, arrears may have accrued, which, until paid, place a hardship on the borrower because of the accumulation of late fees and other charges. This program aims to make these mortgages current so the homeowner can avoid delinquency or foreclosure.	$19,000,000	2,400-2,500
The HAMP Assistance Program provides funding to homeowners applying for HAMP modifications but falling just short of qualifying. Program assistance will bridge the gap so that homeowners can modify their mortgages to affordable levels, thus helping them avoid foreclosure. Program assistance will be capped at $5,000 per household.	$5,000,000	1,000-1,500
The Second Mortgage Assistance Program offers incentives to investors or, in some cases, funding to refinance second liens from investors unable or unwilling to modify these liens and preventing homeowners from qualifying for HAMP.	$11,860,910	1,600-2,600
The Property Disposition Assistance Program is intended to facilitate short sales and deeds-in-lieu of foreclosure for homeowners who are unable to stay in their homes. Funds will also be used to transition families from homeownership to renting.	$12,000,000	2,200-3,700
Administrative Costs	**$35,411,437**	**N/A**
Total	**$295,431,547**	**11,400-18,800**

Source: Treasury, "Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/SC%20Redacted%202nd%20Amendment.pdf, accessed 10/13/2010.

TENNESSEE

Description	Allocation	Estimated Number of Borrowers Helped
The Hardest-Hit Fund Program will provide loans to unemployed or substantially underemployed homeowners who are unable to make their payments and in danger of losing their homes to foreclosure. Loans will be provided to homeowners until they secure employment or while they complete job training for a new career. Assistance will be capped at $18,000 up to 18 months in targeted areas and $12,000 up to 12 months.	$206,731,182	5,015
Administrative Costs	**$10,584,411**	**N/A**
Total	**$217,315,593**	**5,015**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/TN%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

WASHINGTON, D.C.

Description	Allocation	Estimated Number of Borrowers Helped
The HomeSaver Program will offer lump-sum or ongoing monthly payments to Unemployment Insurance (UI) claimants or those who have received UI payments in the last six months. Assistance is capped at 15 months. The "lifeline" components will offer a one-time payment of up to three months' worth of mortgage payments to make the mortgage current. The mortgage assistance component will offer up to 15 months' worth of mortgage payments. The reinstatement component will be available for participants needing a one-time "catch up" payment. This will be capped at six months' worth of mortgage payments. Maximum program assistance is $32,385 per household.	$19,563,961	215-315
Administrative Costs	**$1,133,237**	**N/A**
Total	**$20,697,198**	**215-315**

Source: Treasury, "First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement," 9/29/2010, www.financialstability.gov/docs/DC%20Redacted%201st%20Amendment.pdf, accessed 10/13/2010.

FINANCIAL INSTITUTION SUPPORT PROGRAMS

Treasury created six TARP programs through which it made capital investments or asset guarantees in exchange for equity in participating financial institutions. Three of the programs, the Capital Purchase Program ("CPP"), the Community Development Capital Initiative ("CDCI"), 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. For some institutions, Treasury has agreed to modify the investment by converting the preferred stock it originally received into other forms of equity, such as common stock or mandatorily convertible preferred stock, to help improve the capital structure of these struggling TARP recipients.[227]

With the expiration of TARP funding authorization, no new investments can be made through CPP, CAP, TIP, AGP, and CDCI, but dollars that are already obligated may still be expended through SSFI.

CPP

Treasury's stated goal for CPP was to invest in "healthy, viable institutions" as a way to promote financial stability, maintain confidence in the financial system, and permit lenders to meet the nation's credit needs.[228] 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.[229]

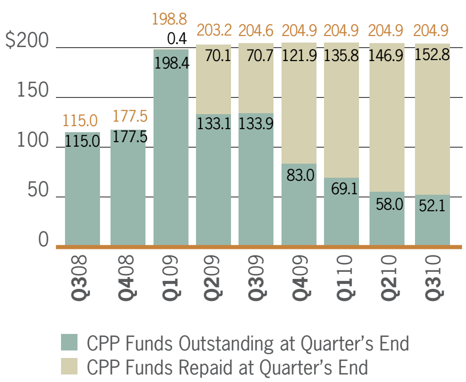
Under CPP, Treasury used TARP funds predominantly to purchase preferred equity interests in QFIs. The QFIs issued Treasury senior preferred shares that pay a 5% annual dividend for the first five years and a rate of 9% per year thereafter. In addition to the senior preferred shares, publicly traded QFIs issued Treasury warrants to purchase common stock with an aggregate market price equal to 15% of the senior preferred share investment. Privately held QFIs issued Treasury warrants to purchase additional senior preferred stock worth 5% of Treasury's initial preferred stock investment.[230] In total, Treasury invested $204.9 billion of TARP funds in 707 QFIs through CPP.[231]

Through September 30, 2010, CPP recipients repaid $152.8 billion, leaving $52.1 billion outstanding. In addition, Treasury received from CPP recipients approximately $9.9 billion in interest and dividends. Treasury also received $6.9 billion through the sale of CPP warrants that were obtained from TARP recipients.[232] For a summary of CPP funds outstanding and associated repayments, see Figure 2.5.

FIGURE 2.5

SNAPSHOT OF CPP FUNDS OUTSTANDING AND REPAID, BY QUARTER

($ BILLIONS)



Note: Numbers affected by rounding.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP vetting draft, 10/7/2010.

Status of Funds

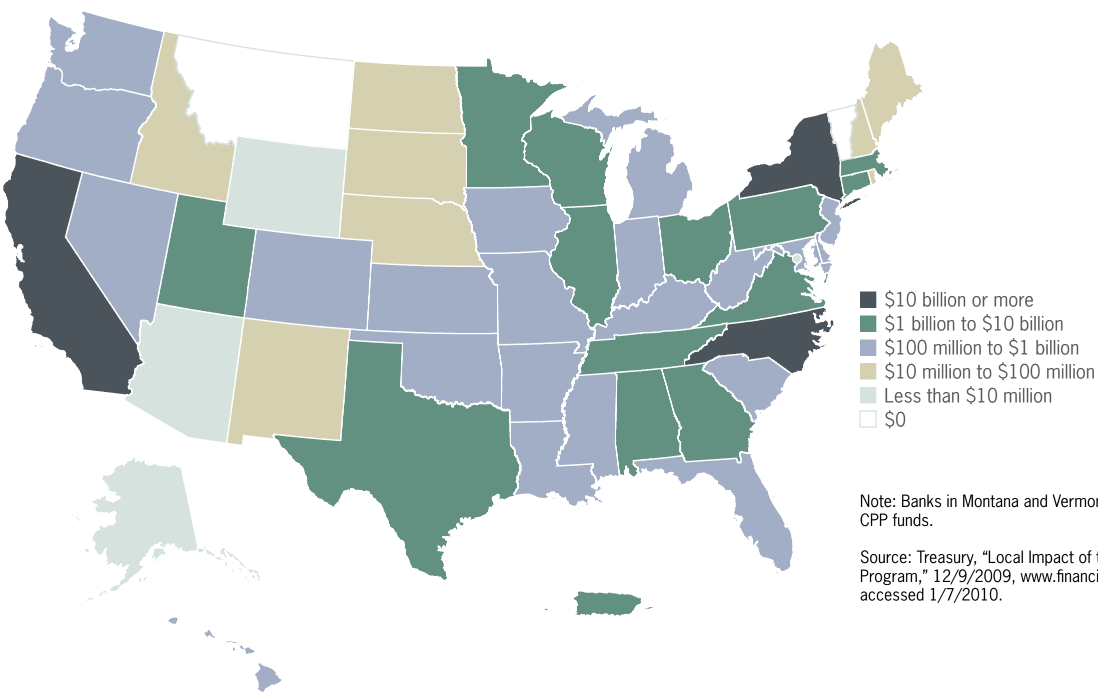
Through CPP, Treasury purchased $204.9 billion in preferred stock and subordinated debentures from 707 QFIs in 48 states, the District of Columbia, and Puerto Rico. Figure 2.6 shows the geographical distribution of funded QFIs. Although the 10 largest investments accounted for $142.6 billion of the program, CPP made many smaller investments: 331 of 707 recipients received $10.0 million or less. Table 2.18 and Table 2.19 show investment distribution by amount.

Repayment of Funds

Through September 30, 2010, 121 banks — including 10 with the largest CPP investments — had repaid CPP by repurchasing from Treasury some or all of the banks' preferred shares.[233] By that date, Treasury had received approximately $152.8 billion in principal repayments, leaving approximately $52.1 billion outstanding.[234] For a full listing of CPP share repurchases, see Appendix D: "Transaction Detail."

FIGURE 2.6

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," 12/9/2009, www.financialstability.gov, accessed 1/7/2010.

TABLE 2.18

CPP INVESTMENT SUMMARY BY TRANSACTION

	Original[a]	Current[b]
Total Investment	$204.9 billion	$52.1 billion
Largest Capital Investment	25 billion	11.6 billion
Smallest Capital Investment	301,000	301,000
Average Capital Investment	277.6 million	79.3 million
Median Capital Investment	10.3 million	9.5 million

Notes: Numbers affected by rounding. Data as of 9/30/2010.
[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*, 9/30/2010.

TABLE 2.19

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	577
Total	**707**	**623**

Notes: Data as of 9/30/2010. Data are 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 are related to bankrupt institutions, and is based on total investments outstanding.

Source: Treasury, *Transactions Report*, 9/30/2010.

Program Administration

Although Treasury's investment authority for CPP has ended, Treasury still has significant responsibilities for managing the existing CPP portfolio, including:

- collecting dividends and interest payments on outstanding investments
- monitoring the performance of outstanding investments
- disposing of warrants as investments are repaid
- selling or restructuring Treasury's investment in some troubled financial institutions
- potentially selecting directors for recipients that have missed six or more quarterly dividend payments

Dividends and Interest

As of September 30, 2010, Treasury had earned $9.9 billion in dividends and interest on its CPP investments.[235] However, 137 QFIs had missed scheduled dividend payments to Treasury totaling approximately $233.6 million. Although some have since partially paid the dividend, $211.3 million remains unpaid.[236] Approximately $8.0 million of the $211.3 million in outstanding payments is non-cumulative, meaning that the institution has no legal obligation to pay Treasury unless the institution declares a dividend.[237]

Treasury's Policy on Missed Dividends

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 up to two additional members to the institution's board of directors.[238] According to Treasury, it "evaluates its CPP investments on an ongoing basis with the help of outside advisors, including external asset managers. The external asset managers provide a valuation" that results in Treasury assigning the institution a credit score. For recipients that have low credit scores, including any institution that has missed three dividend (or interest) payments, Treasury has stated that the "asset manager dedicates more resources to monitoring the institution and may talk to the institution on a more frequent basis."[239] Treasury has further stated that it would seek permission from institutions that miss five dividend payments to send observers to the institutions' board meetings.[240] Treasury plans to focus its attention on institutions with outstanding CPP investments of $25 million or more.[241]

According to Treasury, the observers would be selected from the Office of Financial Stability and assigned to "gain a better understanding of the institution's conditions and challenges and to observe how the board is addressing the situation." Their participation would be limited to inquiring about distributed materials, presentations, and actions proposed or taken during the meetings, as well as addressing any questions concerning the observer's role.[242]

Once Treasury's right to appoint a new board member is effective, it will evaluate the institution's condition and health and the functioning of its board, including the information gathered by the observers, to determine whether additional directors are necessary.[243] According to Treasury, recruiting qualified directors uses significant taxpayer resources, and it plans to use a search firm to identify qualified candidates if it decides to appoint directors.[244] These directors will not represent Treasury but will have the same fiduciary duties to shareholders as all other directors. Additionally, they will be compensated by the institution in a similar manner as other directors.[245]

According to Treasury, as of September 30, 2010, eight QFIs had missed at least six dividend payments and 16 banks had missed five dividend payments totaling $95.3 million.[246] Table 2.20 lists CPP participants that had outstanding dividend payments as of September 30, 2010. As of the same date, Treasury had appointed no directors but had appointed observers to 14 CPP participants.[247] For a complete list of CPP recipients and institutions making dividend or interest payments, see Appendix D: "Transaction Detail."

TABLE 2.20

CPP-RELATED MISSED DIVIDEND AND INTEREST PAYMENTS,* AS OF 9/30/2010				
Institution	**Dividend or Payment Type[3]**	**Number of Missed Payments Outstanding**	**Value of Missed Dividends/ Interest [1]**	**Value of Dividends/Interest Outstanding[1,2,3]**
Saigon National Bank	Non-Cumulative	7	$117,663	$117,663
Anchor BanCorp Wisconsin, Inc.	Cumulative	6	8,479,167	8,479,167
Blue Valley Ban Corp	Cumulative	6	1,631,250	1,631,250
Seacoast Banking Corporation of Florida	Cumulative	6	3,750,000	3,750,000
Lone Star Bank	Non-Cumulative	6	255,377	255,377
Pacific Capital Bancorp***	Cumulative	6	13,547,550	13,547,550
OneUnited Bank	Non-Cumulative	6	904,725	904,725
United American Bank	Non-Cumulative	6	704,640	704,640
Sterling Financial Corporation (WA)***	Cumulative	5	18,937,500	18,937,500
Central Pacific Financial Corp.	Cumulative	5	8,437,500	8,437,500
Centrue Financial Corporation	Cumulative	5	2,041,750	2,041,750
Citizens Bancorp	Cumulative	5	708,500	708,500
Dickinson Financial Corporation II	Cumulative	5	9,949,900	9,949,900
First Banks, Inc.	Cumulative	5	20,124,125	20,124,125
Grand Mountain Bancshares, Inc.	Cumulative	5	203,055	203,055
Idaho Bancorp	Cumulative	5	470,063	470,063
Pacific City Financial Corporation	Cumulative	5	1,103,625	1,103,625
Pacific International Bancorp Inc	Cumulative	5	406,250	406,250
Royal Bancshares of Pennsylvania, Inc.	Cumulative	5	1,900,438	1,900,438
Citizens Bank & Trust Company	Non-Cumulative	5	163,500	163,500
Commonwealth Business Bank	Non-Cumulative	5	524,625	524,625
Georgia Primary Bank	Non-Cumulative	5	316,100	316,100
One Georgia Bank	Non-Cumulative	5	380,516	380,516
Premier Service Bank	Non-Cumulative	5	269,472	269,472
Cascade Financial Corporation	Cumulative	4	1,948,500	1,948,500
TIB Financial Corp*****	Cumulative	4	1,850,000	1,850,000
Citizens Commerce Bancshares, Inc.	Cumulative	4	343,350	343,350
FC Holdings, Inc.	Cumulative	4	1,146,780	1,146,780
Hampton Roads Bankshares, Inc.***	Cumulative	4	4,017,350	4,017,350
Heritage Commerce Corp	Cumulative	4	2,000,000	2,000,000
Integra Bank Corporation	Cumulative	4	4,179,300	4,179,300
Northern States Financial Corporation	Cumulative	4	860,550	860,550
Omega Capital Corp.	Cumulative	4	153,490	153,490
Pathway Bancorp	Cumulative	4	203,090	203,090
Patterson Bancshares, Inc	Cumulative	4	201,150	201,150
Peninsula Bank Holding Co.	Cumulative	4	312,500	312,500

Continued on next page.

CPP-RELATED MISSED DIVIDEND AND INTEREST PAYMENTS,* AS OF 9/30/2010 (CONTINUED)

Institution	Dividend or Payment Type[3]	Number of Missed Payments Outstanding	Value of Missed Dividends/ Interest [1]	Value of Dividends/Interest Outstanding[1,2,3]
Pierce County Bancorp	Cumulative	4	370,600	370,600
Premierwest Bancorp	Cumulative	4	$2,070,000	$2,070,000
Ridgestone Financial Services, Inc.	Cumulative	4	594,050	594,050
Rising Sun Bancorp	Cumulative	4	326,060	326,060
Rogers Bancshares, Inc.	Cumulative	4	1,362,500	1,362,500
Syringa Bancorp	Cumulative	4	436,000	436,000
Community Bank of the Bay	Non-Cumulative	4	72,549	72,549
Maryland Financial Bank	Non-Cumulative	4	92,650	92,650
The Freeport State Bank	Non-Cumulative	4	16,400	16,400
Midwest Banc Holdings, Inc.****, [4]	Cumulative	4	4,239,200	4,239,200
The South Financial Group, Inc.*****	Cumulative	3	13,012,500	13,012,500
BNCCORP, Inc.	Cumulative	3	821,325	821,325
Cecil Bancorp, Inc.	Cumulative	3	433,500	433,500
Central Virginia Bankshares, Inc.	Cumulative	3	426,938	426,938
Citizens Bancshares Co. (MO)	Cumulative	3	1,021,500	1,021,500
Citizens Republic Bancorp, Inc.	Cumulative	3	11,250,000	11,250,000
City National Bancshares Corporation	Cumulative	3	353,963	353,963
Congaree Bancshares, Inc.**	Cumulative	3	179,010	134,258
Fidelity Federal Bancorp	Cumulative	3	265,087	265,087
First Federal Bancshares of Arkansas, Inc.	Cumulative	3	618,750	618,750
First Security Group, Inc.	Cumulative	3	1,237,500	1,237,500
First Southwest Bancorporation, Inc.	Cumulative	3	224,813	224,813
FPB Bancorp, Inc. (FL)	Cumulative	3	217,500	217,500
Heartland Bancshares, Inc.	Cumulative	3	279,240	279,240
Intermountain Community Bancorp	Cumulative	3	1,012,500	1,012,500
Intervest Bancshares Corporation	Cumulative	3	937,500	937,500
Monarch Community Bancorp, Inc.	Cumulative	3	254,438	254,438
Sonoma Valley Bancorp****	Cumulative	3	353,715	353,715
Tennessee Valley Financial Holdings, Inc.	Cumulative	3	122,625	122,625
Community 1st Bank	Non-Cumulative	3	80,709	80,709
First Sound Bank	Non-Cumulative	3	277,500	277,500
Presidio Bank	Non-Cumulative	3	419,031	419,031
The Bank of Currituck	Non-Cumulative	3	164,355	164,355
The Connecticut Bank and Trust Company	Non-Cumulative	3	178,573	178,573
U.S. Century Bank	Non-Cumulative	3	2,053,410	2,053,410
Alliance Financial Services, Inc.	Interest	3	755,100	755,100
Duke Financial Group, Inc.	Interest	3	755,100	755,100
Investors Financial Corporation of Pettis County, Inc.	Interest	3	251,700	251,700
Security State Bank Holding Company	Interest	3	676,496	676,496

Continued on next page.

CPP-RELATED MISSED DIVIDEND AND INTEREST PAYMENTS,* AS OF 9/30/2010 (CONTINUED)

Institution	Dividend or Payment Type[3]	Number of Missed Payments Outstanding	Value of Missed Dividends/ Interest [1]	Value of Dividends/Interest Outstanding[1,2,3]
Bankers' Bank of the West Bancorp, Inc.	Cumulative	2	344,415	344,415
CIT Group Inc.****, [5]	Cumulative	2	$29,125,000	$29,125,000
Bridgeview Bancorp, Inc.	Cumulative	2	1,035,500	1,035,500
First Community Bancshares, Inc (KS)	Cumulative	2	403,300	403,300
FNB United Corp.	Cumulative	2	1,287,500	1,287,500
Gregg Bancshares, Inc.	Cumulative	2	22,470	22,470
Heritage Oaks Bancorp	Cumulative	2	525,000	525,000
Independent Bank Corporation***	Cumulative	2	3,030,096	1,230,096
Madison Financial Corporation	Cumulative	2	91,855	91,855
Millennium Bancorp, Inc.**	Cumulative	2	296,753	197,835
Northwest Bancorporation, Inc.	Cumulative	2	286,125	286,125
Pacific Coast National Bancorp****	Cumulative	2	112,270	112,270
Patapsco Bancorp, Inc.	Cumulative	2	163,500	163,500
Plumas Bancorp	Cumulative	2	298,725	298,725
Prairie Star Bancshares, Inc.	Cumulative	2	76,300	76,300
Premier Bank Holding Company	Cumulative	2	258,875	258,875
Stonebridge Financial Corp.	Cumulative	2	299,030	299,030
TCB Holding Company	Cumulative	2	319,665	319,665
Timberland Bancorp, Inc.	Cumulative	2	416,025	416,025
Treaty Oak Bancorp, Inc.	Cumulative	2	89,035	89,035
Valley Financial Corporation	Cumulative	2	400,475	400,475
Fresno First Bank	Non-Cumulative	2	33,357	33,357
Gold Canyon Bank	Non-Cumulative	2	42,335	42,335
Goldwater Bank, N.A.**	Non-Cumulative	2	139,920	69,960
Midtown Bank & Trust Company **	Non-Cumulative	2	213,443	142,295
Santa Clara Valley Bank, N.A.	Non-Cumulative	2	79,025	79,025
First Trust Corporation	Interest	2	753,769	753,769
1st FS Corporation	Cumulative	1	204,613	204,613
Alaska Pacific Bancshares, Inc.	Cumulative	1	59,763	59,763
Berkshire Bancorp, Inc.	Cumulative	1	39,413	39,413
Blue Ridge Bancshares, Inc.	Cumulative	1	163,500	163,500
BNB Financial Services Corporation	Cumulative	1	102,188	102,188
Broadway Financial Corporation	Cumulative	1	187,500	187,500
Cadence Financial Corporation*****	Cumulative	1	550,000	550,000
Capital Commerce Bancorp, Inc.	Cumulative	1	69,488	69,488
CBS Banc-Corp	Cumulative	1	331,088	331,088
Community Bankers Trust Corporation	Cumulative	1	221,000	221,000
Covenant Financial Corporation	Cumulative	1	68,125	68,125
First BanCorp (PR)***	Cumulative	1	21,472,826	1,472,826
First Community Bank Corporation of America	Cumulative	1	133,563	133,563
Harbor Bankshares Corporation**	Cumulative	1	255,000	85,000

Continued on next page.

CPP-RELATED MISSED DIVIDEND AND INTEREST PAYMENTS,* AS OF 9/30/2010 (CONTINUED)

Institution	Dividend or Payment Type[3]	Number of Missed Payments Outstanding	Value of Missed Dividends/ Interest [1]	Value of Dividends/Interest Outstanding[1,2,3]
HomeTown Bankshares Corporation	Cumulative	1	133,415	133,415
Legacy Bancorp, Inc.	Cumulative	1	$68,725	$68,725
Market Bancorporation, Inc.	Cumulative	1	28,068	28,068
Mercantile Bank Corporation	Cumulative	1	262,500	262,500
MetroCorp Bancshares, Inc.	Cumulative	1	562,500	562,500
Metropolitan Bank Group, Inc (Archer Bank)	Cumulative	1	974,535	974,535
MS Financial, Inc.	Cumulative	1	105,221	105,221
NC Bancorp, Inc.	Cumulative	1	93,740	93,740
Pinnacle Bank Holding Company	Cumulative	1	59,790	59,790
Provident Community Bancshares, Inc.	Cumulative	1	115,825	115,825
The Queensborough Company	Cumulative	1	163,500	163,500
Superior Bancorp Inc.***	Cumulative	1	862,500	862,500
Tifton Banking Company	Cumulative	1	51,775	51,775
Trinity Capital Corporation	Cumulative	1	484,220	484,220
UCBH Holdings, Inc.****	Cumulative	1	3,734,213	3,734,213
Western Community Bancshares, Inc.	Cumulative	1	99,338	99,338
Exchange Bank	Non-Cumulative	1	585,875	585,875
Pacific Commerce Bank**	Non-Cumulative	1	87,279	31,961
Biscayne Bancshares, Inc.	Interest	1	130,238	130,238
Boscobel Bancorp, Inc	Interest	1	117,156	117,156
Premier Financial Corp	Interest	1	133,155	133,155
Total			**$233,613,136**	**$211,303,040**

Notes: Numbers may not total due to rounding. Approximately $8.0 million of the $211.3 million in outstanding CPP dividend payments are non-cumulative and Treasury has no legal right to missed dividends that are non-cumulative.
* "Missed Interest Payments" occur when a Subchapter S recipient fails to pay Treasury interest on a subordinated debenture in a timely manner.
** Partial payments made after the due date.
*** Completed an exchange with Treasury. For an exchange of mandatorily convertible preferred stock or trust preferred securities, dividend payments continue to accrue. For an exchange of mandatorily preferred stock for common stock, no additional dividend payments will accrue.
**** Filed for bankruptcy or subsidiary bank failed. For completed bankruptcy proceedings, Treasury's investment was extinguished and no additional dividend payments will accrue.
***** Treasury sold or is selling CPP investment to third party. No additional dividend payments will accrue after a sale.
[1] Includes unpaid cumulative dividends, non-cumulative dividends, and Subchapter S interest payments but does not include interest accrued on unpaid cumulative dividends.
[2] Excludes institutions that missed payments but (i) have fully caught up on missed payments, or (ii) have repaid their investment amounts and exited the Capital Purchase Program.
[3] Includes institutions that missed payments and (i) completed an exchange with Treasury for new securities, (ii) their CPP investment was sold by Treasury to a third party, or (iii) are in, or have completed bankruptcy proceedings or subsidiary bank failed.
[4] For Midwest Banc Holdings, Inc., the Number of Missed Payments Outstanding is the number last reported from SIGTARP Quarterly Report to Congress 4/20/2010, prior to bankruptcy filing; the Value of Missed Dividends is from Treasury's response to SIGTARP data call, 10/13/2010; and the Value of Dividends Outstanding is the unpaid amount.
[5] For CIT Group Inc., the Number of Missed Payments Outstanding is from the number last reported from SIGTARP Quarterly Report to Congress 1/30/2010, shortly after the bankruptcy filing; the Value of Missed Dividends is from Treasury's response to SIGTARP data call, 10/13/2010; and the Value of Dividends Outstanding is the unpaid amount.

Sources: Treasury, response to SIGTARP data call, 10/13/2010; SIGTARP Quarterly Report to Congress 1/30/2010; SIGTARP Quarterly Report to Congress 4/20/2010.

Exercise Price: Preset price at which the warrant holder may purchase each share. For warrants issued through CPP, this was based on the average stock price during the 20 days before the date that Treasury granted preliminary CPP participation approval.

For more information on warrant disposition, see SIGTARP's Audit Report of May 10, 2010, "Assessing Treasury's Process to Sell Warrants Received from TARP Recipients."

Warrant Disposition

As required by EESA, Treasury receives warrants when it invests in troubled assets from financial institutions, with an exception for certain small institutions. With respect to financial institutions with publicly traded securities, these warrants give Treasury the right, but not the obligation, to purchase a certain number of shares of common stock in a CPP participant at a predetermined price. Because the 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.[248] For publicly traded institutions, the warrants received by Treasury under CPP allowed Treasury to purchase additional shares of common stock in a number equal to 15% of the value of the original CPP investment at a specified exercise price.[249] Treasury's warrants constitute assets with a fair market value that Treasury estimates using relevant market quotes, financial models, and/or third-party valuations.[250]

For publicly traded participants, Treasury received warrants to purchase common stock that expire 10 years from the date of the CPP investment. As of September 30, 2010, Treasury had not exercised any of these warrants.[251] For privately held institutions, Treasury received warrants to purchase additional preferred stock or debt in an amount equal to 5% of the CPP investment. Treasury exercised these warrants immediately.[252]

Repurchase of Warrants by Financial Institutions

Upon repaying its CPP investment, a recipient may seek to negotiate with Treasury to buy back its warrants. As of September 30, 2010, 43 publicly traded institutions had bought back $3.1 billion worth of warrants, of which $192.0 million was purchased this quarter. By that same date, 20 privately held institutions, the warrants of which had been immediately exercised, bought back the resulting additional preferred shares for a total of $11.0 million, of which $7.2 million was bought back this quarter.[253] Table 2.21 lists publicly traded institutions that have repaid TARP and repurchased warrants. Table 2.22 lists privately held institutions that had done so as of September 30, 2010.

TABLE 2.21

CPP WARRANT SALES AND REPURCHASES (PUBLIC), AS OF 9/30/2010

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
7/7/2010	Discover Financial Services	20,500,413	172,000.0
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
9/8/2010	Fulton Financial Corporation	5,509,756	10,800.0
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
9/8/2010	The Bancorp, Inc.	980,203	4,754.0
3/31/2010	Umpqua Holdings Corp.	1,110,898	4,500.0
9/1/2010	Columbia Banking System, Inc.	398,023	3,301.6
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
5/08/2009	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
9/1/2010	Citizens & Northern Corporation	194,794	400.0

Continued on next page.

CPP WARRANT SALES AND REPURCHASES (PUBLIC), AS OF 9/30/2010 (CONTINUED)

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Thousands)
9/30/2010	South Financial Group Inc.[b]	10,106,796	$400.0
6/24/2009	Somerset Hills Bancorp	163,065	275.0
2/10/2010	Monarch Financial Holdings, Inc.	132,353	260.0
7/28/2010	Bar Harbor Bankshares	52,455	250.0
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
9/30/2010	TIB Financial[b]	1,106,389	40.0
Total		**222,495,159**	**$3,140,930.9**

Notes: Numbers may not total due to 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.
[b] Warrant sales to third parties.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/6/2010.

TABLE 2.22

CPP REPURCHASES OF PREFERRED SHARES RESULTING FROM IMMEDIATE EXERCISE OF WARRANTS (PRIVATE), AS OF 9/30/2010

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Thousands)
9/29/2010	Community Bancshares of Mississippi, Inc.	2,600,000	$2,600.0
9/29/2010	BancPlus Corporation	2,400,000	2,400.0
9/29/2010	State Capital Corporation	750,000	750.0
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
9/29/2010	Security Capital Corporation	522,000	522.0
12/23/2009	Midland States Bancorp, Inc.	509,000	509.0
11/18/2009	1st United Bancorp, Inc.	500,000	500.0
9/29/2010	PSB Financial Corporation	464,000	464.0
4/22/2009	First ULB Corp.	245,000	245.0
9/29/2010	First Vemon Bankshares, Inc.	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
9/29/2010	Lafayette	100,000	100.0
9/24/2010	First Choice Bank	110,000	110.0
4/14/2010	First State Bank of Mobeetie	37,000	37.0
11/10/2009	Midwest Regional Bancorp, Inc.	35,000	35.0
7/14/2010	Green City Bancshares, Inc.	33,000	33.0
Total		**11,006,000**	**$11,006.0**

Notes: Numbers may not total due to 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.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/6/2010.

Treasury Warrant Auctions

If Treasury and the repaying QFI cannot agree upon the price for the institution's repurchase of its warrants, Treasury has options for managing the investments, including a public offering to auction the warrants.[254] In November 2009 Treasury began using 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 that manages the sale (for CPP-related warrants, Deutsche Bank) at specified increments above a minimum price set by Treasury.[255] Once the auction agent receives all bids, it determines the final price and distributes the warrants to the winning bidders.[256]

Treasury conducted two warrant auctions this quarter for Lincoln National Corporation and The Hartford Financial Services Group, raising $216.6 million and $713.7 million, respectively, for total gross proceeds of approximately $930.3 million before underwriting fees and selling expenses.[257] Through September 30, 2010, Treasury held 16 public auctions for warrants it received under CPP and TIP, raising a total of approximately $5 billion.[258] Final closing information for all auctions is shown in Table 2.23.

CPP Restructurings and Recapitalizations

Certain CPP institutions continue to experience high losses and financial difficulties, resulting in inadequate capital or liquidity. Others are encouraged by their regulators to improve the quality of their capital. To avoid insolvency or improve the quality of capital, these institutions may ask Treasury to change the investment type by making it more junior or resulting in Treasury taking a discount or loss. If a CPP institution is undercapitalized and/or 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.[259] Treasury may also sell its investment in a troubled institution to a third party at a discount in order to facilitate that party's acquisition of a troubled institution. Although Treasury may incur partial losses on its investment in the course of these transactions, it has explained to SIGTARP that such an outcome may be deemed necessary to avoid the total loss of Treasury's investment that would occur if the institution failed.[260]

Under these circumstances, the CPP participant will ask Treasury for a formal review of its proposal. The proposal will detail the institution's recapitalization plan and may estimate how much capital the institution plans to raise from private investors and whether Treasury and other preferred shareholders will convert their preferred stock to common stock. The proposal may also involve a proposed discount on the conversion to common stock, although Treasury does not realize any loss until it disposes of the stock.[261] In other words, Treasury will not know whether a loss will occur, or the extent of such a loss, until the common stock is sold.[262] According to Treasury, when it receives such a request, it asks one of the external

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, three 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 two 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: Firm (such as an investment bank) that buys a series of securities from one institution for resale.

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.

TABLE 2.23

TREASURY AUCTIONS, AS OF 9/30/2010

	Auction Date	**Number of Warrants Offered**	**Minimum Bid Price**	**Selling Price**	**Proceeds to Treasury ($ Millions)**
Hartford Financial Services Group	9/21/2010	52,093,973	$10.50	$13.70	$713.7
Lincoln National Corporation	9/16/2020	13,049,451	13.50	16.60	216.6
eSterling Bancshares Inc.	6/9/2010	2,615,557	0.85	1.15	3.0
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	849.0
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
PNC Financial Service 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
Total		**588,872,858**			**$5,007.3**

Note: Numbers affected by rounding.

Sources: The PNC Financial Services Group, Inc., "Final Prospectus Supplement," 4/29/2010, www.sec.gov/Archives/edgar/data/713676/ 000119312510101032/d424b5.htm, accessed 6/30/2010; Valley National Bancorp, "Final Prospectus Supplement," 5/18/2010, www.sec.gov/Archives/edgar/data/714310/000119312510123896/d424b5.htm, accessed 6/30/2010; Comerica Incorporated, "Final Prospectus Supplement," 5/6/2010, www.sec.gov/Archives/edgar/data/28412/000119312510112107/d424b5.htm, accessed 6/30/2010; Wells Fargo and Company, "Definitive Prospectus Supplement," 5/20/2010, www.sec.gov/Archives/edgar/data/72971/000119312510126208/d424b5.htm, accessed 6/30/2010; First Financial Bancorp, "Prospectus Supplement," 6/2/2010, www.sec.gov/Archives/edgar/data/708955/000114420410031630/v187278_424b5.htm, accessed 6/30/2010; Sterling Bancshares, Inc., "Prospectus Supplement," 6/9/2010, 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, financialstability.gov/docs/transaction-reports/4-2-10%20Transactions%20Report%20as%20of%203-31-10.pdf, accessed 6/30/2010. Hartford Financial Services Group, Prospectus Supplement to Prospectus filed with the SEC 8/4/2010, www.sec.gov/Archives/edgar/data/874766/000095012310087985/y86606b5e424b5.htm, accessed 10/7/2010; Hartford Financial Services Group, 8-K, 9/27/2010, www.sec.gov/Archives/edgar/data/874766/000095012310089083/y86713e8vk.htm, accessed 10/7/2010; Hartford Financial Services Group, Underwriting Agreement, 8/21/2010, www.sec.gov/Archives/edgar/data/874766/000095012310089083/y86713exv1w1.htm, accessed 10/7/2010; Treasury, *Transactions Report*, 9/27/2010, www.financialstability.gov/docs/transaction-reports/9-29-10%20Transactions%20Report%20as%20of%209-27-10.pdf, accessed 9/29/2010; Treasury, "Treasury Announces Pricing of Public Offering to Purchase Common Stock of The Hartford Financial Services Group, Inc.," 9/22/2010, www.financialstability.gov/latest/pr_09222010.html, accessed 9/22/2010; Lincoln National Corporation, Prospectus Supplement to Prospectus filed with SEC 3/10/2009, www.sec.gov/Archives/edgar/data/59558/000119312510211941/d424b5.htm, accessed 10/7/2010; Lincoln National Corporation, 8-K, 9/22/2010, www.sec.gov/Archives/edgar/data/59558/000119312510214540/d8k.htm, accessed 10/7/2010.

asset managers that it has hired to analyze the proposal and perform due diligence on the institution.[263] The external asset manager interviews the institution's 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.[264]

Table 2.24 shows all CPP restructurings and recapitalizations through September 30, 2010.

Due Diligence: Appropriate level of attention or care a reasonable person should take before entering into an agreement or a transaction with another party. In finance, often refers to the process of conducting an audit or review of the counterparty prior to initiating a transaction.

TABLE 2.24

TREASURY RESTRUCTURINGS, RECAPITALIZATIONS AND SALES, AS OF 9/30/2010 ($ MILLIONS)

	Pre-Exchange Investment			Exchange				
Institution	**Date**	**Amount**	**Security Type**	**Date**	**Amount Received by Treasury**	**Security Type**	**Discount %**	**(Loss)/ Gain on Exchange**[a]
Citigroup Inc.[b]	10/28/2008	$25,000.0	Preferred Stock	9/11/2009	$25,000.0	7.7 billion shares of Common Stock	0%	$0
			4.1 billion shares of Common Stock	4/26/2010 - 9/30/2010	$16,368.7	Cash	N/A[c]	$3,014.6
First BanCorp[d]	1/16/2009	$400.0	Preferred Stock	7/20/2010	$424.2	Mandatorily Convertible Preferred Stock ($24,174,000 in accrued and unpaid dividends)	0%	$0
	7/20/2010	$424.2	Mandatorily Convertible Preferred Stock	Pending	N/A for pending transactions	Common Stock	35%	($148.5)
Independent Bank Corporation[d]	12/12/2008	$72.2	Preferred Stock	4/2/2010	$74.6	Mandatorily Convertible Preferred Stock ($2,426,000 in accrued and unpaid dividends)	0%	$0
	4/2/2010	$74.6	Mandatorily Convertible Preferred Stock	Pending	N/A for pending transactions	Common Stock	25%	($18.7)
Pacific Capital Bancorp[e]	11/21/2008	$180.6	Preferred Stock	7/26/2010	$195.0	Mandatorily Convertible Preferred Stock ($14,411,000 in accrued and unpaid dividends)	0%	$0
	9/27/2010	$195.0	Mandatorily Convertible Preferred Stock	Closed	$306.7	Common Stock	N/A	$126.1
Hampton Roads Bankshares[e]	12/31/2008	$80.3	Preferred Stock	8/12/2010	$80.3	Mandatorily Convertible Preferred Stock	0%	$0
	9/30/2010	$80.3	Mandatorily Convertible Preferred Stock	Closed	$51.7	Common Stock	36%	($28.6)
First Merchants	2/20/2009	$116.0	Preferred Stock	6/30/2010	$46.4 $69.6	Trust Preferred Securities Preferred Stock	0%	$0
Sterling Financial Corporation[e]	12/5/2008	$303.0	Preferred Stock	4/29/2010	$303.0	Mandatorily Convertible Preferred Stock	0%	$0
	8/26/2010	$303.0	Mandatorily Convertible Preferred Stock	Closed	$261.3	Common Stock	14%	($41.7)

Continued on next page.

TREASURY RESTRUCTURINGS, RECAPITALIZATIONS AND SALES, AS OF 9/30/2010 ($ MILLIONS) (CONTINUED)

	Pre-Exchange Investment			Exchange				
Institution	Date	Amount	Security Type	Date	Amount Received by Treasury	Security Type	Discount %	(Loss)/ Gain on Exchange[a]
TIB Financial Corp.[f]	12/5/2008	$37.0	Preferred Stock	9/30/2010	$12.2	Cash	67%	($24.8)
Cadence Financial Corporation[g]	1/9/2009	$44.0	Preferred Stock	Pending[h]	$38.0	Cash	14%	($6.0)
Popular, Inc.[i]	12/5/2008	$935.0	Preferred Stock	8/24/2009	$935.0	Trust Preferred Securities	0%	$0
South Financial Group, Inc/ Toronto Dominion[f]	12/5/2008	$347.0	Preferred Stock	9/30/2010	$130.6	Cash	62%	($216.4)
Superior Bancorp, Inc.	12/5/2008	$69.0	Preferred Stock	12/11/2009	$69.0	Trust Preferred Securities	0%	$0

Notes: Numbers may not total due to rounding.
[a] For transactions that are pending, gain or loss is calculated based on the amount the discount would be as of the date of the agreement. For closed transactions, gain or loss is calculated as of the date of actual conversion.
[b] As of 9/30/2010, Treasury sold 4.1 billion shares of Citigroup common stock, leaving it with 3.6 billion shares remaining. See "Citigroup Update" discussion in this section for more detailed information.
[c] N/A means not applicable.
[d] The institution is in the process of completing requirements that would allow it to convert Treasury's preferred stock to common stock at a value less than it originally held based on the original terms of the exchange. However, the final loss or gain will depend on the market price of the common stock at the conversion date.
[e] Although a discount is incurred when Treasury's preferred stock is converted to common stock, Treasury does not realize any loss or gain until it disposes of the stock.
[f] Treasury has sold its preferred stock for cash.
[g] Treasury sale of its preferred stock for cash is pending.Treasury does not realize any loss or gain until it disposes of the stock.
[h] Governing agreement executed 10/6/2010; required shareholder approval pending on 10/6/2010.
[i] Popular, Inc. paid a $13 million exchange fee in connection with this transaction.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury response to SIGTARP data call, 10/14/2010; Treasury 105(a) Report, 9/30/2010; SEC, "Cadence Financial Corporation 8-K," www.snl.com/Cache/10192484.pdf?O=3&IID=1018635&OSID=9&FID=10192484, accessed 10/22/2010.

Citigroup Update

On October 28, 2008, Treasury received $25 billion in Citigroup Inc. ("Citigroup") preferred shares in return for investing in Citigroup under CPP.[265] On June 9, 2009, Treasury agreed, at the request of Citigroup, to an exchange in which Treasury converted the $25 billion in preferred stock shares it had received under CPP for 7.7 billion shares of Citigroup common stock, with a market price of $3.25 per share.[266]

Following a 90-day lockup period that ended March 16, 2010, Treasury announced that it would sell the Citigroup common stock it held as a result of its CPP investment.[267] Treasury had agreed to the lockup period in order to facilitate an equity offering conducted on December 22, 2009, which enabled Citigroup to raise funds and exit the TIP. In exchange for the 90-day lockup period, Citigroup agreed to pay all costs associated with the sale of any securities issued to Treasury by Citigroup or any of its subsidiaries.[268] 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.[269]

In accordance with that plan, on May 26, 2010, Treasury completed a month-long sale of 1.5 billion shares of Citigroup common stock.[270] 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%.

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.[271] 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.

On July 23, 2010, Treasury entered into its third prearranged trading plan with Morgan Stanley to sell up to 1.5 billion of Treasury's remaining 5.1 billion shares of Citigroup common stock.[272] On September 30, 2010, Treasury announced that the sale was complete and that an additional 1.5 billion shares had been sold at an average price of approximately $3.96 per share, for a total of approximately $5.9 billion in proceeds.[273] On October 19, 2010, Treasury announced that it has entered into a fourth prearranged trading plan to sell 1.5 billion shares of Citigroup common stock. The fourth trading plan is scheduled to terminate on December 31, 2010, whether or not all shares have been sold.[274]

Table 2.25 shows all sales of Citigroup common stock as of September 30, 2010. Treasury has sold 4.1 billion shares for a total of approximately $16.4 billion, leaving it with approximately 3.6 billion shares.[275] As of September 30, 2010, Treasury owned approximately 12.4% of Citigroup's outstanding common shares.[276]

TABLE 2.25

CPP CITIGROUP COMMON STOCK DISPOSITION, AS OF 9/30/2010

Date	Number of Shares (Millions)	Average Share Price (Dollars)[a]	Gross Proceeds ($ Millions)
4/26/2010 to 5/26/2010	1,500	$4.12	$6,182.5
5/26/2010 to 6/30/2010	1,109	3.90	4,322.7
7/23/2010 to 7/31/2010[b]	226	4.12	934.0
8/1/2010 to 8/31/2010[b]	680	3.85	2,615.0
9/1/2010 to 9/30/2010[b]	594	3.91	2,314.5
Total[c]	**4,109**	**$3.98**	**$16,368.7**

Notes: Numbers may not total due to rounding.
[a] Average price for all sales of Citigroup common stock made by Treasury over the course of the corresponding period.
[b] Treasury reported in the Monthly 105(a) Report individual figures for July and August for the number of shares, average share price, and gross proceeds. The 105(a) Report did not report individual figures for September, which are calculated above by adding number of shares and gross proceeds from July and August and subtracting those figures from total number of shares and gross proceeds sold from 7/23/2010 to 9/30/2010 as reported in the September 105(a) report. Average share price for September was calculated by dividing September gross proceeds by the number of shares.
[c] Total amounts appear for Number of Shares and Gross Proceeds. Average Share Price is an average for sales between 4/26/2010 to 9/30/2010.

Sources: Treasury, response to SIGTARP data call, 10/21/2010; Treasury, *Transactions Report*, 9/30/2010; Treasury, "Troubled Assets Relief Program (TARP), Monthly 105(a) Report," 8/2010, www.financialstability.gov/docs/105CongressionalReports/August%20 2010%20105(a)%20Report_final_9%2010%2010.pdf, accessed 9/29/2010; Treasury, "Troubled Assets Relief Program (TARP), Monthly 105(a) Report," 7/2010, www.financialstability.gov/docs/105CongressionalReports/July%202010%20105(a)%20Report_Final.pdf, accessed 9/29/2010; Treasury, 105(a) Report, 9/30/2010.

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.

Recent Exchanges and Sales

First BanCorp

On January 16, 2009, Treasury invested $400 million in First BanCorp through CPP in return for preferred stock and warrants.[277] On June 3, 2010, First BanCorp entered into a written agreement with the Federal Reserve, and its subsidiary bank entered into a cease-and-desist order with the FDIC.[278] On July 20, 2010, Treasury exchanged its entire CPP investment for an equal amount of newly issued mandatorily convertible preferred shares ("MCP") plus additional MCP in an amount equal to accrued and unpaid dividends, approximately $24.2 million.[279] The MCP has a 5% annual dividend until January 16, 2014, after which the rate becomes 9%.[280]

Pursuant to the terms of the exchange, First BanCorp has the right to convert the MCP to 380.2 million shares of common stock, contingent upon First BanCorp fulfilling several requirements, including an exchange of all of the company's non-Treasury-owned preferred stock for common stock and the company raising $500 million through the sale of common shares.[281] On August 26, 2010, First BanCorp announced that one exchange requirement was fulfilled when it completed a tender offer with holders of its preferred stock for common shares.[282] On September 16, 2010, First BanCorp filed a registration statement with the SEC to sell at least $500 million of its common stock to investors.[283]

If First BanCorp satisfies all conditions of the exchange with Treasury, the MCP may be converted to common stock at a 35% discount, meaning that Treasury would receive common stock, which is worth $148.5 million less than its original TARP investment based on the initial terms of the exchange.[284] However, the final loss or gain on this exchange will depend on the market price of the common stock at the conversion date.[285]

Pacific Capital Bancorp

On November 21, 2008, Treasury invested $180.6 million in Pacific Capital Bancorp ("Pacific Capital") through CPP in return for preferred stock and warrants.[286] On July 26, 2010, Treasury agreed, subject to Pacific Capital meeting certain conditions, to exchange its entire CPP investment for an equal amount of newly issued MCP plus additional MCP in an amount equal to all accrued and unpaid dividends, approximately $14.4 million.[287] The MCP had a 5% annual dividend rate until November 21, 2013, after which the rate becomes 9%.[288]

Pursuant to the terms of the exchange, Pacific Capital had the right to convert the MCP to common shares, contingent upon Pacific Capital fulfilling several requirements, including successfully raising private capital.[289] On September 27, 2010, Treasury announced that Pacific Capital had fulfilled the conditions of the exchange and Treasury's MCP was converted to 360.8 million shares of common stock.[290] As of the date of the conversion, Treasury's TARP investment was worth $306.7 million, or $126.1 million more than its original TARP investment.[291]

Hampton Roads Bankshares

On December 31, 2008, Treasury invested $80.3 million in Hampton Roads Bankshares, Inc. ("Hampton Roads") through CPP in return for preferred stock and warrants.[292] On August 12, 2010, Treasury agreed to convert its entire investment in Hampton Roads for MCP.[293] The MCP had an annual dividend rate of 5% through December 31, 2013, and 9% thereafter.[294]

Pursuant to the terms of the exchange, Hampton Roads had the right to convert the MCP to common shares, contingent upon Hampton Roads fulfilling several requirements, including raising $235 million through the sale of common shares.[295] On September 30, 2010, Treasury announced that Hampton Roads had fulfilled the conditions of the exchange and Treasury's preferred stock was converted to 52.2 million shares of common stock.[296] As of the date of the conversion, Treasury's TARP investment was worth $51.7 million, or $28.6 million less than its original TARP investment.[297]

Cadence Financial Corporation

On January 9, 2009, Treasury invested $44 million in Cadence Financial Corporation ("Cadence") through CPP in return for preferred stock and warrants.[298] On October 6, 2010, Cadence agreed to merge into Community Bancorp LLC ("Community"), subject to regulatory and shareholder approval.[299]

Pursuant to the terms of the merger agreement, Community offered to purchase Treasury's preferred stock and warrants for approximately $38 million.[300] According to Cadence, Treasury has indicated it will accept Community's offer subject to definitive documentation. Completion of the merger and definitive documentation would result in a loss to Treasury of approximately $6 million.[301]

TIB Financial Corp

On December 5, 2008, Treasury invested $37 million in TIB Financial Corp ("TIB Financial") through CPP in return for preferred stock and warrants.[302] On September 30, 2010, Treasury sold all of its preferred stock and warrants to North American Financial Holdings, Inc. ("NAFH") for $12.2 million pursuant to an agreement between Treasury and NAFH dated September 24, 2010.[303] This resulted in a loss to Treasury of $24.8 million.

Update on Previously Announced Exchanges

First Merchants Corporation Exchange

On February 20, 2009, Treasury invested $116 million in First Merchants Corporation ("First Merchants") through CPP in return for preferred stock and warrants.[304] On March 23, 2010, Treasury agreed to a partial exchange of up to

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

Direct Private Placement: Sale of securities to investors that meet minimum net worth and sophistication requirements, thereby receiving an exemption from normal SEC registration requirements.

$58 million of its CPP preferred stock for an equal amount of trust preferred securities.[305]

On June 30, 2010, First Merchants announced it had completed the exchange with Treasury by issuing approximately $46.4 million of trust preferred securities and raising $24.2 million in new capital through a direct private placement of 4.2 million common shares. Treasury's trust preferred securities have a 5% interest rate until February 20, 2014, after which the rate becomes 9%.[306] Following the exchange, Treasury holds $69.6 million of preferred securities along with warrants from the original CPP investment, in addition to the $46.4 million of trust preferred securities.[307]

Sterling Financial Corporation

On December 5, 2008, Treasury invested $303 million in Sterling Financial Corporation ("Sterling") through CPP in return for preferred stock and warrants.[308] On April 29, 2010, Treasury agreed to exchange its entire CPP investment in Sterling for MCP.[309] The MCP had an annual dividend rate of 5% through December 5, 2013, and 9% thereafter.[310]

Pursuant to the terms of the exchange, Sterling had the right to convert the MCP to common shares contingent upon Sterling raising $720 million in private capital.[311] On August 26, 2010, Sterling announced it had raised $342 million in private capital from Thomas H. Lee Partners LP and Warburg Pincus LLC, and $388 million in private capital from 30 investors.[312] On the same day, Treasury announced that Sterling had fulfilled the conditions of the exchange and Treasury's MCP was converted to 378.8 million shares of common stock.[313] As of the date of the conversion, Treasury's TARP investment was worth $261.3 million, or $41.7 million less than its original TARP investment.[314]

CPP Recipients: Bankrupt or With Failed Subsidiary Banks

Despite Treasury's stated goal of limiting CPP investments to "healthy and viable institutions," a number of CPP participants went bankrupt or had a subsidiary bank fail, as indicated in Table 2.26.[315]

Closure of Sonoma Valley Bank

On February 20, 2009, Treasury invested $8.7 million in Sonoma Valley Bancorp ("Sonoma Valley") through CPP in exchange for preferred stock and warrants.[316]

On August 20, 2010, the California Department of Financial Institutions closed Sonoma Valley's subsidiary bank, and the FDIC was named receiver. The FDIC entered into a purchase and assumption agreement with Westamerica Bank to assume all the deposits of Sonoma Valley's subsidiary bank.[317] All of Treasury's TARP investment in Sonoma Valley is expected to be lost.

To see the responses of an earlier survey conducted by SIGTARP, refer to www.sigtarp.gov/audit_useoffunds.shtml.

TABLE 2.26

CPP RECIPIENTS: BANKRUPT OR WITH FAILED SUBSIDIARY BANKS ($ MILLIONS)

Institution Name	Initial Invested Amount	Investment Date	Status	Bankruptcy / Failure Date[b]	Subsidiary Bank
UCBH Holdings Inc., San Francisco, CA	$298.7	11/14/2008	In bankruptcy; subsidiary bank failed	11/6/2009	United Commercial Bank, San Francisco, CA
Midwest Banc Holdings, Inc., Melrose Park, IL	89.4[a]	12/5/2008	In bankruptcy; subsidiary bank failed	5/14/2010	Midwest Bank and Trust Company, Elmwood Park, IL
CIT Group Inc., New York, NY	2,330.0	12/31/2008	Bankruptcy proceedings completed with no recovery to Treasury's investment; subsidiary bank remains active	11/1/2009	CIT Bank, Salt Lake City, UT
Pacific Coast National Bancorp, San Clemente, CA	4.1	1/16/2009	Bankruptcy proceedings completed with no recovery to Treasury's investment; subsidiary bank failed	11/13/2009	Pacific Coast National Bank, San Clemente, CA
Sonoma Valley Bancorp, Sonoma, CA	8.7	2/20/2009	Winding down operations; subsidiary bank failed	8/20/2010	Sonoma Valley Bank, Sonoma, CA
TOTAL	**$2,730.9**				

Notes: Numbers may not total due to rounding.
[a] On 3/8/2010, Treasury exchanged its $84,784,000 of Preferred Stock in Midwest Banc Holdings, Inc. (MBHI) for $89,388,000 of mandatorily 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.
[b] Date is earlier of bankruptcy filing by holding company or failure of subsidiary bank.

Sources: Treasury, *Transactions Report*, 9/14/2010; FDIC, "Failed Bank List," no date, www.fdic.gov/bank/individual/failed/banklist.html, accessed 9/15/2010; FDIC, "Institution Directory," no date, www2.fdic.gov/idasp/main.asp, accessed 9/15/2010;CIT, "CIT Board of Directors Approves Proceeding with Prepackaged Plan of Reorganization with Overwhelming Support of Debtholders," 11/1/2009, www.cit.com/media-room/press-releases/index.htm, accessed 12/10/2009; Pacific Coast National Bancorp, 8-K, 12/17/2009, www.sec.gov/Archives/edgar/data/1302502/000092708909000240/pcnb-8k122209.htm, accessed 9/15/2010; Sonoma Valley Bancorp, 8-K, 8/20/2010, www.sec.gov/Archives/edgar/data/1120427/000112042710000040/form8k_receivership.htm, accessed 9/15/2010; Midwest Banc Holdings, Inc., 8-K, 8/20/2010, www.sec.gov/Archives/edgar/data/1051379/000095012310081020/c60029e8vk.htm, accessed 9/22/2010; UCBH Holdings, Inc., 8-K, 11/6/2009, www.sec.gov/Archives/edgar/data/1061580/000095012309062531/f54084e8vk.htm, accessed 9/15/2010.

Use of Funds

In December 2009, Treasury indicated that it would adopt SIGTARP's long-standing recommendation that it collect and report data concerning TARP recipients' use of TARP funds. Specifically, Treasury agreed to obtain and report to the public 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 first annual use of funds survey to TARP recipients, requesting responses before April 19, 2010. Treasury released the results on July 13, 2010. According to Treasury, 664 institutions, or 94% of those contacted, responded to the survey. Treasury has published the results and summary financial information for all responding financial institutions, along with a list of those that did not respond, on its website.

The survey form identified eight possible uses of capital, listed in Table 2.27. Also listed are the number and percentage of institutions that cited each use in its survey response.

TABLE 2.27

USE OF CAPITAL	NUMBER OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
Increase lending or reduce lending less than otherwise would have occurred	565	85.1%
Increase reserves for nonperforming assets	352	53.0%
Held as non-leveraged increase to total capital	306	46.1%
Increase securities purchased (ABS, MBS, etc)	279	42.0%
Reduce borrowings	251	37.8%
Increase charge-offs	241	36.3%
Make other investments	83	12.5%
Purchase another financial institution or purchase assets from another financial institution	82	12.3%

Note: For copies of each CPP recipient's response see www.financialstability.gov/useofcapital.

Small-Business Lending Initiatives

Treasury has taken steps to launch two 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 qualified financial institutions ("QFIs"). The first, the Community Development Capital Initiative ("CDCI"), uses TARP money. The recently enacted Small Business Lending Fund ("SBLF") operates outside of TARP but might involve many current TARP recipients.[318]

CDCI

The Administration announced CDCI on October 21, 2009, which is intended to help small businesses obtain credit at better interest rates.[319] Under CDCI, TARP made 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") by Treasury.[320]

CDCI, which closed to new investments on September 30, 2010, was open to certified, qualifying CDFIs or financial institutions that applied for CDFI status by April 30, 2010.[321] CPP-participating CDFIs that were in good standing could exchange their CPP investments for CDCI investments.[322] Each application for new or incremental funds had to be reviewed by the institution's Federal regulator and approved by Treasury.[323]

Terms for Senior Securities and Dividends

An eligible bank, bank holding company, or thrift could apply to receive capital up to 5% of its risk-weighted assets. A credit union (which is a member-owned, nonprofit financial institution with a capital and governance structure different from that of for-profit banks) could apply for Government funding of up to 3.5% of its total assets — roughly equivalent to the 5% of risk-weighted assets applicable to banks.[324] Participating credit unions, Subchapter S-Corporations ("S-Corporations"), and mutual banks issued subordinated debt to Treasury in lieu of the preferred stock issued by other CDFI participants.[325] Many CDFI investments have an initial dividend rate of 2%, which increases to 9% after eight years, but participating S-Corporations pay a rate of 3.1%, which increases to 13.8% after eight years.[326]

A CDFI participating in CPP had the opportunity to request to convert those shares into CDCI shares, thereby reducing the annual dividend rate it pays the Government from 5% to 2%.[327]

According to Treasury, CDFIs were 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.[328]

Community Development Financial Institutions ("CDFIs"): Financial institutions eligible for Treasury funding to serve urban and rural low-income communities through the CDFI Fund. CDFIs were created in 1994 by the Riegle Community Development and Regulatory Improvement Act.

Risk-Weighted Assets: Total assets, after adjusting for each asset's risk factor, held by a financial institution.

S-Corporation: S-Corporations elect to pass corporate income, losses, deductions and credit through to their shareholders for Federal tax purposes. Shareholders of S-Corporations report the flow-through of income and losses on their personal tax returns and are taxed at their individual income tax rates.

If during the application process a CDFI's primary regulator deemed it undercapitalized or as having "quality of capital issues," the CDFI had the opportunity to raise private capital to achieve adequate capital levels, which Treasury would match on a dollar-for-dollar basis, up to 5% of the financial institution's risk-weighted assets.[329] In such cases, private investors had to agree to assume any losses before Treasury.[330]

CDCI Investment Update

Treasury invested $570.0 million of the $780.2 million it originally allocated for CDCI.[331] Treasury made investments in 84 institutions under the program — 36 banks and 48 credit unions.[332] Of these 84 investments, 28 were conversions from CPP while the remaining 56 were not CPP participants. The 28 CPP conversions, approximately $363.3 million in CDCI funding, did not represent new TARP expenditures but merely the exchange of CPP capital for CDCI capital. However, for 10 of these CPP conversions, Treasury made an additional CDCI investment beyond the original CPP investment, totaling $100.7 million.[333] Treasury matched private investments dollar-for-dollar in two institutions, Security Federal Corporation and Renaissance Community Development Credit Union, under CDCI.[334] Table 2.28 lists CDCI investments as of September 30, 2010.

TABLE 2.28

CDCI INVESTMENT SUMMARY, AS OF 9/30/2010 ($ THOUSANDS)

Purchase Date	Name of Institution	Investment Description	Amount from CPP	Additional Investment	Investment Amount
7/30/2010	Guaranty Capital Corporation	Subordinated Debentures	$ 14,000	$—	$14,000
7/30/2010	University Financial Corp, Inc.	Subordinated Debentures	11,926	10,189	22,115
8/6/2010	Southern Bancorp, Inc.	Preferred Stock	11,000	22,800	33,800
8/13/2010	Premier Bancorp, Inc.	Subordinated Debentures	6,784	—	6,784
8/13/2010	Citizens Bancshares Corporation	Preferred Stock	7,462		
9/17/2010				4,379	11,841
8/13/2010	PGB Holdings, Inc.	Preferred Stock	3,000	—	3,000
8/13/2010	First American International Corp.	Preferred Stock	17,000	—	17,000
8/13/2010	Tri-State Bank of Memphis	Preferred Stock	2,795	—	2,795
8/20/2010	Mission Valley Bancorp [a]	Preferred Stock	5,500		
9/24/2010				4,836	10,336
8/20/2010	M&F Bancorp, Inc.	Preferred Stock	11,735	—	11,735
8/27/2010	Carver Bancorp, Inc	Preferred Stock	18,980	—	18,980
9/3/2010	Kilmichael Bancorp, Inc.	Preferred Stock	—	—	3,154

Continued on next page.

CDCI INVESTMENT SUMMARY, AS OF 9/30/2010 ($ THOUSANDS) (CONTINUED)

Purchase Date	Name of Institution	Investment Description	Amount from CPP	Additional Investment	Investment Amount
9/3/2010	United Bancorporation of Alabama, Inc.	Preferred Stock	$10,300	$—	$10,300
9/3/2010	IBW Financial Corporation	Preferred Stock	6,000	—	6,000
9/10/2010	IBC Bancorp, Inc.	Subordinated Debentures	4,205	3,881	8,086
9/17/2010	CFBanc Corporation	Preferred Stock	—	—	5,781
9/17/2010	American Bancorp of Illinois, Inc.	Subordinated Debentures	—	—	5,457
9/17/2010	Hope Federal Credit Union	Subordinated Debentures	—	—	4,520
9/17/2010	Genesee Co-op Federal Credit Union	Subordinated Debentures	—	—	300
9/17/2010	First Eagle Bancshares, Inc.	Subordinated Debentures	7,875	—	7,875
9/24/2010	Liberty Financial Services, Inc.	Preferred Stock	5,645	5,689	11,334
9/24/2010	First Choice Bank	Preferred Stock	5,146	—	5,146
9/24/2010	Bainbridge Bancshares, Inc.	Preferred Stock	—	—	3,372
9/24/2010	Virginia Community Capital, Inc.	Subordinated Debentures	—	—	1,915
9/24/2010	Lower East Side People's Federal Credit Union	Subordinated Debentures	—	—	898
9/24/2010	Atlantic City Federal Credit Union	Subordinated Debentures	—	—	2,500
9/24/2010	Neighborhood Trust Federal Credit Union	Subordinated Debentures	—	—	283
9/24/2010	Gateway Community Federal Credit Union	Subordinated Debentures	—	—	1,657
9/24/2010	Union Baptist Church Federal Credit Union	Subordinated Debentures	—	—	10
9/24/2010	Buffalo Cooperative Federal Credit Union	Subordinated Debentures	—	—	145
9/24/2010	Tulane-Loyola Federal Credit Union	Subordinated Debentures	—	—	424
9/24/2010	Alternatives Federal Credit Union	Subordinated Debentures	—	—	2,234
9/24/2010	Liberty County Teachers Federal Credit Union	Subordinated Debentures	—	—	435
9/24/2010	UNO Federal Credit Union	Subordinated Debentures	—	—	743
9/24/2010	Butte Federal Credit Union	Subordinated Debentures	—	—	1,000
9/24/2010	Thurston Union of Low-Income People (TULIP) Cooperative Credit Union	Subordinated Debentures	—	—	75
9/24/2010	Phenix Pride Federal Credit Union	Subordinated Debentures	—	—	153
9/24/2010	Pyramid Federal Credit Union	Subordinated Debentures	—	—	2,500
9/24/2010	Cooperative Center Federal Credit Union	Subordinated Debentures	—	—	2,799
9/24/2010	Prince Kuhio Federal Credit Union	Subordinated Debentures	—	—	273
9/24/2010	Community First Guam Federal Credit Union	Subordinated Debentures	—	—	2,650
9/24/2010	Brewery Credit Union	Subordinated Debentures	—	—	1,096
9/24/2010	Tongass Federal Credit Union	Subordinated Debentures	—	—	1,600
9/24/2010	Santa Cruz Community Credit Union	Subordinated Debentures	—	—	2,828
9/24/2010	Northeast Community Federal Credit Union	Subordinated Debentures	—	—	350

Continued on next page.

CDCI INVESTMENT SUMMARY, AS OF 9/30/2010 ($ THOUSANDS) (CONTINUED)

Purchase Date	Name of Institution	Investment Description	Amount from CPP	Additional Investment	Investment Amount
9/24/2010	Fairfax County Federal Credit Union	Subordinated Debentures	$—	$ —	$8,044
9/29/2010	Security Federal Corporation	Preferred Stock	18,000	4,000	22,000
9/29/2010	Community Bank of the Bay	Preferred Stock	1,747	2,313	4,060
9/29/2010	The First Bancshares, Inc.	Preferred Stock	5,000	12,123	17,123
9/29/2010	BancPlus Corporation	Preferred Stock	50,400	30,514	80,914
9/29/2010	First M&F Corporation	Preferred Stock	30,000	—	30,000
9/29/2010	State Capital Corporation	Preferred Stock	15,750	—	15,750
9/29/2010	Lafayette Bancorp, Inc.	Preferred Stock	4,551	—	4,551
9/29/2010	PSB Financial Corporation	Preferred Stock	9,734	—	9,734
9/29/2010	Community Bancshares of Mississippi, Inc.	Preferred Stock	54,600	—	54,600
9/29/2010	First Vernon Bancshares, Inc.	Preferred Stock	6,245	—	6,245
9/29/2010	Security Capital Corporation	Preferred Stock	17,910	—	17,910
9/29/2010	BankAsiana	Preferred Stock	—	—	5,250
9/29/2010	The Magnolia State Corporation	Subordinated Debentures	—	—	7,922
9/29/2010	Bancorp of Okolona, Inc.	Subordinated Debentures	—	—	3,297
9/29/2010	Southern Chautauqua Federal Credit Union	Subordinated Debentures	—	—	1,709
9/29/2010	Fidelis Federal Credit Union	Subordinated Debentures	—	—	14
9/29/2010	Bethex Federal Credit Union	Subordinated Debentures	—	—	502
9/29/2010	Shreveport Federal Credit Union	Subordinated Debentures	—	—	2,646
9/29/2010	Carter Federal Credit Union	Subordinated Debentures	—	—	6,300
9/29/2010	Workers United Federal Credit Union	Subordinated Debentures	—	—	57
9/29/2010	North Side Community Federal Credit Union	Subordinated Debentures	—	—	325
9/29/2010	East End Baptist Tabernacle Federal Credit Union	Subordinated Debentures	—	—	7
9/29/2010	Community Plus Federal Credit Union	Subordinated Debentures	—	—	450
9/29/2010	Border Federal Credit Union	Subordinated Debentures	—	—	3,260
9/29/2010	Opportunities Credit Union	Subordinated Debentures	—	—	1,091
9/29/2010	First Legacy Community Credit Union	Subordinated Debentures	—	—	1,000
9/29/2010	Union Settlement Federal Credit Union	Subordinated Debentures	—	—	295
9/29/2010	Southside Credit Union	Subordinated Debentures	—	—	1,100

Continued on next page.

CDCI INVESTMENT SUMMARY, AS OF 9/30/2010 ($ THOUSANDS) (CONTINUED)

Purchase Date	Name of Institution	Investment Description	Amount from CPP	Additional Investment	Investment Amount
9/29/2010	D.C. Federal Credit Union	Subordinated Debentures	$—	$—	$1,522
9/29/2010	Faith Based Federal Credit Union	Subordinated Debentures	—	—	30
9/29/2010	Greater Kinston Credit Union	Subordinated Debentures	—	—	350
9/29/2010	Hill District Federal Credit Union	Subordinated Debentures	—	—	100
9/29/2010	Freedom First Federal Credit Union	Subordinated Debentures	—	—	9,278
9/29/2010	Episcopal Community Federal Credit Union	Subordinated Debentures	—	—	100
9/29/2010	Vigo County Federal Credit Union	Subordinated Debentures	—	—	1,229
9/29/2010	Renaissance Community Development Credit Union	Subordinated Debentures	—	—	31
9/29/2010	Independent Employers Group Federal Credit Union	Subordinated Debentures	—	—	698
9/30/2010	Brooklyn Cooperative Federal Credit Union	Subordinated Debentures	—	—	300
TOTAL			**$363,290**	**$100,724**	**$570,073**

Source: Treasury, *Transaction Report*, 10/4/2010.

Small Business Lending Fund ("SBLF")

SBLF is intended to allow Treasury "to make capital investments in eligible institutions in order to increase the availability of credit for small businesses."[335] President Obama signed the Small Business Jobs Act of 2010, which provided for the establishment of SBLF on September 27, 2010.

Under SBLF, an eligible financial institution can receive a capital investment totaling up to 3% or 5% of its risk-weighted assets, depending on its size. To be eligible, the institution must have $10 billion or less in total assets.[336] The initial 5% annual dividend or interest rate would drop 1% for every 2.5% increase in the institution's small-business lending (compared with its previous levels) over two years, subject to a minimum rate of 1%.[337] If an institution achieves this lending increase during an initial two-year adjustment period, the decreased dividend holds for four-and-a-half years from Treasury's investment date.[338] If the institution does not increase its small-business lending in the first two years, the rate rises to 7%.[339] The rate for all participants rises to 9% four-and-a-half years after Treasury's investment.[340]

Although this program will operate outside of TARP, certain TARP recipients will likely convert their investments and thus benefit from a lower rate and fewer governance provisions.[341] The Act states 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."[342] Such institutions would no longer have to comply with EESA's restrictions, such as those on executive compensation.[343] See Section 5 of this report for SIGTARP's recommendations to Treasury concerning SBLF as applied to current TARP recipients.

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 stock's owner.

Non-Cumulative Preferred Stock: Preferred stock with a defined dividend, but the company has no obligation to pay any missed dividends.

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

Revolving Credit Facility: Line of credit for which borrowers pay a commitment fee, allowing them to draw down a guaranteed maximum amount.

Systemically Significant Failing Institutions Program/AIG Investment Program

According to 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."[344] Through SSFI, Treasury obligated $69.8 billion to American International Group, Inc. ("AIG"), the program's sole participant.[345]

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, which meant that AIG was no longer required to make quarterly dividend payments. 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.[346] Through October 3, 2010, AIG had drawn down $7.54 billion from the facility.[347]

Dividend Payments

As of September 30, 2010, AIG had not paid or had failed to declare dividends for seven consecutive quarters, for a total of $6.7 billion in missed or undeclared dividend payments.[348] Under the documents governing Treasury's preferred shares in AIG, AIG did not have to pay Treasury the dividend payments it skipped. Instead, once AIG failed to pay dividends for four consecutive quarters, Treasury had the right to appoint to AIG's board either two directors or a number (rounded upward) of directors equal to 20% of all AIG directors, whichever is greater. On April 1, 2010, Treasury appointed Donald H. Layton and Ronald A. Rittenmeyer as directors.[349350]

Federal Reserve Credit Facility Reduction

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 79.8% of its voting equity to a trust for the sole benefit of the United States Treasury.[351] The terms of the credit facility included a high interest rate and increased AIG's debt ratios significantly. Servicing this debt contributed to AIG's financial troubles and put downward pressure on its credit rating.[352] Federal officials feared that future downgrades in AIG's credit rating could have "catastrophic" effects on the company, forcing it into bankruptcy.[353]

FRBNY and Treasury determined that this possibility posed a threat to the nation's financial system and decided that additional transactions were necessary to modify the revolving credit facility.[354] FRBNY and Treasury took the following actions to stabilize AIG's operations:[355]

- Treasury purchased $40 billion in AIG preferred shares under TARP, the proceeds of which went directly to FRBNY to pay down a portion of the existing revolving credit facility. 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 lent $19.5 billion to fund the purchase of residential mortgage-backed securities from the securities-lending portfolios of several of AIG's U.S.-regulated insurance subsidiaries, in order to help relieve liquidity pressures stemming from their security-lending programs.
- FRBNY created Maiden Lane III, an SPV, to which FRBNY lent $24.3 billion to buy from AIG's counterparties collateralized debt obligations that underlie credit default swap contracts written by AIG.

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 (American International Assurance Co., Ltd. ["AIA"] and American Life Insurance Company ["ALICO"]). The SPVs' creation also facilitated the independence of these two subsidiaries in anticipation of a sale or initial public offering ("IPO").[356]

On December 1, 2009, FRBNY received $16 billion in preferred equity interests in the AIA SPV and $9 billion in the ALICO SPV. This action decreased AIG's outstanding revolving credit facility principal balance by $25 billion and reduced its total facility borrowing capacity from $60 billion to $35 billion.[357] 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 must first be used to fully redeem FRBNY's interests in the SPVs and then to reduce the outstanding revolving credit facility.[358]

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.

For more on AIG's Federal Reserve credit facility reduction transaction, see SIGTARP's January 2010 Quarterly Report, page 73.

TABLE 2.29

AIG INVESTMENT SUMMARY, AS OF 9/30/2010 ($ BILLIONS)

	Authorized Capacity[a]	High-Water Mark[b]	Outstanding Balance[d]
FRBNY Revolving Credit Facility	$29.2	$72.3[c]	$18.9
Maiden Lane II	$22.5	$19.5	$14.1
Maiden Lane III	$30.0	$24.4	$15.1
AIA SPV	$16.0	$16.7	$16.7
ALICO SPV	$9.0	$9.4	$9.4
Preferred Stock	$40.0	$41.6	$41.6
Treasury Equity Capital Facility	$29.8	$7.5	$7.5

Notes: Numbers affected by rounding. Data as of 9/30/2010.
[a] Amount does not include those investments that have already been repaid and is based on current authorized capacity.
[b] High-water mark means the highest outstanding balance (principal balance and accrued dividends/interest) during the entire history of the program as of the respective date.
[c] Authorized capacity was previously $85 billion.
[d] Outstanding balances include accrued dividends, interest, and/or fees.

Sources: Treasury, response to SIGTARP data call, 10/12/2010; AIG, "What Treasury Owes the US Government, 6/30/2010, www.aigcorporate.com/GlinAIG/owedtoUS_gov_new.html#, accessed 6/10/2010;Treasury, AIG repayment plan briefing, 10/6/2010.

On August 23, 2010, AIG repaid FRBNY approximately $3.95 billion.[359] The repayment was made using funds from a sale of $4.4 billion in secured and unsecured notes by AIG's wholly owned airplane leasing subsidiary, International Lease Finance Corp. ("ILFC").[360] That reduced the amount of credit available to AIG under the revolving credit facility from approximately $34 billion to approximately $30 billion.[361] As of September 30, 2010, AIG's total outstanding principal and interest balance under the revolving credit facility was $18.9 billion.[362] For a summary of investments in AIG, see Table 2.29

Sale of Business Assets

On March 1, 2010, AIG announced an agreement to sell AIA to Prudential plc, Inc. ("Prudential") for approximately $35.5 billion. 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. As a result, Prudential paid AIG a $223.8 million termination fee.[363]

Following the termination of the Prudential agreement, AIG announced its intention to sell at least a portion of its interest in AIA through an IPO.[364] On September 21, 2010, AIG received approval for an AIA IPO from the Hong Kong Stock Exchange listing committee.[365] On October 18, 2010, a proposed prospectus relating to the IPO was released to investors in Hong Kong.[366] AIG will be required to hold at least a 30% stake in AIA for a year following the IPO.[367] Initial estimates indicate that the proposed AIA IPO could raise up to $15-20 billion.[368] Any cash proceeds from the IPO will be used pursuant to the AIG recapitalization plan discussed below.[369] As of the drafting of this report, pricing had not yet been determined. AIG is planning to price the IPO on October 21, 2010, and begin trading AIA shares on October 29, 2010.[370]

On March 8, 2010, AIG announced an agreement to sell ALICO to MetLife, Inc. ("MetLife") for approximately $15.5 billion — $6.8 billion in cash and the remainder in MetLife equity securities, subject to closing adjustments. AIG intends to sell the remaining MetLife securities later, subject to minimum holding periods and market conditions, and use the cash proceeds pursuant to the AIG recapitalization plan discussed below.[371]

On October 12, 2009, AIG agreed to sell its 98% share of Nan Shan Life Insurance Company Ltd. ("Nan Shan") to a consortium of investors for $2.15 billion, subject to regulatory approval.[372] On August 31, 2010, Taiwanese regulators rejected the sale on the grounds that the investors did not have experience in the insurance industry and lacked the ability to raise capital for future operations.[373]

On September 30, 2010, AIG announced that it had entered into a definitive sale agreement with Prudential Financial Inc. for the sale of two Japanese-based life insurance subsidiaries, AIG Star Life Insurance Co., Ltd. ("Star") and AIG Edison Life Insurance Company ("Edison"), for a total of $4.8 billion.[374] The sale is subject to regulatory approval and is expected to close in the first quarter of 2011. The proceeds of the sale will be used pursuant to the AIG recapitalization plan as discussed below.[375]

AIG Recapitalization Plan

AIG Recapitalization Plan: Background

On September 30, 2010, AIG announced that it had entered into an agreement in principle with Treasury, FRBNY, and the AIG Credit Facility Trust ("the AIG Trust"), the entity in which FRBNY placed the management of the 79.8% ownership interest in AIG it received, to recapitalize AIG in order to facilitate the ultimate repayment of all amounts owed to the American taxpayers.[376] The agreement comprises a series of several integrated transactions.

According to AIG and Treasury, this complex agreement includes three main steps. First, AIG will repay and terminate the existing FRBNY revolving credit facility with proceeds from AIG's sales of its equity interests in AIA and ALICO. Second, AIG will purchase FRBNY's preferred interest in the AIA and ALICO SPVs by drawing down up to $22.3 billion in additional TARP funds.[377] AIG will then transfer these preferred interests to Treasury. Finally, AIG will issue common stock in exchange for the currently outstanding $49.1 billion in preferred stock that

Treasury acquired through TARP funding to AIG and the 79.8% ownership interest in AIG (held in the form of Series C preferred stock) received by FRBNY, which is held in the AIG Trust and overseen by the AIG Credit Facility Trustees ("the Trustees").[378]

Repayment and Termination of FRBNY Revolving Credit Facility

Under the terms of the FRBNY revolving credit facility, AIG must repay all obligations to FRBNY under the facility before AIG can repay TARP funds to Treasury. The initial step in AIG's recapitalization is the repayment of approximately $20 billion in secured debt owed under the facility.[379] The SPVs that currently hold AIA and ALICO will lend AIG the net cash proceeds from the initial public offering of AIA and the sale of ALICO to MetLife (both discussed previously) once those transactions occur.[380] The loans will be secured, non-recourse loans to fund AIG's repayment of all remaining principal, accrued and unpaid interest, fees, and other amounts owed under the FRBNY revolving credit facility.[381] AIG will pledge specific additional assets to the AIA and ALICO SPVs to secure these loans, including:[382]

- Its equity interests in several AIG subsidiaries, including Nan Shan, Star, Edison, and ILFC
- The equity interests of AIG and its subsidiaries in Maiden Lane II and Maiden Lane III

In other words, the proceeds from AIG's sale of its interests to AIA and ALICO, which were originally intended to be used to redeem FRBNY's interest in the AIA and ALICO SPVs, will instead to be used to pay off the outstanding FRBNY revolving credit facility. Since the preferred interests will no longer be redeemed from those proceeds, as originally contemplated, additional collateral will be pledged to the SPVs. If the proceeds from the AIA and ALICO transactions prove insufficient to retire all of AIG's obligations to FRBNY, AIG will use additional funds from operations, financings, and asset sales to cover any deficiency.[383] Upon repayment of the FRBNY revolving credit facility, the Series C preferred shares received by FRBNY and held by the AIG Trust will be exchanged for 562.9 million common shares, which currently represent 79.8% of AIG's equity.[384] These shares, which FBRNY obtained without the expenditure of TARP funds, will be held by Treasury.[385]

With the exception of AIG's pledge of its equity interests in Maiden Lane II and Maiden Lane III to secure the loan from the SPVs to AIG for repayment of FRBNY's revolving credit facility, Maiden Lane II and Maiden Lane III are excluded from AIG's recapitalization plan and will continue to have ongoing obligations which, as of September 30, 2010, totaled $14.1 billion and $15.1 billion, respectively, to FRBNY.[386]

Repurchase and Exchange of Government Interests in AIA and ALICO SPVs

Once AIG has repaid the revolving credit facility, the company will make use of the remaining $22.3 billion in TARP funds available to it under Treasury's existing Series F equity capital facility.[387]

AIG will draw down approximately $20 billion of these TARP funds to repurchase an equivalent face amount of FRBNY's holdings of preferred interests in the AIA and ALICO SPVs, which total approximately $26 billion ($25 billion plus accrued dividends).[388] AIG will then immediately transfer these preferred interests to Treasury in exchange for drawing down the additional TARP funds. In other words, in effect, Treasury will be purchasing from FRBNY approximately $20 billion of its preferred interest in the two SPVs.[389] The remaining approximately $2 billion in funds from the TARP Series F equity capital facility will be used to support a new Series G preferred stock facility, which will remain available for future drawdown by AIG.[390] Following these transactions, FRBNY will still hold up to $6 billion in preferred interest in the AIA and ALICO SPVs, which will remain contractually senior to Treasury's preferred interest in the SPVs.[391]

Whereas before these transactions the preferred stock that had been issued to FRBNY had been secured by the full value of AIA and ALICO, after these transactions they will be secured by whatever value AIG retains in AIA after AIA's IPO and the MetLife shares that AIG will receive from its sale of ALICO, as well as Star, Edison, ILFC, and AIG's equity interests in Maiden Lane II and III.[392] AIG expects to repay FRBNY and Treasury for these preferred interests in the SPVs through proceeds from the sales of Star and Edison, MetLife shares AIG receives after the ALICO sale of AIG's remaining equity stake in AIA or other assets, and if necessary, monetization of its equity interests in Maiden Lane II and III.[393] Treasury will be repaid only after FRBNY's interests are redeemed first, and if the proceeds from these transactions are insufficient to fully redeem Treasury's interests in the AIA and ALICO SPVs, Treasury will recognize a loss in the amount of the shortfall.[394]

Conversion of Treasury's and the AIG Trust's Preferred Shares to Common Stock

In connection with the transactions described above, AIG will extinguish all of the currently outstanding preferred shares held by the Government (Series C, E, F), and issue common shares of stock, all of which, including the ownership interest received by FRBNY and currently controlled by the Trustees, will be controlled by Treasury.[395] In total, 1.655 billion shares of common stock, representing pro forma ownership of 92.1% of AIG, will be issued. Under the exchange plan:[396]

New Series G Preferred Stock: After the purchase and transfer to Treasury of the SPV preferred interests, AIG's right to draw on the Series F equity capital facility will terminate. All remaining Series F preferred stock (up to $2 billion in liquidation preference) will be exchanged for newly established Series G preferred stock. Until March 31, 2012, AIG may draw down funds under the Series G facility for general corporate purposes, up to a cumulative total of $2 billion. Dividends will be payable on a cumulative basis at 5% per annum, compounded quarterly. After that date, the Series G facility will be converted into AIG common stock according to a predetermined formula. If AIG does not draw down the remaining TARP funds for its general corporate purposes, the funds can be used to purchase an additional $2 billion worth of FRBNY's remaining $6 billion interest in the AIA and ALICO SPVs, which will be provided to Treasury.[155]

- The AIG Trust's current ownership of 79.8% of AIG will be converted into 562.9 million shares of AIG common stock. These shares, which were obtained without TARP funds, represent the ownership interest that FRBNY originally received for extending AIG the credit facility in September 2008. This ownership interest will ultimately be diluted to approximately 31% at the conclusion of the recapitalization transactions. The $49.1 billion in currently outstanding preferred shares (Series E and F) held by Treasury in return for TARP funding will then be converted into approximately 1.1 billion shares of AIG common stock, representing approximately 61% of AIG's post-transaction common equity.
- AIG's existing 143 million common shares outstanding will remain, but will be diluted from owning approximately 20% of voting rights to approximately 8% after the recapitalization plan takes effect.

Strike Price: The predetermined price at which the owner of a warrant may buy the underlying share of stock. The warrant's value depends on the likelihood that its owner will be able to buy the share at the strike price and resell it for more in the open market. Also called "exercise price."

Issuance of Warrants

AIG will issue to existing common shareholders 10-year warrants to purchase up to a cumulative total of 75 million shares of common stock at a strike price of $45.[397] According to Treasury, the number of shares and strike price for the warrants were negotiated in an effort both to compensate existing common shareholders for the dilution they will suffer and to protect Treasury's investment in AIG.[398]

Conditions for the Recapitalization Plan Closing

Based on its agreement with FRBNY and Treasury, AIG has until March 15, 2011, to complete the proposed recapitalization plan.[399] In order for the plan to close, the AIA IPO must close, which is currently scheduled for October 29, 2010, and AIG must complete the sale of ALICO to MetLife, which is scheduled for November 2010.[400]

In addition to these asset sales, there are 10 other material conditions that must occur prior to the recapitalization:[401]

- The proceeds from the SPVs and other asset monetizations must be sufficient to repay the remaining principal, accrued and unpaid interest, fees, and other amounts owed to the FRBNY credit facility in full.
- FRBNY shall have received evidence reasonably satisfactory to it that after the recapitalization FRBNY would not hold AIA/ALICO preferred interests having an aggregate liquidation preference in excess of $6 billion.
- Shareholder approval for the issuance of AIG common stock and Series G preferred stock.
- The rating profile of AIG and its principal operating subsidiaries (Chartis, Inc. and SunAmerica Financial Group), taking into account the recapitalization, must be reasonably acceptable to FRBNY, Treasury, the AIG Trust, and AIG.

- AIG must have in place at the closing available cash and third-party financing commitments in amounts and on terms reasonably acceptable to FRBNY, Treasury, and AIG.
- AIG must not draw more than $2 billion of the Series F, after the date the parties announce the recapitalization and prior to the closing, unless waived by FRBNY and Treasury.
- AIG must have achieved its year-end 2010 targets for the winding down of AIG's Financial Products Unit.
- Absence of any law or order prohibiting the closing and receipt of all material regulatory approvals and material third-party consents required to consummate the recapitalization.
- Approval for listing of the shares of AIG common stock on the New York Stock Exchange.
- AIG, Treasury, FRBNY, and the AIG Trust must perform all covenants of the recapitalization plan and ensure the accuracy of all representations and warranties made by each.

Treasury has indicated that December 31, 2010, is the earliest possible date the recapitalization plan could close. However, if the events and the conditions in the recapitalization do not occur by March 15, 2011, any of the parties may terminate the recapitalization.[402]

Valuation of Recapitalized AIG

Under this plan, after the recapitalization's closing, the Government will have a common equity ownership stake in AIG of approximately 92%, consisting of 61% received in consideration of its TARP support, and 31% in consideration for FRBNY's credit facility.[403] Treasury will control all 92%. Treasury has stated that it determined that it could take on, and eventually sell, a 92% ownership interest in AIG after Morgan Stanley, a contractor hired by Treasury and FRBNY, conducted a valuation process.[404] In addition, according to Treasury, AIG hired Citigroup Inc. ("Citigroup") and N M Rothschild Limited ("Rothschild"), an investment banking firm, to conduct their own independent valuation analysis, while the AIG Trustees, which used Evercore Partners as an advisor, provided input on behalf of the common shareholders' interests.[405]

As a part of the process, a valuation committee of representatives from AIG, Treasury, Morgan Stanley, Citigroup, and Rothschild convened and conducted a series of negotiations to arrive at the 92% figure.[406] Among other things, the parties agreed that the market value of Treasury's existing investment was not equal to par value, so that Treasury's $49.1 billion outstanding Series E and F shares would not trade dollar for dollar for AIG common shares, in part because they paid no dividends to their holders.[407] As a result, the agreed-upon conversion resulted in the Government receiving an incremental ownership interest of approximately 12.3% (from 79.8% to 92.1%) in return for the $49.1 billion in par value preferred shares.[408] Based on AIG's most recent filing, the value of 12.3% of AIG's common at the time of the announcement of the recapitalization plan was approximately $9 billion.[409] According to Treasury, the entire valuation process was intended to arrive at the best possible valuation range in order to protect the taxpayer, placate the ratings agencies, prevent shareholder litigation at the conclusion of the agreement, and ultimately to attract future potential institutional investors to purchase the Government's common stock interest in AIG.[410]

Loss Estimates

Prior to the announcement of the AIG recapitalization plan, Treasury's most recent loss estimate for AIG under TARP, dated March 31, 2010, was $45.2 billion.[411] Following the announcement of the plan, in its *Two Year Retrospective*, Treasury offered a loss estimate of $5 billion.[412] The earlier estimate, like others before it, accounted for a broad range of factors that might affect the value of Treasury's holdings, including the comparison of several different data points based on a variety of different inputs and factors.[413] The methodology of the earlier estimate had been approved by Treasury's TARP auditors, the Government Accountability Office, for inclusion in Treasury's audited TARP financials.[414] The most recent estimate, in contrast, values shares based solely on a recent market closing price of AIG's common stock, and will not be used in Treasury's audited financial statements for TARP, which will continue to use a version of the older methodology.[415] While Treasury disclosed its methodology in calculating its current estimated loss of $5 billion, Treasury did not disclose that this represented a change in its methodology, or that its new method for calculating losses would not be used in its audited financial statements.[416] As of the drafting of this report, the Office of Management and Budget ("OMB") and the Congressional Budget Office ("CBO") have not yet issued updated loss estimates for AIG.

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.[417] TIP's stated goal 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."[418] Both banks had repaid TIP by December 2009.[419] On March 3, 2010, Treasury auctioned the Bank of America warrants it received under TIP for $1.25 billion.[420] Although Treasury still holds warrants in Citigroup, TIP is effectively closed.[421]

Under the Asset Guarantee Program ("AGP"), Treasury, the Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve, and Citigroup agreed to provide loss protection on a pool of Citigroup assets valued at approximately $301 billion. In return, as a premium, the Government received warrants to purchase Citigroup common stock and $7 billion in preferred stock, which was subsequently exchanged for trust preferred securities ("TRUPS"). Treasury received $4 billion of the TRUPS and the FDIC received $3 billion.[422] Although Treasury's asset guarantee was not a direct cash investment, it exposed taxpayers to a potential TARP loss of $5 billion. On December 23, 2009, in connection with Citigroup's TIP repayment, Citigroup and Treasury terminated the AGP agreement with no loss on the protected assets. Treasury agreed to cancel $1.8 billion of the TRUPS issued by Citigroup, reducing the premium it received from $4.0 billion to $2.2 billion, in exchange for the early termination of the loss protection. The FDIC retained all of its $3 billion in securities.[423] Under the termination agreement, however, the FDIC will transfer up to $800 million of those securities to Treasury if Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program closes without a loss.[424]

On September 30, 2010, Treasury entered into an agreement with Citigroup and sold the remaining $2.2 billion in Citigroup TRUPS. Treasury sold the securities for par value plus accrued and unpaid distributions for total proceeds of $2.25 billion. This sale did not include the $800 million in TRUPS that the FDIC may turn over to Treasury. Additionally, this sale did not include the warrants that Treasury received from Citigroup as a result of AGP.[425]

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

Non-Recourse Loan: Secured loan in which the borrower is relieved of the obligation to repay the loan upon surrendering the collateral.

ASSET SUPPORT PROGRAMS

Three TARP programs have focused 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 to investors up to $200 billion in non-recourse loans through the Federal Reserve Bank of New York ("FRBNY") to purchase non-mortgage-backed ABS and commercial mortgage-backed securities ("CMBS"). The program was supported by up to $20 billion in TARP funds to be used if borrowers surrendered the ABS purchased through the program and walked away from their loans. The TARP obligation has recently been reduced to $4.3 billion. TALF ultimately provided $71.1 billion in Federal Reserve financing by the time the program closed to new loans.

PPIP uses a combination of private equity, Government equity, and Government debt through TARP to facilitate purchases of legacy mortgage-backed securities ("MBS") held by financial institutions. In July 2009, Treasury announced the selection of nine Public-Private Investment Fund ("PPIF") managers and a total potential commitment of $30 billion in TARP funds.[426] The actual funding of that commitment depended on how much private capital the PPIF managers raised. After the fund-raising period was completed, Treasury's PPIP obligation was capped at $22.4 billion. The PPIF managers are currently purchasing investments and managing their portfolios.

Through the UCSB loan support initiative, Treasury launched a program to purchase SBA 7(a) securities, which are securitized small-business loans. Treasury originally committed $15 billion to the program; the commitment was subsequently lowered several times. When the program closed, it had made a total of $357.3 million in purchases.[427]

TALF

TALF, which was announced in November 2008, issued loans collateralized by eligible ABS.[428] According to FRBNY, "the ABS markets historically have funded a substantial share of credit to consumers and businesses," and TALF was "designed to increase credit availability and support economic activity by facilitating renewed issuance of consumer and business ABS."[429] The program was extended to eligible newly issued CMBS in June 2009 and to eligible legacy CMBS in July 2009.[430] TALF closed to new lending in June 2010.

TALF is divided into two parts:[431]

- a lending program, TALF, that originated non-recourse loans to eligible borrowers using eligible ABS and CMBS as collateral
- an asset disposition facility, TALF LLC, that purchases the collateral from FRBNY if borrowers choose to surrender it and walk away from their loans or if the collateral is seized in the 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, 2010, and March 29, 2010, respectively.[432] The last subscription for newly issued CMBS was June 18, 2010; this marked the program's closure to new loans.[433]

The asset disposition facility, TALF LLC, is managed by FRBNY and remains in operation.[434] Its funding comes first from interest that borrowers pay on TALF loans, in excess of FRBNY's cost of funding, and interest earned on TALF LLC's investments. In the event that such funding proves insufficient, funding would then come from TARP, which is obligated to lend up to the authorized limit in subordinated debt from TALF LLC.[435] TARP's original TALF obligation was $20 billion, to support up to $200 billion in TALF loans. However, when TALF's lending phase ended in June 2010 with $42.5 billion in loans outstanding, Treasury and the Federal Reserve agreed to reduce the TARP obligation to $4.3 billion.[436] The TARP money is available for TALF LLC to use to purchase surrendered assets from FRBNY and may offset losses associated with disposing of the surrendered assets. As of September 30, 2010, $29.7 billion in TALF loans were outstanding.[437]

Lending Program

TALF's lending program made secured loans to eligible borrowers.[438] The loans were issued with terms of three or five years and were available for non-mortgage-backed ABS, newly issued CMBS, and legacy CMBS.[439]

To be eligible for TALF, the non-mortgage-backed ABS had to meet certain criteria, including the following:[440]

- be 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

Collateral: Asset pledged by a borrower to a lender until a loan is repaid. Generally, if the borrower defaults on the loan, the lender gains ownership of the pledged asset and may sell it to satisfy the debt. In TALF, the ABS or CMBS that is purchased with the TALF loan is the collateral that is posted with FRBNY.

Synthetic ABS: Security deriving its value and cash flow from sources other than conventional debt, equities, or commodities — for example, credit derivatives.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Credit rating agency registered with the SEC. Credit rating agencies provide their opinion of 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 a discussion of the credit rating agency industry and an analysis of the impact of NRSROs on TARP and the overall financial market, see SIGTARP's October 2009 Quarterly Report, pages 113-148.

- have substantially all of the underlying loans originate in the United States
- have any one of the following types of underlying loans: auto, student, credit card, equipment, dealer floor plan, insurance premium finance, small-business fully guaranteed by the Small Business Administration as to principal and interest, or 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

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:[441]

- evidence an interest in a trust fund that consists of fully funded mortgage loans and not other CMBS, other securities, interest rate swap or cap instruments, or other hedging instruments
- possess a credit rating of the highest long-term investment grade from at least two rating agencies identified by FRBNY as eligible to rate CMBS collateral for TALF loans, and not possess a credit rating below the highest investment grade from any of those agencies
- offer principal and interest payments
- have been issued by any institution other than a Government-sponsored enterprise ("GSE") or an agency or instrumentality of the U.S. Government
- include 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:[442]

- 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:[443]

- not have been junior to other securities with claims on the same pool of loans at the time the CMBS was issued
- have at least 95% of the underlying properties, in terms of the related loan principal balance, located in the United States or one of its territories

The final maturity date of loans in the TALF portfolio is March 30, 2015.[444] TALF loans are non-recourse (unless the borrower breaches any of its representations, warranties, or covenants), which means that FRBNY cannot hold the borrower liable for any losses beyond the surrender of any assets pledged as collateral.[445]

Loan Terms

TALF participants were required to use a TALF agent to apply for a TALF loan.[446] 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.[447] Haircuts for non-mortgage-backed ABS varied based on the riskiness and maturity of the collateral, and generally ranged between 5% and 16% for non-mortgage-backed ABS with average lives of five years or less.[448] The haircut for legacy and newly issued CMBS was generally 15% of par but increased above that amount if the average life of the CMBS was greater than five years.[449] FRBNY lent each borrower the amount of the market price of the pledged collateral minus the haircut, subject to certain limitations.[450] The borrower delivered the collateral to the custodian bank, which collects payments generated by the collateral and distributes them to FRBNY (representing the borrower's payment of interest on the TALF loan).[451] Any excess payments from the collateral above the interest due and payable to FRBNY on the loan go to the TALF borrower.[452] Because the loans are non-recourse, the risk for any borrower is limited to the haircut and any additional principal that may be paid down on the TALF loan. 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. The Government would then be at risk for potential losses equal to the difference between the loan amount and the value of the collateral.[453]

TALF Agent: Financial institution that is party to the TALF Master Loan and Security Agreement and that occasionally acts as an agent for the borrower. TALF agents include primary and non-primary 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 holding the collateral and managing accounts for FRBNY; for TALF the custodian is Bank of New York Mellon.

TALF Loan Subscriptions

The final TALF loans collateralized by non-mortgage-backed ABS were settled on March 11, 2010.[454] TALF provided $59.0 billion of non-mortgage-backed ABS loans during the lending phase of the program. Of all such loans settled, $23.9 billion was outstanding as of September 30, 2010.[455] Table 2.30 lists all settled TALF loans collateralized by non-mortgage-backed ABS by ABS sector.

TABLE 2.30

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	Total
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 may not total due to rounding. Data as of 9/30/2010.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.

Sources: FRBNY, "Term Asset-Backed Securities Loan Facility: non-CMBS," no date, www.newyorkfed.org/markets/talf_operations.html, accessed 10/5/2010; FRBNY, "Term Asset-Backed Securities Loan Facility: non-CMBS," no date, www.newyorkfed.org/markets/TALF_recent_operations.html, accessed 10/5/2010.

TABLE 2.31

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	N/A	$—	$0.1	$—	$—	$ 0.1
Legacy CMBS	—	4.1	4.5	3.3	N/A	12.0
Total	**$—**	**$4.1**	**$4.6**	**$3.3**	**$—**	**$12.1**

Notes: Numbers may not total due to rounding. Data as of 9/30/2010. 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, www.newyorkfed.org/markets/cmbs_operations.html, accessed 10/5/2010; FRBNY, "Term Asset-Backed Securities Loan Facility: CMBS," no date, www.newyorkfed.org/markets/CMBS_recent_operations.html, accessed 10/5/2010.

The final subscription for TALF CMBS loans was held June 28, 2010. TALF provided $12.1 billion of CMBS loans during the lending phase of the program.[456] Of all such loans settled, $5.8 billion was outstanding as of September 30, 2010.[457] Table 2.31 includes all TALF CMBS loans settled.

Asset Disposition Facility

When FRBNY created TALF LLC, the facility that is used to purchase collateral received by FRBNY if TALF borrowers walk away from their loans, TARP loaned the facility $100 million. Of this initial funding, $15.8 million was allocated to cover administrative costs.[458] TARP will continue to fund TALF LLC, as needed, until its entire $4.3 billion obligation has been funded, all TALF loans are retired, or the loan commitment term expires. Any additional funds, if needed, will be provided by a loan from FRBNY that will be collateralized by the assets of TALF LLC and will be senior to the TARP loan.[459] Payments by TALF LLC from the proceeds of its holdings will be made in the following order:[460]

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
6. other secured obligations

Any remaining money will be shared by Treasury (90%) and FRBNY (10%).[461]

Current Status

As of September 30, 2010, no collateral had been surrendered or purchased by TALF LLC.[462] As of the same date, TALF LLC had assets of $600.7 million.[463] That amount includes the $100 million in initial TARP funding.[464] The remainder consists of interest payments and interest income earned from permitted investments. From its February 4, 2009, formation through September 30, 2010, TALF LLC has spent approximately $1.3 million on administration.[465]

When 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:[466]

- maintaining documentation
- overseeing the custodian that is responsible for holding ABS collateral
- calculating and collecting principal and interest on TALF loans
- disbursing excess spread to TALF borrowers in accordance with the governing documents
- monitoring the TALF portfolio
- collecting and managing collateral assets if a borrower defaults or surrenders the collateral in lieu of repayment
- paying TALF LLC interest that borrowers pay FRBNY on TALF loans, in excess of FRBNY's cost of funding

Excess Spread: Funds left over after required payments and other contractual obligations have been met. In TALF it is the difference between the periodic amount of interest paid out by the collateral and the amount of interest charged by FRBNY on the non-recourse loan provided to the borrower to purchase the collateral.

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

Equity: Investment that represents an ownership interest in a business.

Debt: Investment in a business that is required to be paid back to the investor, usually with interest.

For more information on the selection of PPIF managers, see SIGTARP's October 7, 2010 audit entitled "Selecting Fund Managers for the Legacy Securities Public-Private Investment Program."

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

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"). PPIFs are partnerships, formed specifically for this program, that invest in mortgage-backed securities using equity capital from private-sector investors combined with TARP equity and debt. A private-sector fund management firm oversees each PPIF on behalf of these investors. According to Treasury, PPIP's aim was to "restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit."[467]

Treasury selected nine fund management firms to establish PPIFs. One PPIF manager, The TCW Group, Inc. ("TCW"), subsequently withdrew. Private investors and Treasury co-invested in the PPIFs to purchase legacy securities from financial institutions. The fund managers raised private-sector capital. Treasury matched the private-sector equity dollar-for-dollar and provided debt financing in the amount of the total combined equity. Each PPIF manager was also required to invest at least $20 million of its own money in the PPIF.[468] Each PPIF is approximately 75% TARP funded. PPIP was designed as an eight-year program but, under certain circumstances, Treasury can terminate it early or extend it for up to two additional years.[469]

The intent of the program is for the PPIFs to purchase securities from banks, insurance companies, mutual funds, pension funds, and other eligible financial institutions, as defined in EESA.[470] Treasury, the PPIF managers, and the private investors share PPIF profits on a *pro rata* basis based on their limited partnership interests. PPIF losses are also shared on a *pro rata* basis, up to each participant's investment amount.[471] In addition to its *pro rata* share, Treasury received warrants in each PPIF, as mandated by EESA.[472]

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).

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 commercial mortgage-backed securities ("CMBS") that meet the following criteria:[473]

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

Legacy Securities Program Process

The following steps describe the process of participating in the Legacy Securities Program:[474]

1. Fund managers applied to Treasury to participate in the program.
2. Pre-qualified fund managers raised the necessary private capital for the PPIFs.
3. Treasury matched the capital raised, dollar-for-dollar, up to a preset maximum. Treasury also received warrants so it could benefit further if the PPIFs turn a profit.
4. Fund managers may borrow additional funds from Treasury up to 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.

Obligated funds are not given immediately to the PPIF managers. Instead, PPIF managers send a notice to Treasury and the private investors requesting portions of obligated contributions in order to purchase specific investments or to pay certain expenses and debts of the partnerships.[475] When the funds are delivered, the PPIF is said to have "drawn down" on the obligation.[476]

PPIF Purchasing Power

During the capital-raising period, the eight PPIP fund managers raised $7.4 billion of private-sector equity capital, which Treasury matched with a dollar-for-dollar obligation for a total of $14.7 billion in equity capital. Treasury also obligated $14.7 billion of debt financing, resulting in $29.4 billion of PPIF purchasing power.

Non-Agency Residential Mortgage-Backed Securities ("Non-Agency RMBS"): Financial instrument backed by a group of residential real estate mortgages not guaranteed or owned 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.

The PPIFs have drawn down a total of approximately $18.6 billion, including private-sector equity capital and TARP funding, to purchase PPIP-eligible assets through September 30, 2010.[477] Treasury has expended a total of $14.2 billion for PPIP, including $13.8 billion for the eight active PPIFs and $356 million for TCW.

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.[478] Although Treasury initially pledged up to $30 billion for PPIP, the fund managers did not raise enough private-sector capital for Treasury's combination of matching funds and debt financing to reach that amount. Treasury's total obligation is now limited to $22.4 billion.[479] Of that $22.4 billion, $22.1 billion is designated for active PPIFs. As noted above, the remaining $356 million of Treasury's PPIP obligation represents funds that Treasury disbursed to TCW, a former PPIF manager. TCW has repaid those funds.[480]

Notwithstanding the expiration of TARP's purchasing authority on October 3, 2010, each active PPIF manager has up to three years from closing its first private-sector equity contribution (the investment period) to draw upon the TARP funds obligated for the PPIF.[481] Table 2.32 shows all equity and debt obligated for active PPIFs under the program.

TABLE 2.32

PUBLIC-PRIVATE INVESTMENT PROGRAM, AS OF 9/30/2010

	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	**$7.4**	**$7.4**	**$14.7**	**$29.4**[a]

Notes: Numbers affected by rounding.
[a] Treasury initially obligated $356 million to TCW. The $356 million was paid to TCW, and TCW subsequently repaid the funds that were invested in its PPIF. As this PPIF has closed, the amount is not included in the total purchasing power.

Source: Treasury, "Legacy Securities Public-Private Investment Program: Program Update — Month Ended 9/30/2010," received 10/21/2010.

Disclosure of PPIF Transactions and Holdings

See Section 5: "SIGTARP Recommendations" in this report.

Departure of BlackRock, Inc. ("BlackRock") Key Person

In August 2010 Curtis Arledge, chief investment officer of BlackRock's fixed-income unit, resigned from BlackRock.[482] Mr. Arledge is listed as a key person in BlackRock's PPIF agreement with Treasury. Under the specific terms of the agreement, Treasury can freeze BlackRock's PPIF if a specified number of BlackRock key persons cease to be actively involved in the PPIF or in Blackrock's fixed-income business or to devote a stated percentage of time to the PPIF or Blackrock's fixed-income business.[483]

Key Person: Individual recognized as being important to the ongoing operation and investment decisions of an investment fund.

Fund Performance

Each PPIF's performance — its gross and net returns since inception — is listed in Table 2.33, 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 on behalf of its private and Government investors. The program strives to maintain "predominantly a long-term buy and hold strategy."[484]

TABLE 2.33

PPIF INVESTMENT STATUS, AS OF 9/30/2010

Manager		1-Month Return (percent)[a]	3-Month Return (percent)[a]	Cumulative Since Inception (percent)[a]	Net Internal Rate of Return Since Inception (percent)[b]
AG GECC PPIF Master Fund, L.P.	Gross	4.98	13.39	44.12	52.97
	Net	4.96	13.31	42.28	51.99
AllianceBernstein Legacy Securities Master Fund, L.P.	Gross	5.21	13.55	28.74	42.86
	Net	5.14	13.26	26.44	40.77
BlackRock PPIF, L.P.	Gross	4.17	11.61	36.42	42.14
	Net	4.10	11.33	34.59	40.23
Invesco Legacy Securities Master Fund, L.P.	Gross	4.23	9.71	30.90	36.43
	Net	4.15	9.37	28.37	34.35
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Gross	4.80	12.32	29.10	46.74
	Net	4.72	12.00	26.01	44.28
Oaktree PPIP Fund, Inc.	Gross	1.63	5.90	14.80	23.77
	Net	1.42	5.23	9.73	19.32
RLJ Western Asset Public/Private Master Fund, L.P.	Gross	5.11	12.25	28.19	37.43
	Net	5.09	12.20	27.52	36.98
Wellington Management Legacy Securities PPIF Master Fund, LP	Gross	3.57	7.87	18.89	24.51
	Net	3.50	7.59	17.25	22.88

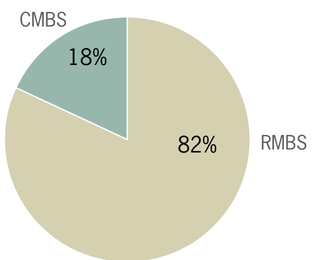
Notes: The performance indicators are listed as reported by the PPIF managers without further analysis by SIGTARP. The net returns include the deduction of certain management fees and expenses. Further, several of the fund managers have told SIGTARP that they are capitalizing start-up expenses in the 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.
[b] Dollar-weighted rate of return.

Source: PPIF Monthly Performance Reports submitted by each PPIF manager, September 2010, received 10/15/2010.

FIGURE 2.7

AGGREGATE COMPOSITION OF PPIF PURCHASES, AS OF 9/30/2010

Percentage of $19.3 Billion



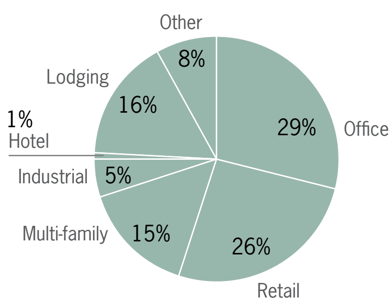
Notes: Numbers affected by rounding. Calculated based on monthly data supplied by the PPIF managers.

Source: PPIF Monthly Performance Reports, September 2010.

FIGURE 2.8

AGGREGATE CMBS PURCHASES BY SECTOR, AS OF 9/30/2010

Percentage of $3.4 Billion



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

Source: PPIF Monthly Performance Reports, September 2010.

The data in Table 2.33 constitutes a snapshot of the funds' performance during the quarter ended September 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 or fully drawn down Treasury's capital or debt obligations.

According to their agreements with Treasury, PPIF managers may trade in both RMBS and CMBS except for Oaktree PPIP Fund, Inc., which may purchase only CMBS.[485] Figure 2.7 shows the collective value of securities purchased by all PPIFs as of September 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 commercial and residential), and self-storage. Figure 2.8 breaks down CMBS investment distribution by sector. The aggregate CMBS portfolio had large concentrations in office (29%) and retail (26%) 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 about whether borrowers will default and the underlying collateral will be sold at a loss. 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 that have 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:[486]

- **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 GSEs (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).
- **Other (RMBS)** — RMBS that do not meet the definitions for prime, Alt-A, subprime, or option ARM but meet the definition of "eligible assets," as described above.

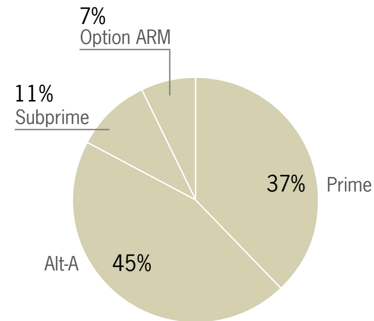
Treasury characterizes CMBS according to the degree of "credit enhancement" supporting them[487]:

- **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.[488] 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 2.9

AGGREGATE RMBS PURCHASES BY QUALITY, AS OF 9/30/2010

Percentage of $15.9 Billion



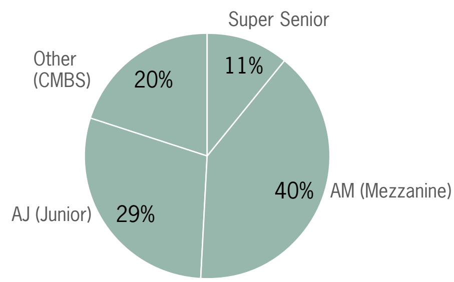
Notes: Numbers affected by rounding. Calculated based on monthly data supplied by the PPIF managers.

Sources: PPIF Monthly Performance Reports, September 2010.

FIGURE 2.10

AGGREGATE CMBS PURCHASES BY QUALITY, AS OF 9/30/2010

Percentage of $3.4 Billion



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

Source: PPIF Monthly Performance Reports, September 2010.

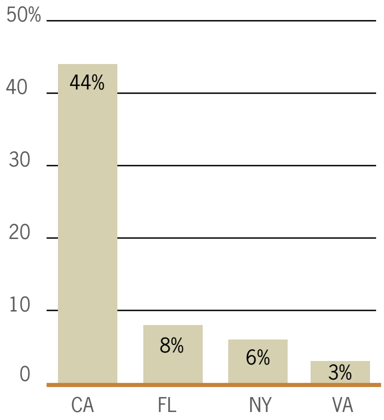
Figure 2.9 and Figure 2.10 show the distribution of PPIP-held non-agency RMBS and CMBS investments by respective risk levels, as reported by PPIF managers.

Non-agency RMBS and CMBS can be classified geographically, according to the states where the underlying mortgages are held. Figure 2.11 and Figure 2.14 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 the delinquency of the underlying mortgages. Figure 2.12 and Figure 2.13 show the distribution of non-agency RMBS and CMBS investments held in PPIP by delinquency levels, as reported by PPIF managers.

FIGURE 2.11

AGGREGATE GEOGRAPHICAL DISTRIBUTION — PERCENT OF TOTAL RMBS, AS OF 9/30/2010

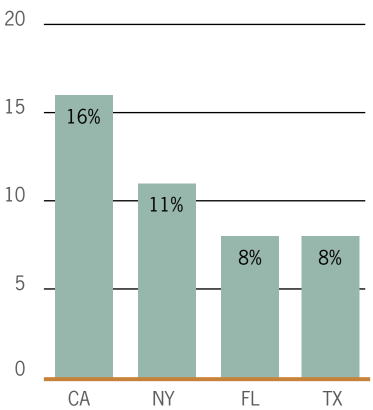


Notes: Only states with the largest representation shown. Calculated based on monthly data supplied by PPIF managers.

Source: PPIF Monthly Performance Reports, September 2010.

FIGURE 2.14

AGGREGATE GEOGRAPHICAL DISTRIBUTION — PERCENT OF TOTAL CMBS, AS OF 9/30/2010



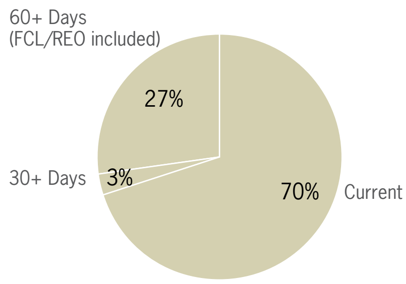
Notes: Only states with largest representation shown. Calculated based on monthly data supplied by the PPIF managers.

Source: PPIF Monthly Performance Reports, September 2010.

FIGURE 2.12

AGGREGATE AVERAGE RMBS DELINQUENCIES BY MARKET VALUE, AS OF 9/30/2010

Percentage of $15.9 Billion



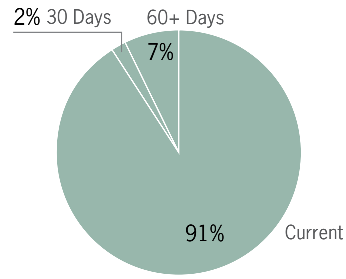
Notes: Numbers affected by rounding. Calculated based on monthly data supplied by the PPIF managers.

Source: PPIF Monthly Performance Reports, September 2010.

FIGURE 2.13

AGGREGATE AVERAGE CMBS DELINQUENCIES BY MARKET VALUE, AS OF 9/30/2010

Percentage of $3.4 Billion



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

Source: PPIF Monthly Performance Reports, September 2010.

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, designed to encourage banks to extend more credit to small businesses. Treasury stated that, through UCSB, it would purchase up to $15 billion in securities backed by pools of loans from two SBA programs: the 7(a) Loan Program and the 504 Community Development Loan Program.[489] Treasury later lowered the amount available to purchase securities under UCSB to $1 billion.[490] In July 2010, this amount was cut to $400 million.

Treasury never purchased any 504 Community Development Loan-backed securities through UCSB.[491] Treasury initiated the 7(a) portion of the program and signed a contract with two pool assemblers, Coastal Securities and Shay Financial Services, Inc. ("Shay Financial"), which was added to the program on August 27, 2010.[492] Under the governing agreement, Earnest Partners, on behalf of Treasury, anonymously purchased SBA pool certificates from Coastal Securities and Shay Financial.[493]

Since the first purchases were made on March 19, 2010, Treasury has purchased a total of approximately $357.3 million in 31 floating-rate 7(a) securities from Coastal Securities and Shay Financial.[494] Table 2.34 shows the CUSIPs and investment amounts for the securities Treasury bought, categorized by "settled" and "not settled" transactions. "Settled" transactions have been fully concluded. The terms of "not settled" transactions have been agreed upon, but the actual securities-for-cash transfer has not yet happened.

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 mortgages to provide loans of up to $10 million for community development.

Pool Assemblers: Firms authorized to create and market pools of SBA-guaranteed loans.

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.

TABLE 2.34

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

Trade Date	CUSIP	Pool Assembler	Investment Amount[a]
Settled Transactions			
3/19/2010	83164KYN7	Coastal Securities	$4.4
3/19/2010	83165ADC5	Coastal Securities	8.3
3/19/2010	83165ADE1	Coastal Securities	8.7
4/8/2010	83165AD84	Coastal Securities	26.0
4/8/2010	83164KZH9	Coastal Securities	9.6
5/11/2010	83165AEE0	Coastal Securities	11.5
5/11/2010	83164K2Q5	Coastal Securities	14.2
5/11/2010	83165AED2	Coastal Securities	9.7
5/25/2010	83164K3B7	Coastal Securities	9.3
5/25/2010	83165AEK6	Coastal Securities	18.8
6/17/2010	83165AEQ3	Coastal Securities	38.3
6/17/2010	83165AEP5	Coastal Securities	31.7
7/14/2010	83164K3Y7	Coastal Securities	6.4
7/14/2010	83164K4J9	Coastal Securities	7.5
7/14/2010	83165AE42	Coastal Securities	14.8
7/29/2010	83164K4E0	Coastal Securities	2.8
8/17/2010	83165AEZ3	Coastal Securities	9.2
8/31/2010	83165AEW0	Shay Financial	10.3
Settled Transactions Subtotal			**$241.4**
Not Settled Transactions:			
7/29/2010	TBA	Coastal Securities	$10.7
8/17/2010	TBA	Coastal Securities	5.5
8/17/2010	TBA	Coastal Securities	11.1
8/31/2010	TBA	Shay Financial	10.2
8/31/2010	TBA	Coastal Securities	6.4
9/14/2010	TBA	Shay Financial	8.9
9/14/2010	TBA	Shay Financial	7.8
9/14/2010	TBA	Coastal Securities	5.3
9/14/2010	TBA	Coastal Securities	5.5
9/28/2010	TBA	Coastal Securities	3.3
9/28/2010	TBA	Coastal Securities	11.4
9/28/2010	TBA	Shay Financial	14.8
9/28/2010	TBA	Shay Financial	14.9
Not Settled Transactions Subtotal[b]			**$115.9**
Total Investment Amount[c]			**$357.3**

Notes: Numbers may not total due to rounding.
[a] Investment amount is stated after giving effect to factor and, if applicable, the purchase of accrued principal and interest.
[b] Transactions listed as to be announced ("TBA") were not finalized as of 9/30/2010; the CUSIPs for these have therefore not been assigned.
[c] Amount subject to adjustment.

Source: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call 10/14/2010.

AUTOMOTIVE INDUSTRY SUPPORT PROGRAMS

During the financial crisis, Treasury, through TARP, launched three automotive industry support programs: the Automotive Industry Financing Program ("AIFP"), the Auto Supplier Support Program ("ASSP"), and the Auto Warranty Commitment Program ("AWCP"). According to Treasury, these programs were established "to prevent a significant disruption of the American automotive industry that poses a systemic risk to financial market stability and will have a negative effect on the real economy of the United States."[495]

AIFP has not expended any TARP funds for the automotive industry since December 30, 2009, when GMAC Inc., now Ally Financial Inc. ("Ally Financial"), received a $3.8 billion capital infusion.[496] ASSP, designed to "ensure that automotive suppliers receive compensation for their services and products," was terminated in April 2010 after all $413.1 million in loans made through it were fully repaid.[497] The $640.7 million AWCP was designed to assure car buyers that the warranties on any vehicles purchased during the bankruptcies of General Motors Corp. ("Old GM") and Chrysler LLC ("Old Chrysler") would be guaranteed by the Government. It was terminated in July 2009 after all loans under the program were fully repaid upon the companies' emergence from bankruptcy.[498]

Treasury initially obligated approximately $84.8 billion through these programs to Old GM and General Motors Company ("New GM"), Ally Financial, the Chrysler entities (Chrysler Holding LLC [now called CGI Holding LLC], Old Chrysler, and Chrysler Group LLC ["New Chrysler"]), and Chrysler Financial Services Americas LLC ("Chrysler Financial").[499] Treasury had obligated $5.0 billion under ASSP as of July 2009 but adjusted this amount to $413.1 million to reflect actual borrowings, thereby reducing the total obligation for all automotive industry support programs to approximately $81.8 billion (including approximately $2.1 billion in still undrawn loan obligations to New Chrysler).[500] As of September 30, 2010, the companies have repaid approximately $11.2 billion in principal and $946.0 million in interest.[501] As a result of these repayments, old loan conversions (into common equity), and post-bankruptcy restructurings, Treasury now holds $2.1 billion in preferred shares and 60.8% of the common equity in New GM; a debt instrument of approximately $986 million from Old GM; a loan of approximately $7.1 billion to New Chrysler and 9.9% of the common equity in New Chrysler; and $14.1 billion in senior equity and 56.3% of the common equity in Ally Financial.[502]

TABLE 2.35

TARP AUTOMOTIVE PROGRAMS EXPENDITURES AND REPAYMENTS, AS OF 9/30/2010 ($ BILLIONS)

	Chrysler	GM	Chrysler Financial	Ally Financial/ GMAC	Total
Pre-Bankruptcy					
AIFP	$4.0	$19.4	$1.5	$17.2	$42.1
ASSP[a]	0.1	0.3			0.4
AWCP	0.3	0.4			0.6
Subtotal	**$4.4**	**$20.1**	**$1.5**	**$17.2**	**$43.1**
In-Bankruptcy (DIP Financing)					
AIFP	$1.9	$30.1			$32.0
Subtotal	**$1.9**	**$30.1**			**$32.0**
Post-Bankruptcy (Working Capital)					
AIFP	$4.6[b]				$4.6
Subtotal	**$4.6**				**$4.6**
Subtotals by Program:					
AIFP					$78.6
ASSP					0.4
AWCP					0.6
Total Expenditures	**$10.9**	**$50.2**	**$1.5**	**$17.2**	**$79.7**
Principal Repaid to Treasury	($2.3)	($7.4)	($1.5)	$ —	($11.2)
Net Expenditures	**$8.5**	**$42.8**	**$ —**	**$17.2**	**$68.5**

Notes: Numbers may not total due to rounding.
[a] The final commitment and repayment amounts reflect the total funds expended under the ASSP loans. Treasury initially obligated $5.0 billion under ASSP. Treasury adjusted its obligation to $413.1 million.
[b] Chrysler has not drawn down approximately $2.07 billion of its $6.64 billion post-bankruptcy working capital loan from Treasury.

Source: Treasury, *Transactions Report*, 10/4/2010; Treasury, response to SIGTARP data call, 10/14/2010.

Treasury's investments in these three programs and any repayments of principal are summarized in Table 2.35 and categorized by the timing of the investment in relation to the firms' progression through bankruptcy.

Automotive Industry Financing Program ("AIFP")

Treasury provided $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."[503] As of September 30, 2010, Treasury had received approximately $2.8 billion in dividends and interest payments from participating companies.[504] Of AIFP-related principal repayments, approximately $6.7 billion came from New GM; $1.9 billion from CGI Holding LLC, the parent company of Old Chrysler; and $1.5 billion from Chrysler Financial. As discussed below, additional repayments of $640.7 million and $413.1 million, respectively, were received under the AWCP and ASSP.[505]

GM

Through September 30, 2010, Treasury had provided approximately $49.5 billion to GM through AIFP. Of that, $19.4 billion was provided before bankruptcy and $30.1 billion was debtor-in-possession ("DIP") financing during bankruptcy. During bankruptcy proceedings, most of Treasury's pre-bankruptcy and DIP financing loans to Old GM were used to purchase the common or preferred stock in New GM (the company that purchased substantially all of the assets of Old GM pursuant to Section 363 of the Bankruptcy Code) or debt assumed by New GM. As a result, Treasury's GM investment was converted to a 60.8% common equity stake in New GM, $2.1 billion in preferred stock in New GM, and a $7.1 billion loan to New GM ($6.7 billion through AIFP and $360.6 million through AWCP). As part of a credit agreement with Treasury, $16.4 billion of the DIP money was set in an escrow account that GM could access only with Treasury's permission. Separately, approximately $986 million in loans was left to facilitate the orderly wind-down of Old GM.[506] Table 2.36 summarizes the breakdown of Treasury's holdings in both GM entities.

Under the terms of Section 363 of the Bankruptcy Code governing the sale of certain assets from Old GM to New GM, the United Auto Workers ("UAW"), bondholders from Old GM ("Motors Liquidation Company"), Treasury, and the governments of Canada and Ontario became the owners of New GM.[507] Figure 2.15 represents the breakdown of ownership in New GM's common equity as of September 30, 2010. The ownership percentages shown in Figure 2.1 would be changed if the UAW or Old GM bondholders exercise warrants to purchase additional common shares of New GM.[508]

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.

TABLE 2.36

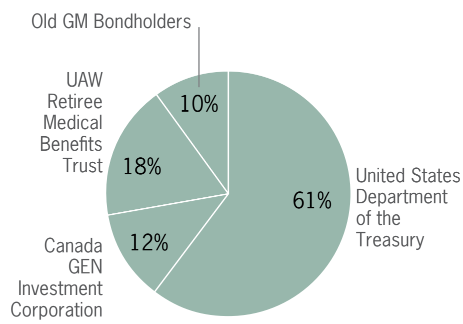
TREASURY HOLDINGS IN GENERAL MOTORS ENTITIES, AS OF 9/30/2010 ($ BILLIONS)

	Old GM	New GM	Total
Debt (Outstanding Loans)	$1.0	$0.0	$1.0
Preferred Equity	—	2.1	2.1
Common Equity[a]	—	39.7	39.7
TOTAL	**$1.0**	**$41.8**	**$42.8**

Notes: Numbers may not total due to rounding.
[a] The dollar value of Treasury's equity investment represents the difference between all loans given to GM pre- and post-bankruptcy minus all subsequent repayments. Including the outstanding $986 million in debt left at Old GM, Treasury's common equity in New GM represents $40.7 billion left to be recovered by taxpayers. This amount does not include the $2.1 billion in preferred equity in New GM held by Treasury.

Source: Treasury, *Transactions Report*, 10/4/2010.

FIGURE 2.15
OWNERSHIP IN NEW GM



Notes: Numbers may not total due to rounding. Ownership percentages are shown prior to the exercising of any warrants for additional shares by the UAW or Old GM bondholders.

Source: SEC, "General Motors Company: Form S-1 Registration Statement," 8/18/2010, www.sec.gov/Archives/edgar/data/1467858/000119312510192195/ds1/htm, accessed 9/1/2010, pp. 220–221.

Captive Financing Company: Subsidiary, the purpose of which is to provide financing to customers buying the parent company's product.

Initial Public Offering ("IPO"): First public sale of a private company's stock. In an IPO, the issuer uses an underwriting firm, which helps it determine which type of security to issue (common or preferred), the best offering price, and the best time to bring it to market.

Debt Repayments

New GM retired the $6.7 billion loan provided through AIFP with interest. In addition to a $35 million payment on January 21, 2010, New GM paid $1 billion on both December 18, 2009, and March 31, 2010. The company then paid the remaining $4.7 billion on April 20, 2010.[509] New GM also fully repaid a $360.6 million loan made through AWCP on July 10, 2009, upon GM's exit from bankruptcy. New GM made all of these payments using the previously mentioned $16.4 billion escrow account that had been originally funded with TARP funds provided to GM during its bankruptcy. What remained in escrow was released to New GM without restrictions following the final debt payment of $4.7 billion in April 2010.[510] A separate $986 million loan was left behind with Old GM for wind-down costs associated with its liquidation.

Recent Developments

On July 22, 2010, New GM announced its plan to acquire AmeriCredit Corp. ("AmeriCredit"), an independent auto-financing company.[511] The $3.5 billion deal reestablished a captive financing arm for New GM, which can provide in-house financing for new GM vehicle purchases.[512] The move enables GM to offer more leasing and financing alternatives to customers with below-average credit histories.[513] For example, New GM will be able to provide financing to borrowers who would not otherwise qualify for financing from an independent lender in an attempt to increase its auto sales. New GM expects the acquisition will complement its existing relationship with Ally Financial, which primarily caters to customers with better credit, and provide a more complete range of financing options to a wider customer base.[514] The acquisition is intended to enable New GM to undertake new marketing initiatives in an effort to boost sales as it prepares for an initial public offering ("IPO"), anticipated later this year.[515] The acquisition of AmeriCredit was officially completed on October 1, 2010, at which time AmeriCredit was renamed General Motors Financial Company, Inc.[516]

On September 1, 2010, New GM's chief executive officer ("CEO") and board chairman Edward E. Whitacre Jr. stepped down as CEO. New GM has indicated that he will relinquish his board chairmanship by the end of the year.[517] New GM board member Daniel Akerson, Whitacre's successor as CEO, will then become board chairman.[518] Akerson is GM's fourth CEO in the past 18 months.

New GM Files S-1 Registration Statement in Preparation for IPO

On August 18, 2010, and September 23, 2010, New GM filed a registration and amended registration statement, respectively, for an IPO with the Securities and Exchange Commission ("SEC").[519] The documents include a prospectus relating to the issuance of New GM's common stock and offering of Series B preferred stock.[520] The prospectus also outlines certain aspects of GM's global business operations and risks facing the company.[521]

New GM stated that the IPO would consist of "common stock to be sold by certain of its stockholders and the issuance by the company of its Series B mandatorily convertible junior preferred stock."[522] As of the drafting of this report, the number of shares to be offered and the offering's price range had not been set and are subject to market conditions. New GM has not announced which of its shareholders will participate in the IPO.[523] Treasury agreed to be named as a seller but retained the right to decide whether to sell any of its 60.8% ownership of New GM's common stock and in what amounts.[524] The IPO will not include Treasury's $2.1 billion Series A preferred shares.[525]

In order for Treasury to recoup its common stock investment in New GM and the $986 million retained by Old GM, a review by SIGTARP for Senator Charles Grassley determined that New GM would need to receive an average of $133.78 per share, before giving effect to any stock split that may occur. This figure does not include the underwriting, legal, and other costs that Treasury will incur in connection with the IPO, nor does it account for any interest or dividend payments received from New GM or the costs incurred by Treasury to borrow the funds it provided to the GM entities.

Chrysler

Through October 3, 2010, Treasury had provided Chrysler with approximately $12.5 billion directly through AIFP in three different stages to three different corporate entities: $4 billion before bankruptcy to CGI Holding LLC, the parent company of Old Chrysler, the bankrupt entity; $1.9 billion in DIP financing to Old Chrysler during bankruptcy; and $6.6 billion to Chrysler Group LLC ("New Chrysler"), the company formed post-bankruptcy that purchased most of Old Chrysler's assets through a working capital facility.[526] As of September 30, 2010, New Chrysler had only drawn down approximately $4.6 billion of the $6.6 billion post-bankruptcy working capital facility it received from Treasury.[527]

On April 30, 2010, following the bankruptcy court's approval of the liquidation plan for Old Chrysler, the $1.9 billion DIP loan was extinguished without repayment. In return, Treasury retained the right to recover proceeds from the sale of assets that were collateral for the DIP loan from a liquidation trust that received all of Old Chrysler's remaining assets.[528] As of October 3, 2010, Treasury had recovered approximately $40.2 million from asset sales.[529] Of the $4 billion lent to Old Chrysler's parent company, CGI Holding LLC, before bankruptcy, $500 million of the debt was assumed by New Chrysler while the remaining $3.5 billion was held

Table 2.37

TREASURY HOLDINGS IN THE CHRYSLER ENTITIES AS OF 9/30/2010 ($ BILLIONS)

Original Treasury Commitment	Initial Investment Amount	Subsequent Transactions	Treasury Investments Outstanding and Unpaid in New Chrysler[a]
Pre-Bankruptcy Loan to CGI Holding LLC	$4.0	$0.5 transferred to New Chrysler	$0.5
		1.9 repaid to Treasury	0.0
		1.6 Unpaid[b]	1.6
DIP Financing to Old Chrysler	1.9	0.04 repaid to Treasury	0.0
		1.86 Unpaid[b]	1.86
Loan to New Chrysler	4.6[c]	None	4.6
Total			**$8.5**

Notes: Numbers may not total due to rounding.
[a] This column represents the total dollar value of funding provided to Chrysler that would be required to be paid back or recovered in order for Treasury to break even on its investments in the company.
[b] Treasury received a 9.9% common equity stake in New Chrysler upon execution of the $6.6 billion post-bankruptcy loan agreement in consideration for loans it had extended to Chrysler.
[c] As of September 30, 2010, Chrysler had an additional $2.07 billion that it could still draw down on this loan.

Sources: Treasury, *Transactions Report*, 9/30/2010; Treasury, response to SIGTARP data call, 10/14/2010.

by CGI Holding LLC.[530] On May 14, 2010, CGI Holding LLC repaid $1.9 billion of the $3.5 billion loan in full satisfaction of its outstanding obligations under AIFP.[531]

In consideration for its assistance to Chrysler, Treasury received 9.9% of the common equity in New Chrysler. Additionally, Treasury holds $7.1 billion in loans, composed of the $6.6 billion of post-bankruptcy financing (including approximately $2.1 billion in undrawn obligations) and the $500 million in debt assumed by New Chrysler from the original $4 billion loan to CGI Holding LLC.[532] Table 2.37 portrays the status of Treasury's original investments in the Chrysler entities.

On July 10, 2009, as part of the AWCP wind-down, CGI Holding LLC repaid the approximately $280.1 million it had received through AWCP upon New Chrysler's exit from bankruptcy.[533]

On April 7, 2010, as part of the scheduled termination of ASSP, New Chrysler repaid the full $123.1 million in principal and $50.3 million in additional fees and interest.

In addition to the 9.9% common equity stake held by Treasury, the remaining ownership in New Chrysler is split between the United Auto Workers' Retiree Medical Benefits Trust's (the "VEBA Trust") 67.7%, Fiat's 20%, and the Canadian

VEBA: Tax-free, post-retirement medical expense account used by retirees and their eligible dependents to pay for any eligible medical expenses.

Government's 2.5% holdings in New Chrysler's common equity.[534] Figure 2.16 represents the breakdown of ownership in New Chrysler's common equity as of September 30, 2010. The ownership percentages shown in Figure 2.17 would change if Fiat meets certain performance metrics.[535]

Automotive Financing Companies

Ally Financial/GMAC

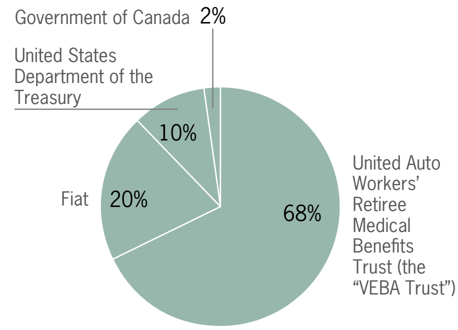
On December 29, 2008, Treasury purchased $5 billion in senior preferred equity from GMAC and received an additional $250 million in preferred shares through warrants that Treasury exercised immediately at a cost of $2,500.[536] On the same day, Treasury also agreed to lend up to $1 billion to Old GM in order to increase Old GM's ownership interest in GMAC. In January 2009 Old GM borrowed $884 million, which it invested in GMAC.[537] In May 2009 Treasury exchanged that $884 million note for 35.4% common equity ownership in GMAC, thereby giving Treasury the right to appoint two directors to GMAC's board.[538]

On May 21, 2009, Treasury made an additional investment in GMAC when it purchased $7.5 billion of mandatorily convertible preferred shares ("MCP") and received warrants that Treasury immediately exercised for an additional $375 million in MCP at an additional cost of approximately $75,000.[539] On December 30, 2009, Treasury invested another $3.8 billion in GMAC, consisting of approximately $2.5 billion in trust preferred securities ("TRUPS") and approximately $1.3 billion in MCP. Treasury also received warrants, which were immediately exercised, to purchase an additional $127 million in TRUPS and $62.5 million in MCP at an additional cost of approximately $1,270 and $12,500, respectively.[540] Additionally, Treasury converted $3 billion of its MCP into GMAC common stock, increasing its common equity ownership from 35.4% to 56.3%. This gave Treasury the right to appoint two additional directors to GMAC's board, potentially bringing the total number of Treasury-appointed directors to four.[541] On May 10, 2010, GMAC changed its name to Ally Financial Inc.[542] As of September 30, 2010, Treasury has appointed three directors, but has not exercised its right to appoint the fourth director. It expects to do so as soon as possible.[543] In addition to Treasury, the other parties holding more than 5% of Ally Financial's common shares are the private equity firm Cerberus Capital Management, L.P. ("Cerberus") with 14.9%, third-party investors collectively holding 12.2%, an independently managed trust owned by New GM holding 9.9%, and New GM, which directly owns a 6.7% stake.[544] Figure 2.17 shows the breakdown of ownership in Ally Financial as of September 30, 2010.

As of October 3, 2010, Treasury had invested a total of approximately $17.2 billion in GMAC for 56.3% of Ally Financial's common stock, $2.54 billion

FIGURE 2.16

OWNERSHIP IN NEW CHRYSLER

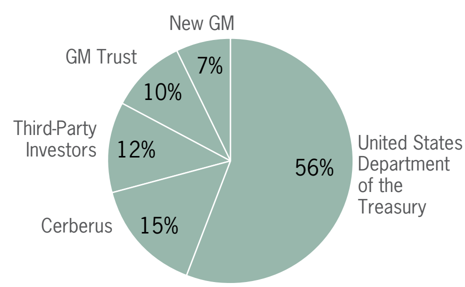


Notes: Numbers may not total due to rounding. Ownership percentages are shown prior to the meeting of performance metrics that would allow Fiat to increase its ownership in New Chrysler.

Source: Treasury, *Section 105(a) Report*, 9/10/2010.

FIGURE 2.17

OWNERSHIP IN ALLY FINANCIAL/GMAC



Note: Numbers may not total due to rounding.

Source: Ally Financial, "Form 10-K," 3/1/2010, www.ally.com/about/investor/sec-filings/?form=10-K, accessed 9/29/2010.

TABLE 2.38

TREASURY HOLDINGS IN ALLY FINANCIAL (FORMERLY GMAC) AS OF 9/30/2010 ($ BILLIONS)

	Total
Mandatorily Convertible Preferred Shares (MCP)[a]	$11.4
Trust Preferred Securities (TRUPS)[b]	2.7
Common Equity	3.9[c]
Total[d]	**$18.0**

Notes: Numbers may not total due to rounding.
[a] This figure includes three separate tranches of MCP acquired via the exercise of warrants: $250 million in warrants that were exercised to acquire preferred shares that were later converted to MCP on 12/30/2009, $375 million in MCP warrants exercised on 5/21/2009, and $63 million in MCP warrants exercised on 12/30/2009.
[b] This figure includes $127 million in warrants exercised on 12/30/2009.
[c] The dollar value of Treasury's 56.3% stake in Ally Financial's common equity represents the conversion of the GM rights loan of $884 million in 5/2009 and $3 billion of MCP in 12/2009.
[d] This figure includes $815 million in shares acquired by the exercise of the warrants discussed above. These warrants were exercised at an aggregate cost of $91,285 to the taxpayer.

Sources: For aggregate holdings, see Treasury, *Section 105(a) Report*, 5/2010; for warrant costs, see Ally Financial, Form 10-K, 2/27/2009, http://google.brand.edgar-online.com/EFX_dll/EDGARpro.dll?FetchFilingHtmlSection1?SectionID=6442618-129208-141191&SessionID=SNHoHeDu1Wnqz77, accessed 9/29/2010; and Ally Financial, Form 8-K, 1/5/2010, http://biz.yahoo.com/e/100105/gjm8-k.html, accessed 9/29/2010.

Real Estate Owned ("REO"): Homes that have been foreclosed on by mortgage lenders and are then owned by the financial institutions, usually a bank, that held the mortgage. The bank then goes through the process of trying to sell the property on its own.

in TRUPS, and $10.8 billion in MCP securities.[545] In return for its investment, Treasury was also granted warrants, which it executed immediately at a cost of $91,285, to purchase securities with a face value of approximately $815 million: $250 million in preferred shares (which were later converted to MCP), $438 million in additional MCP, and $127 million in TRUPS. This brings Treasury's total holdings in Ally Financial securities to a face value of approximately $18.0 billion, for which it expended approximately $17.2 billion in TARP funds.[546] Table 2.38 summarizes Treasury's Ally Financial holdings.

Recent Developments

In press releases issued on September 20 and 24, 2010, Ally Financial responded to published reports that it had instituted a moratorium on all pending residential foreclosure proceedings in 23 states.[547] According to Ally Financial, it was acting in response to concerns that its employees were executing affidavits in connection with foreclosure proceedings without having personal knowledge of, or verifying the accuracy of, all statements contained in the affidavits. In addition, the affidavits were signed, contrary to representations on their face, outside the presence of a notary public. Ally Financial also stated that it would review completed foreclosures in which the same procedures may have been used but that all new residential foreclosure proceedings would continue according to usual business practices. Finally, Ally Financial stated that the company had issued a directive to certain vendors to suspend evictions and Real Estate Owned ("REO") closings in cases where the related foreclosure could have been affected by the same procedures.[548]

Chrysler Financial

In January 2009, Treasury loaned Chrysler Financial $1.5 billion under AIFP to support Chrysler Financial's retail lending. On July 14, 2009, Chrysler Financial fully repaid the loan with interest.[549]

Auto Supplier Support Program ("ASSP")

On March 19, 2009, Treasury announced a commitment of $5.0 billion to ASSP to "help stabilize the automotive supply base and restore credit flows in a critical sector of the American economy."[550] Because of concerns about the auto manufacturers' ability to pay their invoices, suppliers had not been able to borrow from banks by using their receivables as collateral. ASSP enabled 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.[551] Of the $3.5 billion reduced commitment to GM and Chrysler, approximately $413.1 million was actually expended. Because the actual expenditure was lower than initially anticipated, Treasury reduced its obligation under ASSP to $413.1 million. Treasury received a total of $413.1 million in ASSP loan repayments — $290.0 million from GM and approximately $123.1 million from Chrysler.[552] Additionally, Treasury received $115.9 million in fees and interest payments — $65.6 million from GM and $50.3 million from Chrysler.[553] ASSP was terminated on April 5, 2010, for GM and April 7, 2010, for Chrysler.[554] 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 for GM and $280.1 million for Chrysler.[555] On July 10, 2009, the companies fully repaid Treasury upon their exit from bankruptcy.[556]

EXECUTIVE COMPENSATION

TARP recipients are subject to executive compensation restrictions. The original executive compensation rules set forth in Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") were amended in February 2009 in the American Recovery and Reinvestment Act of 2009 ("ARRA") and interpreted and implemented by Treasury regulations and notices.[557] On June 10, 2009, Treasury released its Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the "Rule"), 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.[558]

The Rule applies to institutions meeting its definition of a TARP recipient as well as any entity that owns at least 50% of any TARP recipient. 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.[559] The Rule also specifically subjects exceptional assistance recipients to enhanced restrictions designed to "maximize long-term shareholder value and protect taxpayer interests."[560]

Exceptional Assistance Recipients: Companies receiving assistance under SSFI, TIP, and AIFP. Current recipients are AIG, Chrysler, GM, and Ally Financial (formerly GMAC).[106]

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 August 19, 2009, and "Extent of Federal Agencies' Oversight of AIG Compensation Varied, and Important Challenges Remain," issued October 14, 2009.

Some program participants are exempt from the Rule:

- TALF recipients, because they did not directly receive TARP assistance (instead, TARP funds are available to purchase collateral surrendered to TALF)[561]
- PPIFs, because they have no employees. In addition, PPIF investors and asset managers are exempt because the program's terms prohibit any single private entity from owning more than 9.9% of any such fund and, therefore, fall below the 50% ownership threshold[562]
- 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 on June 15, 2009, and appointed Kenneth R. Feinberg (the "Special Master") to the position. The Special Master's responsibilities include the following:[563]

- Top 25 Reviews — review and approve compensation structures and payments for the five senior executive officers ("SEOs") and the next 20 most highly paid employees at institutions that received exceptional financial assistance
- Top 26 through 100 Reviews — review and approve compensation structures for the next 75 highest-paid employees at institutions that received exceptional financial assistance (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)
- 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 from the date the entity first received TARP assistance until February 17, 2009, and seek to negotiate reimbursements where the payment was determined to be inconsistent with the purposes of EESA or TARP, or otherwise contrary to the public interest
- Interpretation — provide advisory opinions with respect to the Rule's application and whether compensation payments and structures were consistent with the purposes of EESA or TARP, or otherwise contrary to the public interest

On September 10, 2010, Mr. Feinberg released a final report summarizing his tenure as Special Master and stepped down.[564] Ms. Patricia Geoghegan succeeded him as Acting Special Master.[565]

Exceptional Assistance Recipients

As of September 30, 2010, only AIG, Chrysler, GM, and Ally Financial (formerly GMAC) were still considered exceptional assistance recipients. Citigroup and Bank of America had been considered exceptional assistance recipients because each participated in TIP, but no longer fall under this designation because of repayments each made in December 2009.[566] Although Citigroup no longer falls into this category, restrictions applicable to non-exceptional assistance recipients apply to Citigroup as long as Treasury holds Citigroup common stock. Chrysler Financial was released from all of its obligations under the Rule after it repaid its $1.5 billion loan under AIFP and its parent company, CGI Holding LLC, repaid $1.9 billion of its original $4 billion TARP loan under AIFP to Treasury on May 14, 2010, in full satisfaction of its outstanding obligations to Treasury.

Special Master "Look Back" Review

Pursuant to the provisions of ARRA, the Special Master was required to examine payments made to executives of firms that received TARP funding from the date each firm received TARP assistance until February 17, 2009.[567] The Special Master was required to determine whether these payments were inconsistent with the purposes of EESA or TARP, or otherwise contrary to the public interest. Such a finding

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 officers.

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.

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

required the Special Master to seek to negotiate reimbursement from the firm and/or the employee.[568] However, although ARRA authorized the Special Master to review and obtain compensation information, it provided him no statutory authority to compel reimbursement.[569]

On March 23, 2010, the Special Master issued a letter to each of the 419 firms that had received funding prior to February 17, 2009, requesting information on compensation paid to their SEOs and the next 20 most highly paid executives ("Top 25").[570] 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 who earned more than $500,000 a year.[571] The Special Master analyzed the banks' responses and released his findings on July 23, 2010, which are summarized below:[572]

- All 419 firms responded to the Special Master's request for information.
- The Special Master tailored his review to the 179 firms that paid one or more of their Top 25 more than $500,000 per year.
- Those 179 firms submitted detailed data on compensation totaling $2.3 billion in payments to executives.[573]
- The Special Master then analyzed the $2.3 billion in executive payments made by those firms.
- Of that total, $1.7 billion, or 74% of payments, although permitted at the time, were identified as payments later restricted by ARRA and Treasury regulations.
- Of the $1.7 billion in such identified payments, $1.6 billion were made by 17 firms.
- Of the $1.7 billion in such identified payments, more than 90% were made by firms that have either repaid TARP or were already taken into consideration in earlier Special Master determinations regarding exceptional assistance recipients.
- The Special Master found no payments to be "inconsistent with the purposes of EESA or TARP, or otherwise contrary to the public interest."

Finally, the Special Master proposed that companies should take steps to ensure that they have the authority to alter pending payments to executives in the event of a future financial crisis. Under the Special Master's proposal, in extraordinary, adverse circumstances that threaten a company's viability, a company would have the authority to restructure, reduce, or cancel pending payments to its executives regardless of their rights to payment under normal circumstances. Although it was introduced by the Special Master as "a matter of good public policy that should be considered by TARP recipients and other firms," his proposal is entirely voluntary.[574]

SECTION 3

THE ECONOMICS OF LOAN SERVICING

INTRODUCTION

This section provides an overview of mortgage loan servicers and their business in the context of TARP — specifically participation in the Home Affordable Modification Program ("HAMP"). When a homeowner calls to discuss a distressed home loan, the loan servicer is the voice on the other end of the line. Servicers act as intermediaries between mortgage borrowers and the investors that fund the loans. They collect and distribute monthly payments and often advance funds to investors with the expectation they will be repaid any principal and interest they advance.

The recent financial crisis has put more emphasis on servicers' handling of defaults, modifications, short sales, and foreclosures, in addition to their more traditional duty of collecting and distributing monthly mortgage payments. To that end, this section describes how servicers operate and discusses the role of servicers, their efforts to conduct a profitable business, and the effect of HAMP on their roles and responsibilities. It examines the factors that influence their decisions when weighing potential resolutions for borrowers who have distressed loans. To illustrate those factors and their effects on HAMP's administration and results, this section includes several scenarios involving "Dick and Jane," a hypothetical couple working with their servicer to obtain a mortgage modification, and examples of homeowners who have called SIGTARP's Hotline to provide additional examples of homeowners' interactions with servicers through HAMP.

LOAN SERVICERS' FUNCTION

Fundamentally, loan servicers play an administrative role when it comes to mortgage loans. They are generally not involved in the origination or the marketing, pricing, and documentation of new mortgage loans. Instead, they handle back-office functions for existing loans after the origination and closing stages. These functions generally include the following administrative tasks:[575]

- billing, tracking, and collecting monthly payments
- allocating and distributing payment collections in accordance with each mortgage loan's governing documentation. Mortgage payment collections normally include several components paid to different parties:
  - property taxes and homeowners' insurance, which servicers usually collect from borrowers and pay to local governments and insurance companies on their behalf
  - payments of principal and interest on the mortgage loan, which servicers pay to lenders, investors or their designated trustees

Trustee: Individual or corporate entity that holds or manages assets for the benefit of another.

    - in some cases, payments to mortgage insurers, which provide protection to mortgage lenders against the borrower's default
    - in some cases, fees due to the servicers themselves
- operating phone centers to communicate with borrowers
- maintaining accounting records of payments and balances

As the housing market became distressed, with more and more borrowers struggling to make their monthly payments, loan servicers' workloads began to shift from primarily simple administration to much more active participation. That participation includes making several key decisions about what to do when a homeowner begins missing payments. Servicers are not only the central point of contact between all parties but are also often empowered to make decisions that will determine the borrower's ability to retain his or her home, the extent of potential losses to investors, and the ultimate profit for the servicer.[576] If a borrower's mortgage payments grow increasingly delinquent, a servicer is usually required to escalate its response.[577]

Escalated Servicing. Once a borrower misses his or her first payment, the first steps taken by the servicer include mailing formal notices to the borrower, usually at increments of 30 days, with escalating levels of seriousness and consequences (potential fees, notices to courts, etc.). Phone calls, attempts to update information and offers of alternative payment plans may also occur during this period.[578]

Modifications. Typically when a loan is 60–90 days overdue, the servicer may attempt to begin discussions about loan modifications. Modifications are based on the borrower's ability, incentive, and willingness to pay and the servicer's and investor's ability, incentive, and willingness to accept less favorable terms on the mortgage. These criteria can be affected by an income shock to the borrower such as a job loss or loss of income as well as by declining property values.[579] Modifications can be a positive development for the servicer, investor, and borrower if they return a defaulted loan to performing status.

Historically, in those cases when servicers performed loan modifications, they tended to focus on returning to a current status the loan of a borrower who experienced a short-term income shock or temporary loss of employment. This was usually done by adding missed payments to the unpaid principal balance ("UPB") of the loan, which is referred to as capitalizing the missed payments.[580] In such cases, the modified principal balance, and often the monthly payment owed by the borrower, actually increased. Late fees and other management fees for distressed loans might also have been added to the balance as well, all of which would decrease the amount of equity held by the borrower in the home and increase the interest-bearing UPB.[581]

A servicer can also take steps to reduce the monthly payment due from a struggling borrower. The common methods for addressing distressed loans are:[582]

Unpaid Principal Balance ("UPB"): Amount owed on a loan at any given time.

Capitalization: Method of modifying a mortgage by which missed payments and other costs are added to the principal balance of the loan and therefore financed or spread out over the remaining term of the loan.

- installment plan for delinquent amount
- capitalization of missed payments and fees
- term extension
- interest rate reduction
- principal forbearance
- principal forgiveness

It has recently been reported that since the introduction of HAMP, mortgage modifications, both within and outside of HAMP, are now generally characterized by a reduction in the borrower's monthly payment.[583]

Repossession or Foreclosure. If a borrower does not bring the loan current or is not offered a loan modification, the servicer may begin actions to effect a transfer of ownership of the property from the borrower to the lender. These actions may take the form of voluntary transfers, such as short sales or cash for keys/deed-in-lieu, in which the lender repossesses or sells the house in full or partial satisfaction of the debt.[584] These voluntary transfers are alternatives to what may be costly and lengthy legal proceedings.[585] The servicer may undertake legal action through foreclosure proceedings to repossess the house and evict the borrower if necessary.[586]

Each state has its own laws on how the lender must go about foreclosure. There are two general approaches: judicial and non-judicial.[587] In judicial foreclosure states, foreclosures must proceed through the courts. The loan servicer may charge and collect late fees and ancillary fees under the direction of the court; those fees take priority over other obligations associated with the loan.[588]

In non-judicial foreclosure states, the process operates, at least initially, outside the judicial system: the lender can take title to the property and sell it after certain time periods have elapsed and certain actions have been taken. Non-judicial foreclosures are considered faster and less expensive. The property can be sold at auction without seeking the permission of the court. The lender is paid out of the net proceeds of the auction, and the property is transferred by deed to the buyer.[589] In such states, borrowers ordinarily must initiate court proceedings in order to attempt to halt the foreclosure process.[590]

Typically, foreclosures require substantial time to complete. According to Lender Processing Services, the average foreclosure took 478 days as of August 2010,[591] and with the recent suspensions in foreclosures by several of the larger servicers, this time period may be getting even longer. The process can also be costly to the lender and the servicer: each month of delay costs a month of lost mortgage payments plus the potential deterioration of the home.

In certain states, referred to as recourse states, the lender may receive from the courts a deficiency judgment against a delinquent borrower. That judgment

For a more detailed description of foreclosure alternatives, see SIGTARP's April 2010 Quarterly Report, pages 64-73. For HAMP-related foreclosure alternatives, see Section 2: "TARP Overview" of this report.

Short Sale: Sale of a home for less than the mortgage value. A borrower sells the home and the lender collects the proceeds as full or partial satisfaction of the unpaid mortgage balance, thus avoiding foreclosure.

Deed-in-Lieu ("DIL"): Instead of going through the process of foreclosure, the borrower voluntarily surrenders the property deed to the lender, often as satisfaction of the unpaid mortgage balance. This is sometimes called "cash for keys," which refers to incentives paid to a borrower to vacate a property.

Deficiency Judgment: Court order authorizing a lender to collect part of an outstanding debt resulting from the foreclosure and sale of a homeowner's property or from the repossession of a property securing a debt. A deficiency judgment is rendered after the foreclosed or repossessed property is sold and the proceeds are insufficient to repay the full mortgage.

Private-Label Mortgages: In the housing-finance business, mortgages created and sold by a company other than a Government-sponsored enterprise. Private institutions, such as brokerage firms, banks, and homebuilders, also securitize mortgages, known as "private-label" mortgage securities.

Securitization: Process by which lenders bundle pools of mortgages and sell them as securities. These pools are a major part of servicing portfolios. In fact, 85.6% of the mortgages originated in 2009 were securitized into mortgage-backed securities. As of December 2009, outstanding mortgage-related security holdings amounted to $6.97 trillion.[345]

For more information on securitization, see SIGTARP's April 2009 Quarterly Report, page 92.

requires the borrower to pay any shortfall to the investor that results when the foreclosure sale proceeds fall short of the outstanding loan amount.[592] For example, if the servicer of a $300,000 mortgage forecloses on the associated house and resells it for only $250,000, the servicer may also subsequently seek a $50,000 deficiency judgment against the borrower.

BUSINESS MODEL

Loan servicing is a specialized function in the mortgage loan industry. What distinguishes servicers are their clients. Clients can range from a parent bank with a major mortgage origination operation, such as a large bank offering private-label mortgages, to the Government-sponsored enterprises ("GSEs") (Federal National Mortgage Association ["Fannie Mae"] or Federal Home Loan Mortgage Corporation ["Freddie Mac"]), to a trustee that oversees pools of mortgages that have been bundled and sold as securities. This process of bundling and selling pools of mortgages is known as securitization.[593]

Loan servicers are private-sector, for-profit enterprises and accordingly must manage income and expenses in order to generate adequate returns for their owners.[594] Servicers have clear incentives to maximize, to the extent possible, both fee revenue for themselves and principal and interest repayments to the mortgage investors that are their clients.[595]

Servicers also have meaningful incentives to minimize clients' losses in order to retain and attract business from investors who own mortgage loans. If servicers fail to meet the minimum standards of portfolio administration and management detailed in their servicing agreements, their clients may have the right to cancel the agreements.[596] A standardized index of loan servicers published by Fitch Ratings, a major credit rating agency, tracks servicers' performance in several respects, including their ability to protect mortgage loan repayments to lenders. A servicer's rating in this index may figure prominently in lenders' decisions about awarding servicing agreements.[597] Moody's, another rating agency, also rates servicers on their effectiveness in preventing default and maximizing recoveries, as well as the speed at which they execute foreclosures.[598]

Revenue

Loan servicers generate revenue from business operations, such as the following:

- **Base Servicing Fee.** The primary source of income for servicers is a monthly servicing fee, stated in the servicing agreement, that is determined as a percentage of the interest-bearing principal balances of an entire portfolio of mortgage loans.[599] Typical servicing fees range from 0.25% to 0.50% of the interest-bearing UPB per annum. They vary with the structure of the mortgage and its level of risk.[600] A mortgage that has an average interest-bearing UPB of

$250,000 over a year would generate annual fee revenue of $625 to $1,250 for the servicer handling the loan. The simplest fixed-rate mortgages tend to incur lower fees. More complex products, such as adjustable-rate mortgages, incur higher servicing fees because they require more intensive data collection and calculations. The servicing fees for prime mortgages, which have a relatively low risk of default, tend to be lower than those for subprime mortgages, which have a higher risk of default.[601]

- **Late Fees/Ancillary Default Fees.** Servicers can charge borrowers late fees for delinquent payments, typically about 5% of the monthly payment.[602] They may also charge other ancillary fees associated with managing a defaulted loan through the foreclosure process.[603] Although servicers operate as independent businesses, writing their own contract language and setting their own fee rates, they are generally limited by allowable fee rates published in the GSEs' Seller Servicer Guides. Ancillary fees can include notary fees, recordation fees, release fees, title costs, property valuation fees, credit report fees, or other allowable and documented expenses.[604]
- **Interest Earnings.** Servicers earn income, or "float," from interest on the funds that they hold or manage.[605] They earn interest between the time they collect payments at the beginning of the month and the time they turn the payments over to the investors or trustee.[606] Servicers may also earn interest income from investments, including securitized loans.[607]
- **HAMP Incentive Fees.** These fees, discussed in detail in Section 2 of this report, are provided by Treasury to servicers who successfully place borrowers into HAMP or its subprograms. For example, servicers receive $1,000 in TARP funds for each borrower who receives a permanent modification and an additional $1,000 per year for three years if the borrower stays current on the permanent modification.[608]

Expenses

Offsetting servicers' revenues are their operating expenses. The major expenses for a servicer include the following components:

- **General Overhead.** These expenses are the operating costs incurred to manage the business, such as costs for office space, computer and telecommunications equipment, marketing, and utilities.
- **Staffing.** Servicers maintain staffing levels to administer performing loans, respond to customer inquiries, and resolve customer defaults and other issues. The sudden influx of customer inquiries and distressed loans, along with the additional demands of HAMP and other Government programs, has rapidly expanded servicers' staffing needs, in terms of both numbers and skill levels.[609] The cost of training and compensating this additional staff has increased

substantially for most servicers.

- **Payment Advances.** Typically, if a borrower's payments are not made promptly and in full, servicers must advance to the investor the required amount of the monthly payment owed by the borrower, although in some circumstances servicers are required to advance only the unpaid interest.[610] Servicers' contracts may require that they continue to advance payments to investors even for seriously delinquent loans, up to an established limit that is based on the estimated current property value.[611] As more loans in a servicer's portfolio become delinquent, these advance payments can strain servicers' cash supplies or their lines of credit. Servicers thus have incentives to pursue aggressive collection techniques to "cure" a loan and return it to a performing status or to place the property into foreclosure, which may enable them to recover their advances more quickly.[612] However, the servicers are not ultimately responsible for these amounts. If the borrower becomes current or if the property is sold or acquired through foreclosure, the servicer is repaid the funds that it has advanced on a first-priority basis.[613]

  Indeed, in a foreclosure, reimbursement to the servicer typically takes place before any payments to the lender or investor.[614]

  Servicers often borrow to fund these advances, and they incur interest expenses on that borrowing. They repay themselves for these advances from subsequent mortgage payment collections.[615]

- **Management of Real Estate Owned ("REO") Properties.** When a servicer repossesses a property on behalf of the lender through foreclosure, it advances funds for a number of additional costs specific to that process:[616]
  - **Legal Expenses** related to the proceedings required to finalize the foreclosure.
  - **Property Maintenance** in order to maximize the property's resale price. This generally includes inspection, upkeep (*e.g.*, lawn mowing), and repairs, depending on the condition of the property.
  - **Security Measures** — physical and legal — to protect the house. Physical security includes measures to protect the house against vandals or squatters, such as changing the locks. Legal security includes measures to preserve the lenders' ownership interest, such as deed transfers and continued payment of property taxes.
  - **Marketing and Resale** costs in order to sell the repossessed property. These costs could include those for retaining a sales broker, arranging an auction, and advertising. The servicer may also pay various closing costs upon final sale.

The servicer is usually reimbursed for these expenses from the sales proceeds when the property is ultimately sold.[617]

Real Estate Owned ("REO"): Homes that have been foreclosed on by mortgage lenders and are then owned by the holders of the mortgage.

Some servicers maintain specialized units to handle foreclosure activities. Their costs will be heavily affected by backlogs in the courts, state laws to protect borrowers, and any legal countermeasures mounted by borrowers.

Market Factors

The mortgage servicing industry has experienced a major trend in consolidation. As of year-end 2009, the top five servicers represent 60% of the market. This is up from the top five servicers' 27% market share in 1999. Advances in software and technology have enabled larger servicers to take advantage of economies of scale and keep their costs low by spreading them across a larger portfolio of loans.[618] In the years leading up to 2007, demand for housing grew steadily as did the business of servicing loans designed to meet this demand.[619] This increase in new loans was accompanied by lower underwriting standards and the introduction of more complex and riskier loans.[620] These products attracted less-creditworthy borrowers yet were popular with servicers because the servicing contracts provided for higher fees. The general upward trend in home prices masked problems and enabled many borrowers to refinance and "cash out" equity in their homes when they experienced trouble making monthly payments, which in turn increased both the loan's UPB and the servicers' fees.[621]

Beginning in 2007, however, home prices and the job market both began to deteriorate sharply.[622] A weakening economy led to more distressed borrowers, more distressed borrowers eventually led to an increase in delinquencies, and as delinquencies increased, servicers had to hire additional staff to address the increase in call volume and loan workout activities. Servicers had to bear the costs associated with advancing payments on loans headed toward foreclosure and the additional overhead expenses associated with collection, modification and foreclosure activities.[623]

HAMP'S EFFECT ON LOAN SERVICING

In February 2009, the Administration introduced the Making Home Affordable (MHA) program, which had the stated purpose of stabilizing the housing market and helping struggling homeowners get relief and avoid foreclosure.[624] In March 2009, the Department of the Treasury ("Treasury") issued uniform guidance for loan modifications by participants in MHA across the mortgage industry and subsequently updated and expanded that guidance in a series of Supplemental Directives, frequently asked questions, and waivers.

Servicers of private-label mortgages were encouraged to sign a HAMP Servicer Participation Agreement.[625] Furthermore, the program was intended to encourage participation through a structure of monetary incentives for borrowers, servicers, and investors.[626]

Servicer Participation Agreement ("SPA"): Documents governing servicer participation in MHA for all non-GSE mortgages.

Because servicers are the primary point of contact for borrowers seeking loan modifications, they play a central role in HAMP.[627] Servicers field borrowers' inquiries and evaluate borrowers for HAMP modification.[628] Under the program guidelines, servicers are required to provide evidence that they have considered borrowers for HAMP as well as foreclosure alternatives. To date, no financial penalties have been imposed by Treasury on any servicers participating in the program, although according to Treasury it has "imposed non-financial remedies which have resulted in servicers reevaluating homeowners' HAMP eligibility including re-performance of NPV, soliciting overlooked populations of homeowners, and providing clear communication to homeowners that no foreclosure sales would occur until homeowners' eligibility was evaluated."[629]

A number of HAMP decisions are subject to servicers' discretion:

- First, the servicer is in charge of collecting all the financial information and documentation required from the borrower and calculating the borrower's gross monthly income to determine whether the borrower is eligible. It is also responsible for selecting and entering all data for the net present value ("NPV") test.[630]
- If the borrower is current, the servicer may review the borrower's claimed hardship and inquire about other debts to determine whether the borrower qualifies as an imminent default borrower. Although the imminent default designation is recognized under HAMP, the servicer determines whether default is imminent using its own standards.[631] HAMP does not provide definitive guidance on those standards.[632]
- Although HAMP guidelines stipulate that trial plans last for three months, the servicer can effectively keep borrowers in a state of limbo beyond those three months while evaluating their eligibility for a permanent modification — regardless of whether the borrower pays as required under the terms of the trial period plan.[633] In fact, as of September 30, 2010, 44% of the more than 173,000 active trials have lasted six months or more.[634] Given the lack of a standard definition of imminent default and of the documentation required to support a determination of imminent default, a servicer may make repeated requests of a borrower under the aegis of establishing hardship (or obtaining current financial information), thereby repeatedly extending the trial period.[635]
- For those borrowers who seek a loan modification and those who have secured a trial modification, Treasury has mandated that servicers consider principal reduction. Servicers may choose whether to offer modifications under the Principal Reduction Alternative ("PRA") program, however, solely at their discretion.[636]

Net Present Value ("NPV") Test: NPV tests compare the money generated by a foreclosure alternative, such as a loan modification, to the amount an investor can reasonably expect to recover in a foreclosure sale.

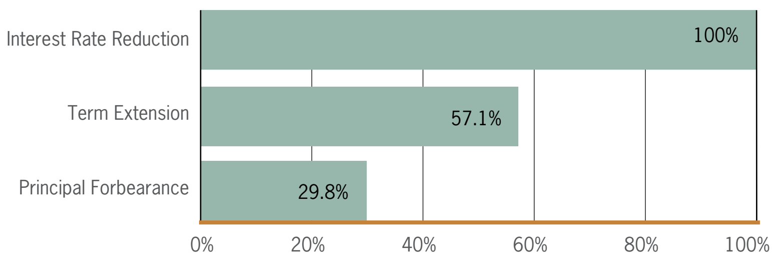
Imminent Default: Refers to borrowers who are current on their mortgage payments but are expected not to be able to continue to make their monthly payments.

For a more detailed description of servicers' role in HAMP, see Section 2: "TARP Overview" of this report.

Financial imperatives may lead servicers to seek to structure the modifications they offer in a way that preserves their servicing payments. When considering a workout for a distressed loan, servicers consider the outstanding balance, the

FIGURE 3.1

PERMANENT HAMP MODIFICATIONS BY INCLUDED MODIFICATION STEPS THROUGH SEPTEMBER 30, 2010



Notes: Numbers affected by rounding.

Source: Treasury, response to SIGTARP data call, 10/20/2010.

interest rate, and the number of months to maturity. As indicated in the discussion of the servicer's business model, a servicer gets paid from the monthly servicing fee, which is based on the size of the remaining interest-bearing unpaid balance of the loan. Reductions in interest rate do not affect the servicer's monthly fee, because the principal balance is unchanged. However, the investor will lose revenue if the interest rate is lower and therefore typically instructs the servicer to act to protect the investor's income. A term extension does not affect a servicer's fee revenue, because it extends the loan repayment period and reduces the monthly payment. Principal forbearance and principal forgiveness, however, lower the interest-bearing principal balance and therefore reduce the servicer's monthly fee.

Trial modification characteristics for HAMP, through September 30, 2010, are shown in Figure 3.1.[637]

SIX SERVICING SCENARIOS

To illustrate the considerations about program performance, business and income models, and how they affect outcomes for borrowers and servicers, the following scenarios look at the results that occur for a representative borrower and a servicer. Consider the hypothetical case of Dick and Jane, subprime borrowers living in Tampa, Florida. In November 2006, Dick and Jane made a combined annual income of $75,000, or $6,250 per month. Dick worked as a foreman overseeing construction projects for a $50,000 annual salary and Jane worked as a pre-school teacher making $25,000 a year (these incomes are generally consistent with Bureau of Labor Statistics data for their occupations and location).[638] They bought a three-bedroom house for $210,000 (a figure broadly consistent with Case-Shiller average home price data for the Tampa area at that time), financing 95% of that or $199,500.[639] Their down payment was 5%, or $10,500. With a FICO score of 620, they obtained a 30-year, fixed-rate loan at 8.05% APR (the terms of their mortgage

Debt-to-Income ("DTI") Ratio: Comparison of the first-lien monthly mortgage payment divided by the borrower's monthly pre-tax income; also called the front-end ratio.

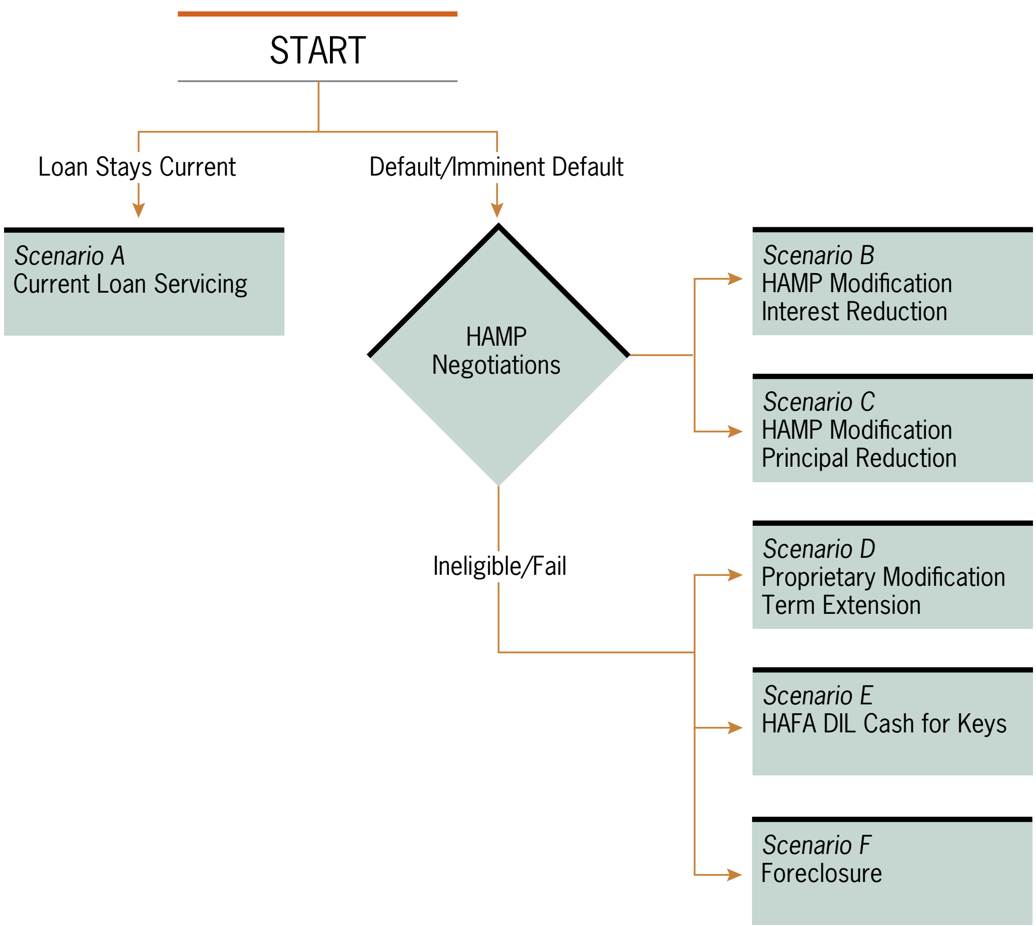
are drawn from the rate sheet provided by a leading mortgage originator at the time).[640] They paid property taxes of $4,000 per year (an estimate provided by the local government).[641] Given these terms, at the time of purchase they agreed to pay approximately $1,797 per month on the mortgage, or 28.8% of their monthly gross income.

Unfortunately, by 2010, Dick and Jane have seen the value of their home fall about 38% to $130,000.[642] In addition, business at Dick's firm has slowed down meaningfully, as residential and commercial construction has dried up. Dick's hours have been cut sharply and he now makes only $30,000 per year. The family now has a combined income of $4,583 per month, or $55,000 per year. Because of this setback, the $1,797 monthly mortgage payment now gives them a debt-to-income ("DTI") ratio of 39.2%. Under financial strain, Dick and Jane have struggled to remain current on their mortgage payments.

Figure 3.2 provides an illustration of the various potential outcomes for our borrowers, Dick and Jane.

FIGURE 3.2

HAMP SCENARIO FLOW CHART



Scenario A: The Loan Stays Current

Dick and Jane remain in their home, drawing on their savings and some help from Jane's parents to continue their monthly payments. By April 2010, Dick and Jane's mortgage has amortized to a UPB of $193,212.

Results for Dick and Jane. Dick and Jane live in their home and remain in good standing on their loan as long as they make monthly payments on time and in full. Because of their regular payments, their credit score is not impaired. But they are underwater: their mortgage principal balance is significantly more than the house is worth. That is, the ratio of the mortgage balance to the house price (commonly known as the loan-to-value ratio, or "LTV") is nearly 149%. If Dick and Jane decided to sell their house and move, they would be required to repay the entire mortgage balance even if it were greater than the sales price for the home — in practice, making relocation for work or family reasons very difficult.

Servicer Considerations. As long as Dick and Jane remain in their home and make regular payments, the servicer collects its monthly servicing fees from the principal and interest portion of the mortgage payment, and passes the rest on to the bank that holds Dick and Jane's loan. Because their loan remains in good standing, Dick and Jane have no contact with the servicer's call center and their servicing entails a minimum of expense.

Scenario B: HAMP Trial and Permanent Modification

Dick and Jane learn about HAMP on www.makinghomeaffordable.gov and request a HAMP modification through their servicer. After beginning a trial modification and submitting the required information, Dick and Jane obtain a permanent HAMP loan modification, which reduces their monthly payments, in accordance with HAMP guidelines targeting a 31% DTI ratio.

Results for Dick and Jane. The change cuts their monthly mortgage payment by $381 to $1,416. After successfully making three trial period payments on time, Dick and Jane transition to a permanent modification on the same terms. Over the subsequent five years, Dick and Jane remain current on the modified loan and earn eligibility for HAMP borrower incentives from Treasury of $1,000 per year (applied against their UPB). Dick and Jane remain in their home, having obtained valuable and sustainable mortgage relief through HAMP. However, they remain significantly underwater on their mortgage, and their modification is reported by the servicer to the credit bureaus, which may further impair their already modest credit score.[643]

Servicer Considerations. This modified loan has several implications for the servicer. During the trial modification, the investor continues to receive full payments — that is, the servicer must still make pre-modification monthly payments to the bank holding the loan, even though it is collecting only the reduced trial modification amount. When the trial period ends after three months, the loan converts to a permanent modification and any remaining unpaid amounts and allowable fees are capitalized or added to the mortgage's outstanding balance. Although the modification reduces Dick and Jane's monthly interest payments, the UPB increases (as do the servicing fees) because of the amounts added to the principal.

Moreover, the servicer stands to collect up to $4,500 in incentives for a successful permanent modification: $1,000 at the outset of the modification, plus an additional $500 because Dick and Jane were current when they entered their trial, and another $1,000 on each of the first three anniversaries for a permanent HAMP modification, if the loan remains in good standing. Averaged over three years, the cumulative $4,500 of servicer incentive payments amounts to an additional $125 per month for the servicer.

Scenario C: HAMP Trial Modification, with Principal Reduction Alternative ("PRA")

As in the previous scenario, Dick and Jane contact their servicer about HAMP. Because their property is worth less than the outstanding loan balance and their LTV exceeds 115%, in accordance with the program's guidelines, the servicer evaluates them for HAMP's PRA. Under this initiative, servicers may offer principal reductions as part of HAMP modifications. The servicer elects to pursue PRA for Dick and Jane. They enter a trial modification, and after making three trial period payments in full and on time, transition to a permanent PRA modification.

To determine the lower payment, according to PRA guidelines, the servicer lowers the interest-bearing portion of Dick and Jane's loan through forbearance by the amount necessary to reach the target monthly mortgage payment DTI ratio of 31% or to reach an LTV ratio equal to 115% of their house's current market value, whichever is reached first. After reducing their LTV to 115%, the servicer proceeds through the standard HAMP modification steps to further reduce their payment toward the targeted 31% DTI ratio. Principal forgiveness is not immediate; it is earned over three years. On each of the first three anniversaries of the modification, one-third of the forborne principal is forgiven, and after three years the borrower's UPB is permanently reduced by the amount that was placed in forbearance.

Results for Dick and Jane. In this case, Dick and Jane's monthly payment decreases by $382 to $1,415. Their UPB is reduced by $43,712, from $193,212 to $149,500, and their LTV drops from 149% to 115%. Although Dick and Jane's payments are similar to those they would make in the regular HAMP modification, over time in this scenario more of their payments will be applied to reduce their UPB at a faster rate. Through PRA, Dick and Jane have cut their monthly payments and also successfully reduced the extent to which they are underwater. However, as before, the modification may impair the couple's credit scores.

Servicer Considerations. The servicer's annual income servicing fee falls because of the reduced interest-bearing UPB, but (as with the standard HAMP modification) the servicer still stands to collect up to the same $4,500 in incentives for a successful permanent PRA modification.

Scenario D: Proprietary (Non-HAMP) Loan Modification

Again, Dick and Jane have experienced income reductions and contact their servicer about HAMP. They obtain a trial modification, but after the end of the trial period, Dick and Jane receive a denial notice that states they are not eligible for HAMP. The servicer asserts that it did not receive all their documentation on time — despite the fact that Dick and Jane submitted the documentation and confirmed that the servicer had received it. (Such a scenario is not uncommon, as indicated by numerous complaints to SIGTARP's Hotline. In its March 2010 report, "Factors Affecting Implementation of the Home Affordable Modification Program," SIGTARP cited one example of a servicer acknowledging that it had lost borrower documentation and noted that similar problems have been widely reported.) The denial notice informs Dick and Jane of their rights to appeal the servicer's decision through HAMP's Hope Hotline. Although originally Dick and Jane want to dispute this notice, the servicer quickly offers an alternative modification outside of HAMP that also lowers their payments and does not require additional documentation. The payment is lowered by extending the mortgage term.

Results for Dick and Jane. The proprietary modification lowers Dick and Jane's monthly payment, although by less than under a HAMP modification. However, their UPB increases through capitalized late fees and additional expenses, driving them farther underwater on their mortgage loan. Their credit rating may also be impaired.

Servicer Considerations. Borrowers who are denied a HAMP trial modification may be offered a proprietary modification outside HAMP. In such a modification, servicers can offer their own terms. To lower borrowers' monthly payments in a proprietary modification, servicers may prefer to extend the term of the loan. Doing so avoids concessions that may affect servicing fee revenue and has less impact on investor returns. Lacking the constraints imposed by HAMP guidelines, the servicer in a proprietary modification can capitalize the late fees that it assessed on Dick and Jane for each month that Dick and Jane were making trial modification payments, thereby increasing the UPB (and the servicing fee).

Scenario E: HAFA Deed-in-Lieu of Foreclosure

Again, under financial strain, Dick and Jane contact their servicer about HAMP. At the same time, through friends they learn of a nearby three-bedroom apartment that is being offered at a monthly rent significantly lower than their mortgage payment. They could afford this apartment while only slightly drawing down their modest savings. However, Dick and Jane receive assurances from their servicer that based on their statements they are very likely to qualify for a permanent modification on their mortgage. (Comparable assurances have been described in complaints to SIGTARP's Hotline.) Eager to remain in their home, Dick and Jane elect the HAMP trial modification, even though the monthly payments are higher than their rental option.

Aided by their savings, Dick and Jane make regular trial modification payments as requested by their servicer for eight months, well past the three-month trial period. At that point, Dick and Jane are told that they are not eligible for a permanent HAMP modification.

As permitted by HAMP guidelines for borrowers who do not receive permanent modifications, they also receive a demand notice for more than $3,700, representing eight months' difference between the HAMP trial payment and their original unmodified monthly payment, along with late fees for each month. Unable to pay this amount or afford a proprietary modification to keep their home, Dick and Jane accept the fact that they must leave. To avoid a lengthy, expensive legal process, they surrender their claims on the property through a deed-in-lieu agreement with the servicer.

Participating HAMP servicers must consider borrowers who are denied a permanent HAMP modification for the Home Affordable Foreclosure Alternatives ("HAFA") program. Per HAFA requirements, the deed-in-lieu agreement stipulates that even if the house is sold for less than Dick and Jane owe, their debts will be satisfied and they cannot be pursued for a deficiency judgment or for the amounts contained in the demand notice. In addition, HAFA provides a $3,000 borrower incentive and a $1,500 servicer incentive to cover administrative and processing costs. As of September 30, 2010, HAFA has funded 342 short sales or deeds-in-lieu of foreclosure.

Results for Dick and Jane. Dick and Jane lose their home and must immediately search for alternative housing for themselves and their children. HAFA provides $3,000 that Dick and Jane may use to help cover the costs of a security deposit and moving expenses, which is desperately needed because Dick and Jane have exhausted their savings by making trial modification payments while trying to keep up with their other mounting debts. In addition, their credit record is impaired by the notation that their mortgage was settled for less than the full UPB. However, under the terms of the HAFA deed-in-lieu, their mortgage obligation is satisfied and they do not have to worry about a deficiency judgment nor the $3,700 from the demand notice.

Servicer Considerations. The servicer repossesses Dick and Jane's home, and must undertake time and effort to conclude a sale to a new buyer in a difficult market. The servicer is unable to recover the full principal balance of Dick and Jane's mortgage loan through an REO sale and, as part of the deed-in-lieu agreement, has forgone the ability to pursue any deficiency judgment against Dick and Jane. However, in accordance with the terms of its agreement with the bank that owns the mortgage, the servicer may collect late fees, past due servicing fees, payment advances, notary fees, recordation fees, release fees, title costs, property valuation fees, credit report fees, or other allowable and documented expenses due it from the proceeds of the home sale before remitting the remaining amounts to the bank.

The servicer also receives a $1,500 incentive for completing the deed-in-lieu agreement according to HAFA guidelines.

Scenario F: HAMP Trial Modification Fails, Foreclosure Follows

Again, Dick and Jane contact their servicer about HAMP after experiencing income reductions. Again, they locate an affordable apartment nearby but elect to pursue a HAMP trial modification based on their servicer's assurances that they are likely to have the opportunity to remain in their home. As before, they draw on their savings to make regular trial modification payments for eight months. Again, the servicer notifies them that it is denying a permanent HAMP modification, asserting that it lacks the necessary documentation despite Dick and Jane's confirmation of the documents' receipt. They are offered a deed-in-lieu agreement under HAFA, but even given the HAFA homeowner incentive, their depleted savings and diminished credit standing impair their ability to find and move to a rental apartment. They decide to default instead and wait out the foreclosure process. The servicer delivers a notice that Dick and Jane are being referred for foreclosure. The UPB cited in the foreclosure notice is higher by more than $3,700: the eight months' payment difference and late fees.

Results for Dick and Jane. Again, Dick and Jane lose their home and must move forward without the benefit of the savings they had spent on the trial modification. Their credit is likewise impaired substantially, and these circumstances may well complicate their effort to find alternative housing. In addition, because Florida permits deficiency judgments, Dick and Jane remain liable for the UPB of their mortgage even after the servicer applies the proceeds from the sale of Dick and Jane's repossessed house.

Servicer Considerations. As before, the servicer eventually repossesses Dick and Jane's home. As previously noted, however, the servicer may collect past due servicing fees, payment advances, notary fees, recordation fees, release fees, title costs, property valuation fees, credit report fees, eight months of late fees earned from eight months of trial plan payments plus other late fees prior to the actual foreclosure, or other allowable and documented expenses due it from the proceeds of the home sale before remitting the remaining amounts to the bank. The servicer may obtain a deficiency judgment on behalf of the bank that holds the mortgage and seek further repayment from Dick and Jane. But given Dick and Jane's financial difficulties, prompt repayment of any deficiency judgment appears uncertain.

These scenarios illustrate a range of possible outcomes under HAMP as currently constituted and administered. Although the program offers the possibility of meaningful help to distressed borrowers, HAMP borrowers may also, ultimately, be worse off than before they participated, particularly in the case of failed trial modifications. As noted in SIGTARP's March 2010 audit report on HAMP, the difficulties in implementing the program for homeowners wishing to participate have led to an array of problems, including lost documentation and inaccurate program guidance for borrowers. Reports have continued to emerge of significant process and service failures at loan servicing firms and to date, there have been no financial penalties imposed by Treasury on servicers who have violated HAMP guidelines, leading to criticism that Treasury's administration of HAMP has been "all carrot and no stick." Recently, Bank of America announced a temporary nationwide suspension of home repossessions, while other major servicers have announced the temporary suspension of evictions in states that have judicial foreclosure processes. In addition, the Office of the Comptroller of the Currency recently directed seven major banks (Bank of America, Citibank, HSBC, JPMorganChase, PNC Bank, USBank and Wells Fargo) to review their foreclosure procedures.[644]

Through its Hotline, SIGTARP has received a substantial number of contacts from the public regarding HAMP, many of which contain allegations that the servicers have violated HAMP guidelines and rules. Some examples drawn from emails and letters to SIGTARP follow:

- "I entered into an agreement with [my servicer] through the Making Home Affordable program in April 2009. I have made every payment on time; that, they said, would result in the modification becoming permanent after six months. They have had us…submit the same paperwork seven times in the last two years. Now they have, in their words, 'decided not to go forward' and put a notice on the house for a sheriff's sale…a negotiator (who has never contacted me) made the decision to stop the modification with no reason as to why. I have not been late or missed a payment in 13 months."
- In a letter to a servicer: "My law office and my clients have been working, diligently and in good faith, with you toward a modification of the above-referenced loan since [May 2009] — for eleven months!...Although you continued to accept payments from our client on a regular monthly basis for six months past the trial period, your stated reason to our office for denying the permanent modification was that the property 'was not worth modifying'…the value of the property was available and known to [the servicer] during the nine months my client was paying. Therefore, we are wondering why the value of the property, if the underlying concern, was not cause for the servicer to deny the modification at an earlier time rather than having our client pay six more months of payments, in a desperate attempt to keep his home, only to be denied. Had he known earlier that the property 'was not worth modifying' he could have saved the six payments and not thrown away the money, as it is obvious he did now… the sale date on the property is [May 2010]."
- "We believe our loss mitigation request for the HAMP Permanent Modification has been wrongly denied. We have been trying to modify with [the servicer] on our mortgage since 2/2009. We have submitted the required paperwork multiple times with no success. However, recently we underwent a trial modification

and were supposedly approved for the permanent modification on 7/1/2010. I have every phone call documented since 2/2010. We received a letter in the mail three weeks ago stating that we were denied the permanent modification because the HAMP papers were never signed and returned to them by the deadline. WE NEVER received the paperwork to sign, notarize and send back. I stated that on several phone calls made to [the servicer] asking when we were going to receive the paperwork. Per their demand, we sent the 1st Permanent payment of [over $1,150] for the August 1st due date, but it has not been applied to our account since the 'permanent modification' was denied and they do not accept partial payments. And last week, we received a FedEx requesting our decision on a short-sale or deed in lieu of Foreclosure. We would like to know if there is anything we can do to make [the servicer] give us that permanent modification they offered without having to submit new paperwork and go through another trial modification or heaven forbid go through a foreclosure, considering the paperwork was never sent out for us to sign and therefore this denial was in no way a result of our actions. We did EVERYTHING they requested (some multiple times). Why should we be penalized for their mistakes? I had one supervisor state on 8/10 during our phone conversation that nothing was ever mailed out to us and that this was something that [the servicer] let fall. Then on two other separate dates, another supervisor and a representative also confirmed that no Permanent Modification Papers were ever generated. The latter was stated while on a 3-way call with a HAMP Escalations Counselor. As consumers, we get the sense that [the servicer] is buying their time with errors and lost/unsent paperwork until the program expires, they can foreclose or I find employment."

- "I am contacting you regarding a Making Home Affordable Loan Modification through [the servicer]. I have a 15 page memo of the events that have taken place and conversations I have had with [the servicer] over the mentioned time period. I can forward this memo and all supporting documentation to you upon request. Among other things, [the servicer] has lost documentation on several occasions. I have received confirmation of receipt of documentation requested only to be told months later that 'they have no record of receiving information' during that period of time despite having fax confirmations, fedex tracking confirmations and verbal confirmation. The borrowers were granted a trial Making Home Affordable Modification in March of 2010. They made all of their trial payments through September of 2010, provided all requested documentation (confirmed on multiple occasions that [the servicer] received) only to be denied on September 24, 2010 for missing documentation that was sent in on April 1, 2010 (FedEx tracking number confirmed delivery on April 2, 2010)… I feel that [the servicer] has not been truthful during this process. I also feel that they have tried to collect as much money as possible from the borrowers but not in good faith. I do not think they ever had any real intentions of modifying this mortgage. Thank you for your time."

- "Our original mortgage was with [Bank A]…Five months later [Bank B] acquires [Bank A and] tells us we have to start the process over…almost a year later in December 2009 we finally receive the first modification paperwork package… we are told by our mortgage adjust specialist…to show every possible expense, the more debt we show the better. Even if we show we cannot afford the modified payment that is OK because that can help us get an even lower payment. We make our five trial payments no problem, [June 2010] we got to make our sixth trial payment and are told we are denied a loan modification because it has been determined we cannot afford the payment. They demand our full mortgage payment."
- "I called to try to get an update and to try and process a payment by phone. I gave [the servicer employee] my bank information for the payment and then asked her if there was any update she could give me. She responded by telling me that [the servicer] had sent me to the attorney for foreclosure! How do you tell me not to pay, tell me that for months I am not allowed to send in payments, tell me to pay down my other bills with that money, and then two weeks later try and foreclose on my home? Your moratorium is why I stopped sending in the payments."
- "[My clients] received a trial modification that began [in June 2009]…[they] made all of the payments required by the trial modification. Their last trial payment was due [in September 2009]. [My clients] continued to make their trial payments beyond the trial period; additionally they contacted [their servicer] monthly, and faxed proof of income and hardship letters nearly every month. In [December 2009] they were erroneously informed that they were ineligible for a HAMP permanent modification due to their failure to submit documents. Over the course of several days, I spent seven hours on the phone…spoke with 11 people in the following departments: loan servicing, loss mitigation, customer service, collections, escrow, and HAMP…I was given no less than five different reasons as to why [my clients] were rejected by HAMP…As a result of [the servicer's] failure to put [my clients] into a HAMP permanent modification after their initial trial modification expired…they have been placed in a worse position…Now, they are informed that they are [over $1,600] behind on their mortgage…But for [the servicer's] failure to immediately transfer the modification from a trial modification to a permanent modification in September 2009, [my clients] would be current on their mortgage."
- "[The servicer] claims that they asked for documentation in a timely manner, but did not. They are lying. In fact, the dates they claimed they requested the information, they were in the process of setting the property for trustee sale, so obviously were not working on the HAFA short sale as they claimed to be.

In reality, they first asked for the documentation on 7/14 and claimed it was too late because it was received at 5:00 on 7/15. They claim the deadline was 4:00 on 7/15. It appears that they mishandled the file, fell behind on their own program specified timelines and are now trying to blame us. In fact, throughout the trial modification program and now with the short sale, it seems we get a different story from them every time we speak to them. One hand does not seem to know what the other hand is doing. They continually claim not to have received documentation we have sent in many times. One department proceeded to taking the property to a trustee sale date, while the short sale department was in contact with us, telling us they were working with us on the file. We were able to save the property from trustee sale at the 11th hour with great difficulty and stress. None of this should have happened if they were not mishandling this file. This mishandling has now cost us the $3,000 in relocation funds, and the other benefits of the HAFA program, which we otherwise qualified for. They tell us now that we will have to start all over again from start if we want to apply for the HAFA program again, and we will most likely lose our buyer, and incur more difficulty as the prices are continuing to fall in this area. We want [the servicer] to reinstate us in the HAFA program — something they are claiming they simply cannot do."

- "I applied to the Making Home Affordable Program with [my previous servicer] and sent requested documents in by 8/31/09. They…told me on the phone that they were modifying my loan and interest rate would be reduced to less than 5%...[my previous servicer] had taken automatic payments from my checking account since closing in early 2003…mortgage payments were never delinquent until [my previous servicer] failed to take that automatic deduction before selling that servicing agreement. The next I heard was from [my new servicer] welcoming me to their service and informing me that my payment was already delinquent and had a penalty due. They denied all knowledge of my previous agreement or negotiations with [my previous servicer] or of the previous extensive paperwork which I had submitted. I had to resubmit all documentation and have had nothing but delays and 'runarounds' since. I have replied to numerous requests for additional documentation which was so often 'misplaced' or never received or to have automatically expired and to need renewal. [My previous servicer's] failure to take that automatic payment has proven a major obstacle in my outside efforts to refinance at historically low interest rates as it impacted my already compromised credit rating…To modify my mortgage at today's rates is a win situation for both parties. Without that you own this depreciated and inevitably depreciating asset. There are four houses in my neighborhood up for sale."

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.[645] 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.[646] In addition to permanent and interim staff, OFS relies on contractors and financial agents for legal services, investment consulting, accounting, and other key services.

TARP ADMINISTRATIVE AND PROGRAM EXPENDITURES

According to Treasury, as of September 30, 2010, it has spent $141.3 million administering TARP and $429.6 million in programatic expenditures. Treasury reports that it has "employed 100 career civil servants, 114 term appointees, and 2 detailees, for a total of 216 full time employees."[647] Table 4.1 provides a summary of the $141.3 million in expenditures and the $167.7 million in obligations

TABLE 4.1

TARP ADMINISTRATIVE EXPENDITURES AND OBLIGATIONS

Budget Object Class Title	Obligations for Period Ending 9/30/2010	Expenditures for Period Ending 9/30/2010
Personnel Services		
Personnel Compensation & Services	$44,547,960	$44,321,430
Total Personnel Services	**$44,547,960**	**$44,321,430**
Non-Personnel Services		
Travel & Transportation of Persons	$817,850	$783,712
Transportation of Things	11,960	11,960
Rents, Communications, Utilities & Misc. Charges	669,885	445,703
Printing & Reproduction	395	395
Other Services	120,746,345	94,956,829
Supplies & Materials	700,032	534,792
Equipment	232,054	222,675
Land & Structures	—	—
Dividends and Interest	27	27
Total Non-Personnel Services	**$123,178,548**	**$96,956,093**
Grand Total	**$167,726,508**	**$141,277,523**

Notes: Numbers affected by rounding. The costs associated with "Other Services" in this table are composed of administrative services including financial, administrative, IT and legal (non-programmatic) support.

Source: Treasury, response to SIGTARP data call, 10/7/2010.

through September 30, 2010. These costs are categorized as "personnel services" and "non-personnel services," with a few exceptions.

Treasury has also incurred programmatic expenditures, including costs to hire financial agents and contractors. The $429.6 million of these expenditures are categorized in Table 4.2. Since TARP's inception, the total of all expenditures, including contractors and financial agents, is $570.9 million out of a total obligation amount of $680.9 million.[648]

CURRENT CONTRACTORS AND FINANCIAL AGENTS

As of September 30, 2010, Treasury had retained 69 private vendors, including 15 financial agents and 54 contractors, to help administer TARP.[649] Table 4.2 includes service providers retained as of September 30, 2010. Although Treasury informed SIGTARP that it "does not track" the number of individuals who provide services under its agreements, the number likely dwarfs the 216 that Treasury has identified as working for OFS.[650] For example, the Congressional Oversight Panel recently reported "Fannie Mae alone currently has 600 employees working to fulfill its TARP commitments."[651] To streamline and expedite contract solicitation, EESA allowed the Treasury Secretary to waive specific Federal Acquisition Regulations ("FAR") for urgent and compelling circumstances.[652]

TABLE 4.2

OFS SERVICE CONTRACTS

Date	Vendor	Purpose	Type of Transaction	Obligated Value	Expended Value
10/10/2008	Simpson Thacher & Bartlett MNP LLP	Legal services for the implementation of TARP	Contract	$931,090	$931,090
10/11/2008	Ennis Knupp & Associates Inc	Investment and Advisory Services	Contract	2,715,965	2,392,742
10/14/2008	The Bank of New York Mellon Corporation	Custodian	Financial Agent	28,495,412	23,777,002
10/16/2008	PricewaterhouseCoopers	Internal control services	Contract	24,541,437	22,410,694
10/18/2008	Ernst & Young LLP	Accounting Services	Contract	11,397,968	10,710,092
10/29/2008	Hughes Hubbard & Reed LLP	Legal services for the Capital Purchase Program	Contract	3,060,921	2,828,688
10/29/2008	Squire, Sanders & Dempsey LLP	Legal services for the Capital Purchase Program	Contract	5,787,939	2,687,999
10/31/2008	Lindholm & Associates, Inc	Human resources services	Contract	751,302	614,963
11/7/2008	Sonnenschein Nath & Rosenthal LLP	Legal services related to auto industry loans	Contract	2,722,326	2,722,326
11/7/2008	GSA - Turner Consulting[2]	For process mapping consultant services	Interagency Agreement	9,000	9,000
11/9/2008	Internal Revenue Service	Detailees	Interagency Agreement	97,239	97,239
11/14/2008	Internal Revenue Service - CSC[2]	IT Services	Interagency Agreement	8,095	8,095
12/3/2008	Alcohol and Tobacco Tax and Trade Bureau	IAA - TTB Development, Mgmt & Operation of SharePoint	Interagency Agreement	67,489	67,489
12/10/2008	Sonnenschein Nath & Rosenthal LLP	Legal Services for the purchase of asset-backed securities	Contract	249,999	82,884
12/15/2008	Office of Thrift Supervision (OTS)	Detailees	Interagency Agreement	225,547	164,823
12/16/2008	Department of Housing and Urban Development	Detailees	Interagency Agreement	142,863	124,773
12/22/2008	Office of Thrift Supervision (OTS)	Detailees	Interagency Agreement	103,871	—
12/24/2008	Cushman and Wakefield of VA Inc	Painting Services for TARP Offices	Contract	8,750	8,750
1/6/2009	Security and Exchange Comm. U.S.	Detailees	Interagency Agreement	30,417	30,416
1/7/2009	Colonial Parking Inc	Lease of parking spaces	Contract	191,650	111,320
1/7/2009	Washington Post[2]	Subscription	Interagency Agreement	395	395
1/27/2009	Cadwalader Wickersham & Taft LLP	Bankruptcy Legal Services	Contract	409,955	409,955
1/27/2009	Whitaker Brothers Bus Machines Inc	Paper Shredder	Contract	3,213	3,213
1/30/2009	Comptroller of the Currency	Detailees	Interagency Agreement	561,568	501,118
2/2/2009	U.S. Government Accountability Office	IAA - GAO required by P.L. 110-343 to conduct certain activities related to TARP IAA	Interagency Agreement	7,459,049	7,459,049
2/3/2009	Internal Revenue Service	Detailees	Interagency Agreement	242,499	242,499

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OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligated Value	Expended Value
2/9/2009	Pat Taylor & Associates, Inc	Temporary Services for Document Production, FOIA Assistance, and Program Support	Contract	$692,108	$692,108
2/12/2009	Locke Lord Bisell & Liddell LLP	Initiate Interim Legal Services in support of Treasury Investments under EESA	Contract	272,243	272,243
2/18/2009	Fannie Mae	Homeownership Preservation Program	Financial Agent	126,712,000	111,339,451
2/18/2009	Freddie Mac	Homeownership Preservation Program	Financial Agent	88,850,000	79,296,499
2/20/2009	Financial Clerk U.S. Senate	IAA – Review Current State of Fin Mkts & Regulatory Sys & Rpt Certain Activities	Interagency Agreement	3,394,348	3,394,348
2/20/2009	Office of Thrift Supervision (OTS)	Detailees	Interagency Agreement	226,931	189,533
2/20/2009	Simpson Thacher & Bartlett MNP LLP	Capital Assistance Program (I)	Contract	2,047,872	1,363,085
2/20/2009	Venable LLP	Capital Assistance Program (II) Legal Services	Contract	1,394,724	1,394,724
2/26/2009	Security and Exchange Comm. U.S.	Detailees	Interagency Agreement	18,531	18,531
2/27/2009	Pension Benefit Guaranty Corporation	Financial Advisory Services related to Auto program	Interagency Agreement	7,750,000	7,750,000
3/6/2009	The Boston Consulting Group	Management Consulting relating to the Auto industry	Contract	991,169	991,169
3/16/2009	Earnest Partners	Small Business Assistance Program	Financial Agent	4,050,000	1,955,000
3/23/2009	Heery International Inc.[2]	Architectural Services	Interagency Agreement	—	—
3/30/2009	Bingham McCutchen LLP[4]	SBA Initiative Legal Services - Contract Novated from TOFS-09-D-0005 with McKee Nelson	Contract	422,355	270,776
3/30/2009	Cadwalader Wickersham & Taft LLP	Auto Investment Legal Services	Contract	17,482,165	17,392,786
3/30/2009	Haynes and Boone, LLP	Auto Investment Legal Services	Contract	345,746	345,746
3/30/2009	Sonnenschein Nath & Rosenthal LLP	Auto Investment Legal Services	Contract	1,834,193	1,834,193
3/31/2009	FI Consulting Inc	Credit Reform Modeling and Analysis	Contract	1,935,866	1,461,560
4/3/2009	American Furniture Rentals[2]	Furniture Rental 1801	Interagency Agreement	35,187	25,808
4/3/2009	The Boston Consulting Group	Management Consulting relating to the Auto industry	Contract	4,100,195	4,099,923
4/17/2009	Bureau of Printing and Engraving	Detailees	Interagency Agreement	45,822	45,822
4/17/2009	Herman Miller, Inc	Chairs	Contract	53,799	53,799
4/21/2009	AllianceBernstein LP	Asset Management Services	Financial Agent	22,399,943	21,207,253
4/21/2009	FSI Group, LLC	Asset Management Services	Financial Agent	11,102,500	10,770,000
4/21/2009	Piedmont Investment Advisors, LLC	Asset Management Services	Financial Agent	5,615,000	5,120,000
5/4/2009	Department of State	Detailees	Interagency Agreement	45,492	45,492
5/5/2009	Federal Reserve Board	Detailees	Interagency Agreement	48,422	48,422

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OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligated Value	Expended Value
5/13/2009	Treasury - U.S. Mint	"Making Home Affordable" Logo search	Interagency Agreement	$975	$325
5/14/2009	KnowledgeBank Inc.[2]	Executive Search and recruiting Services - Chief Homeownership Officer	Contract	124,340	124,340
5/15/2009	Phacil, Inc	Freedom of Information Act (FOIA) Analysts to support the Disclosure Services, Privacy and Treasury Records	Contract	103,425	90,301
5/20/2009	Security and Exchange Comm. U.S.	Detailees	Interagency Agreement	430,000	430,000
5/22/2009	Department of Justice - ATF	Detailees	Interagency Agreement	243,778	243,740
5/26/2009	Anderson, McCoy & Orta	Legal services for work under Treasury's Public-Private Investment Funds (PPIF) program	Contract	4,068,834	1,577,271
5/26/2009	Simpson Thacher & Bartlett MNP LLP	Legal services for work under Treasury's Public-Private Investment Funds (PPIF) program	Contract	7,849,026	3,185,439
6/9/2009	Financial Management Services	Development of an Information Management Plan (IMP) to articulate strategies to be used by the Office of Financial Stability (OFS) to manage its portfolio of information management transformation activities	Interagency Agreement	93,292	89,436
6/29/2009	Department of the Interior	IAA to Department of Interior's Federal Consulting Group to support Stability. Gov website	Interagency Agreement	49,000	49,000
7/15/2009	Judicial Watch[3]	Unknown	Interagency Agreement	1,500	1,500
7/17/2009	Korn/Ferry International	Executive search services for the OFS Chief Investment Officer position	Contract	75,017	75,017
7/30/2009	Cadwalader Wickersham & Taft LLP[1]	Restructuring Legal Services	Contract	2,049,979	1,266,342
7/30/2009	Debevoise & Pimpton LLP	Restructuring Legal Services	Contract	159,175	—
7/30/2009	Fox, Hefter, Swibel, Levin & Carol, LLP	Restructuring Legal Services	Contract	84,125	—
8/10/2009	Department of Justice-ATF	Detailees	Interagency Agreement	63,218	54,679
8/10/2009	National Aeronautics and Space Administration (NASA)	Detailees	Interagency Agreement	146,986	140,889
8/18/2009	Mercer LLC	Executive Compensation Data Subscription	Contract	3,000	3,000
8/25/2009	Department of Justice-ATF	Detailees	Interagency Agreement	63,494	63,248
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	1,240,037	1,114,937

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OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligated Value	Expended Value
9/18/2009	Treasury Franchise Fund	Administrative Resource Center	Interagency Agreement	$436,054	$436,054
9/30/2009	NNA INC.	Newspaper delivery	Contract	8,479	8,220
9/30/2009	SNL Financial LC	SNL Unlimited, a web-based financial analytics service	Contract	260,000	110,000
9/30/2009	Immixtechnology Inc.[2]	eDiscovery	Interagency Agreement	210,184	—
9/30/2009	Immixtechnology Inc.[2]	Procurement of professional services from Guidance Inc. to address the Freedom of Information Act (FOIA) backlog that currently exists within the OFS.	Interagency Agreement	90,000	—
11/29/2009	Departmental Offices	Financial management, human resources, information technology, general counsel and other reimbursable support services	Interagency Agreement	23,682,061	15,334,819
12/16/2009	Internal Revenue Service	Property Management	Interagency Agreement	46,202	—
12/22/2009	Avondale Investments LLC	Asset Management Services	Financial Agent	750,000	562,500
12/22/2009	Bell Rock Capital, LLC	Asset Management Services	Financial Agent	750,000	575,000
12/22/2009	Howe Barnes Hoefer & Arnett, Inc	Asset Management Services	Financial Agent	1,250,000	950,000
12/22/2009	Hughes Hubbard & Reed LLP	Document Production services and Litigation Support	Contract	601,890	601,890
12/22/2009	KBW Asset Management, Inc	Asset Management Services	Financial Agent	3,803,333	3,279,167
12/22/2009	Lombardia Capital Partners, Inc	Asset Management Services	Financial Agent	1,250,000	937,500
12/22/2009	Paradigm Asset Management Co. LLC	Asset Management Services	Financial Agent	1,250,000	925,000
1/14/2010	U.S. Government Accountability Office	IAA - GAO required by P.L. 110-343 to conduct certain activities related to TARP	Interagency Agreement	7,304,722	7,304,722
1/15/2010	Association of Government Accountants	CEAR Program Application	Contract	5,000	5,000
2/16/2010	IRS	Property Management	Interagency Agreement	52,742	52,742
2/16/2010	The MITRE Corporation	FNMA IR2 Assessment — OFS task order on Treasury Mitre Contract	Contract	740,526	656,276
2/18/2010	Treasury Franchise Fund	Administrative Resource Center	Interagency Agreement	1,248,740	1,221,140
3/8/2010	Qualx Corporation	FOIA Support Services	Contract	230,438	192,032
3/22/2010	Financial Management Services	IT Executives signature license	Interagency Agreement	73,750	73,750
3/26/2010	Federal Maritime Commission (FMC)	Detailees	Interagency Agreement	118,744	118,744
3/29/2010	Morgan Stanley & Co	Disposition Agent Services	Financial Agent	23,577,000	13,175,423
4/2/2010	Financial Clerk U.S. Senate	IAA – Review Current State of Fin Mkts & Regulatory Sys & Rpt Certain Activities	Interagency Agreement	4,800,000	4,783,205
4/8/2010	Squire, Sanders & Dempsey LLP	Housing Legal Services	Contract	1,229,350	572,956

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)					
Date	**Vendor**	**Purpose**	**Type of Transaction**	**Obligated Value**	**Expended Value**
4/12/2010	Ennis Knupp & Associates Inc	Investment Consulting Services	Contract	$83,050	$82,050
4/22/2010	Digital Management	Data and Document Management Consulting Services	Contract	—	—
4/22/2010	MicroLink, LLC	Data and Document Management Consulting Services	Contract	1,665,160	615,150
4/23/2010	RDA	Data and Document Management Consulting Services	Contract	1,277,134	393,861
5/4/2010	Internal Revenue Service	Detailees	Interagency Agreement	1,320	1,320
5/17/2010	Lazard Freres & Co. LLC	Transaction Structuring Services	Financial Agent	7,500,000	2,166,667
6/24/2010	Reed Elselvier Inc	Accurint subscription services for one year - 4 users	Contract	8,208	1,539
6/30/2010	The George Washington University	Financial Institution Mgmt & Modeling — Training course (J.Talley)	Contract	5,000	5,000
7/21/2010	Navigant Consulting	Program Compliance Support Services	Contract	—	—
7/21/2010	Regis and Associates PC	Program Compliance Support Services	Contract	—	—
7/22/2010	Ernst & Young LLP	Program Compliance Support Services	Contract	—	—
7/22/2010	PricewaterhouseCoopers	Program Compliance Support Services	Contract	—	—
7/22/2010	Schiff Hardin LLP	Housing Legal Services	Contract	537,375	87,464
7/27/2010	West Publishing Corporation	Subscription Service for 4 users	Contract	5,972	747
8/6/2010	Alston & Bird LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Cadwalader Wickersham & Taft LLP	Omnibus procurement for legal services	Contract	1,997,820	—
8/6/2010	Fox, Hefter, Swibel, Levin & Carol, LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Haynes and Boone, LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Hughes Hubbard & Reed LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Love & Long LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Orrick Herrington Sutcliffe LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Paul, Weiss, Rifkind, Wharton & Garrison LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Perkins Coie LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Seyfarth Shaw LLP	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Shulman, Rogers, Gandal, Pordy & Ecker, PA	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Sullivan Cove Reign Enterprises JV	Omnibus procurement for legal services	Contract	—	—
8/6/2010	Venable LLP	Omnibus procurement for legal services	Contract	—	—
8/12/2010	Knowledge Mosaic Inc.	SEC filings subscription service	Contract	5,000	5,000
8/30/2010	Department of Housing and Urban Development	Detailees	Interagency Agreement	29,915	29,915
9/1/2010	CQ-Roll Call Inc.	One-year subscription (3 users) to the CQ Today Breaking News & Schedules, CQ Congressional & Financial Transcripts, CQ Custom Email Alerts	Contract	7,500	7,500

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction	Obligated Value	Expended Value
9/17/2010	Bingham McCutchen LLP[4]	SBA 7(a) Security Purchase Program	Contract	$19,975	$—
9/27/2010	Davis Audrey Robinette	Program Operations Support Services to include project management, scanning and document management and correspondence	Contract	50,000	—
9/30/2010	CCH Incorporated	GSA Task Order for procurement books - FAR, T&M, Government Contracts Reference, World Class Contracting	Contract	2,430	—
Date Not Available	Departmental Offices	Financial management, human resources, information technology, general counsel and other reimbursable support services	Interagency Agreement	16,512,820	15,588,184
Date Not Available	Departmental Offices	Financial management, human resources, information technology, general counsel and other reimbursable support services	Interagency Agreement	671,731	435,351
Total				**$513,146,385**	**$429,645,224**

Notes: Numbers may not total due to rounding. At year-end, OFS validated the matrix against source documents resulting in modification of award date. At year-end, a matrix entry that included several Inter-agency agreements bundled together was split up to show the individual IAAs. For IDIQ contracts, $0 is obligated if no task orders have been awarded.
[1] $1.4M de-obligation submitted on 9/30/2010.
[2] Contracts were awarded by other branches within the PSD pursuant to a common Treasury service level and subject to a reimbursable agreement with OFS.
[3] Judicial Watch is a payment in response to a litigation claim. No contract or agreement was issued to Judicial Watch.
[4] McKee Nelson Contract, TOFS-09-D-0005, was novated to Bingham McCutchen LLP.

Source: Treasury, response to SIGTARP data call, 10/9/2010.

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 makes new recommendations concerning a newly announced initiative, 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 H: "Correspondence" includes Treasury's October 22, 2010, letter in response to this section. In its letter, Treasury raises a number of issues relating to the report. There is only one comment that merits response.

Treasury states that with respect to SIGTARP's description of the Unlocking Credit for Small Susinesses program described in Section 2: "TARP Overview" of this report, Treasury is "concerned that [SIGTARP's'] disclosure of detailed trading information (CUSIPS and counterparty identities) could cause material economic harm to the taxpayer's SBA 7(a) investment." Treasury thus makes the reckless suggestion that SIGTARP has harmed taxpayer interests by inappropriately publishing this information in the past, and that SIGTARP will continue to inflict such harm in the future. When understood in context, this charge, and the manner in which it has been leveled, suggests that Treasury's motive for advancing it has little to do with protecting the taxpayer.

As Treasury well knows, but which it tellingly left out of its letter, Treasury first raised issues regarding disclosure of the SBA 7(a) securities in April 2010, in advance of SIGTARP's publication of its quarterly report later that month. At that time, SIGTARP discussed in detail with Treasury officials SIGTARP's belief that it had a statutory obligation to report such detailed information about the securities under Sections 121(c)(1)(B) and 121(i)(1) of EESA, which require SIGTARP to report "a listing of troubled assets purchased" by Treasury in a "detailed statement of all purchases" for the preceding quarter. SIGTARP further explained that while it believed that the statute offered it no discretion to exclude CUSIP level information from our report, if Treasury believed otherwise, SIGTARP would defer disclosing any such information so that Treasury could seek a legal opinion from the Department of Justice's Office of Legal Counsel ("OLC") to the contrary, which SIGTARP would of course follow. On April 17, 2010, in an email to SIGTARP's Chief Counsel, Treasury confirmed that it had in fact declined SIGTARP's offer to defer publication so that Treasury could seek such an opinion, and later that evening, Treasury confirmed in a separate email to SIGTARP that "Treasury does not have an objection with SIGTARP publishing CUSIPs for the SBA 7(a) securities." Only after receiving that email did SIGTARP include CUSIP level information for the three securities purchased in the preceding quarter, without objection.

For SIGTARP's July 2010 Quarterly Report to Congress, SIGTARP once again requested and received from Treasury detailed CUSIP information for additional SBA 7(a) securities that Treasury had purchased over the preceding quarter, which was published without any objection from Treasury.

For this quarter, SIGTARP once again requested the CUSIP data from Treasury, which it again produced without objection. On October 1, 2010, SIGTARP provided Treasury with a draft of this report for vetting that indicated SIGTARP's intention once again to publish this information. Although Treasury repeated its long-standing objection to SIGTARP disclosing information from the PPIP program (the legal structure of PPIP as created by Treasury does not require SIGTARP to publish CUSIP level information), it offered no objection to the SBA 7(a) disclosures. And just days before Treasury's October 22, 2010, letter, SIGTARP engaged in a detailed discussion with Treasury officials regarding the terminology Treasury provided to SIGTARP regarding the SBA 7(a) disclosures, and again Treasury offered no objection. Indeed, the current objection did not come until after 7:30 p.m. on Friday, October 22, 2010, well after SIGTARP's deadline for comments.

If Treasury had been legitimately concerned about "material economic harm" to the taxpayer regarding these disclosures, it would have done one or more of the following: (a) accepted SIGTARP's offer six months ago to defer publication so that it could consult with OLC to get a legal opinion regarding SIGTARP's disclosure obligations; (b) asked Congress in the intervening six months to alter EESA's disclosure requirements; (c) not issued its statement on April 17, 2010, that it had no objection to the disclosures, and then permitted publication of additional information in July 2010 without objection; or (d) advanced its current objection prior to SIGTARP's publication deadline so that Treasury and SIGTARP could have discussed any potential changes in circumstances (which have yet to be identified), and so that SIGTARP and Treasury could have worked together on a potential remedy, as SIGTARP had previously suggested. That Treasury did none of these things significantly undermines its claimed concern for harm to the taxpayer.

SIGTARP was created for one central purpose: to protect the taxpayer. It is a job SIGTARP takes very seriously, and as demonstrated later in this section, SIGTARP is more than willing to err on the side of caution when it comes to disclosing information that may harm the taxpayer. Treasury's suggestion that SIGTARP has done otherwise in this case, without disclosing the significant relevant factual background on this issue, is unfounded, inappropriate, and extremely unfortunate.

RECOMMENDATIONS REGARDING IMPLEMENTATION OF THE SMALL BUSINESS LENDING FUND

The Small Business Jobs Act of 2010 ("Act") was signed by the President on September 27, 2010. This new legislation includes authorization to Treasury to establish the Small Business Lending Fund ("SBLF"). Although SBLF will be outside of TARP and does not explicitly include SIGTARP oversight, it does require Treasury to issue regulations and other guidance "to permit eligible institutions to refinance securities issued to Treasury under" existing TARP programs. In light of the likelihood that a large number of current participants in TARP's Capital Purchase Program ("CPP") will ultimately seek to refinance their CPP capital through SBLF, SIGTARP has three recommendations with respect to any such refinancing process. The first two recommendations were contained in a letter to Treasury Secretary Timothy Geithner dated September 27, 2010. A copy of the letter is included in Appendix H: "Correspondence." The third recommendation is based on further review of the relevant statutory provisions. All three recommendations are set forth below. Treasury has responded by saying that it will consider these issues as it works to implement the statute.

First, when Treasury considers whether to accept an existing CPP participant into SBLF, because conditions for many of the relevant institutions have changed dramatically since they were approved for CPP, Treasury and the bank regulators should conduct a new analysis of whether the applying institution is sufficiently healthy and viable to warrant participation in SBLF.

The fact that a CPP participant was deemed healthy and viable at the time of its CPP application does not mean that the institution remains so now. For a number of reasons, well more than 100 CPP banks have missed scheduled dividend payments to Treasury. The investments in others have had to be restructured, often at a loss to Treasury, and five have failed altogether. Indeed, as the Government Accountability Office recently found, the CPP process itself was not a perfect one, with 12% of the banks that were funded considered "marginal applicants," and several of those approved despite questions about their ongoing viability. While institutions that have missed "more than one" dividend payment are already prohibited from participating in SBLF, other CPP participants that are not delinquent may nonetheless face changed conditions that warrant their exclusion.

Although SIGTARP recognizes that taxpayer funds are at risk in both programs, it makes little sense to move a struggling bank from TARP — a program characterized by strong oversight by multiple oversight bodies, periodic monitoring, and other controls designed to protect the taxpayers' interests, such as restrictions on executive compensation and stock repurchases — into a program that will have far fewer restrictions and protections. Furthermore, it makes little sense to convert a bank into SBLF — a program intended to incentivize increased lending — if the institution does not have the necessary capital to support such increased lending. Indeed, the incentives in SBLF (which reward increased lending and ultimately punish institutions that maintain the status quo) could result in such struggling institutions making ill-advised loans or subject them to losses that they, and by extension the taxpayers, could ill afford. In a related vein, Treasury should also make clear that the Act's provision that institutions on the Federal Deposit Insurance Corporation's problem bank list may not receive "any capital investment under the Program" also applies to institutions seeking to "refinance securities issued to Treasury" under existing TARP programs.

Second, for similar reasons, when Treasury conducts the new analysis of an institution's health and viability, the existing CPP preferred shares should not be counted as part of the institution's capital base.

In the CPP application process, institutions' health and viability were typically evaluated without accounting for the anticipated CPP investment. In SIGTARP's view, the analysis should be the same for the anticipated SBLF capital that will be replacing that CPP capital. An institution that would not have an adequate capital base but for the Government's CPP investment likely will not have the necessary capital to support increased lending. And, again, for a weaker institution or an institution that is adequately capitalized solely because of its existing Government-funded capital, the incentives in SBLF could result in a greater risk of loss to the taxpayer. Moreover, as noted above, converting such a struggling institution to a program with less oversight and fewer controls would, in our view, also be contrary to taxpayer interests, do nothing to advance the stated goals of SBLF, and would contribute to the criticism that SBLF is being used as a cover to bail out struggling banks.

Third, Treasury should take steps to prevent institutions that are refinancing into the SBLF from CPP from securing windfall dividend reductions without any relevant increase in lending.

This recommendation is based on SIGTARP's review of the Act's SBLF provisions concerning dividend rates. Because SIGTARP has not yet received a promised Treasury briefing on the statute or the SBLF program, first requested on September 29, 2010, SIGTARP's understanding of the relevant mechanics is necessarily tentative.

Pursuant to SBLF, financial institutions can obtain investment capital at an initial dividend rate of 5% and then can reduce their dividend rate to as low as 1% on the basis of increased lending. Under the Act, however, it appears that the relative change in a financial institution's lending activities is measured against "the average amount of small business lending reported by the eligible institution in its call reports for the four full quarters immediately preceding the date of enactment of this Act." As a result of this provision, CPP recipients could gain the benefit of a substantial dividend reduction on the basis of lending increases that are completely unrelated to SBLF.

Because the baseline is calculated on an average over the four full quarters preceding the fixed date of September 27, 2010, CPP institutions whose lending increased in the fourth quarter could receive a windfall. By way of an extremely simplified example, if a CPP recipient had small-business lending rates during the four full quarters prior to September 27, 2010, of $5 million, $6 million, $6 million, and $7 million, its baseline would be the average of those figures, or $6 million. However, assuming that its lending rate of $7 million per quarter — an increase of almost 17% above its $6 million baseline — remains unchanged at the end of the quarter preceding its receipt of SBLF capital, it will qualify for a reduced dividend rate of 1%. Yet the SBLF incentive had no role in encouraging the increased lending rate; the increase preceded both the Act and the SBLF funding. CPP institutions are currently subject to 5% dividend rates that are scheduled to increase after five years (for most recipients, this will occur in late 2013 or early 2014). Pursuant to SBLF, they may be eligible for dramatically reduced dividend rates for four-and-a-half years (approximately the middle of 2015 if the program is launched by year-end) and escape the taxpayer-protecting restrictions in CPP in exchange for no meaningful changes to their small-business lending behavior or practices. In other words, the taxpayers will be forced to shoulder a reduction — up to 80% — in dividend payments on the CPP investments, without the benefit of a corresponding policy outcome. To avoid this anomaly, SIGTARP recommends that when issuing regulations or other guidance under SBLF, Treasury implement measures, such as a refinancing fee, that would approximate the difference in dividend rates unless and until the institution increases its small business lending, and that are designed to negate the windfall that could accrue to CPP participants seeking refinancing under the new program.

RECOMMENDATIONS RELATING TO TREASURY'S MONITORING OF COMPLIANCE WITH TARP REQUIREMENTS BY COMPANIES RECEIVING EXCEPTIONAL ASSISTANCE

As described in greater detail in SIGTARP's Quarterly Report to Congress dated July 21, 2010, on June 29, 2010, SIGTARP released an audit report entitled "Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance." The report 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 found that to date, Treasury had not adequately carried out this responsibility in three key respects: First, Treasury's compliance implementation had been too slow. Second, Treasury's compliance procedures relied too heavily on the companies to detect and report requirement violations on their own. And third, Treasury's compliance staffing levels continued to be inadequate. The audit made three recommendations designed to remedy these findings.

Treasury initially acknowledged the report in a letter to SIGTARP dated June 29, 2010, in which it indicated that it "strongly disagreed with many of the statements and two of your recommendations." Treasury supplied a follow-up letter to SIGTARP dated August 5, 2010. Both letters are reproduced in full in Appendix H: "Correspondence." In its second letter, Treasury reiterated its disagreement with statements in the report, yet failed to identify a single factual assertion in the audit report that it characterized as inaccurate. This is not surprising given that Treasury had a full opportunity to review the report and detail any potential factual errors before its release. Instead, Treasury argued that rather than focusing on the failings of Treasury's efforts to ensure that extraordinary assistance recipients were complying with their obligation to adhere to governance conditions in their contracts, SIGTARP should have focused on other matters, such as the fact that several of the recipients of TARP extraordinary assistance had repaid their funds. While true, this observation is irrelevant to Treasury's obligation to safeguard the taxpayers' interest in seeing TARP recipients held strictly accountable for honoring the restrictions and conditions that were attached to their receipt of taxpayer money. Indeed, it is little more than an ends-justify-the-means argument, effectively asserting that Treasury's compliance efforts were adequate because Citigroup Inc., Bank of America Corp., and Chrysler Holding LLC paid back their TARP funds. SIGTARP rejects this argument in its entirety.

Repayment does not abrogate the companies' duties as spelled out in their agreements with Treasury, nor the obligation of the Office of Financial

Stability-Compliance ("OFS-Compliance") to ensure that those duties be carried out consistently. Establishing transparency and confidence in how TARP funds are spent, which is the primary objective of the compliance stipulations, serves the essential purpose of ensuring evenhanded and credible administration of the program. It is therefore a worthy goal in its own right.

Treasury's second letter discussed the three specific recommendations from the audit report. Each is set forth below, followed by a discussion of Treasury's response.

Treasury should promptly take steps to verify TARP recipients' conformance to their obligations, not only by ensuring that they have adequate compliance procedures but also by independently testing participants' compliance.

Treasury's initial response, contained in its June 29, 2010, letter, was that it "strongly disagreed" with this recommendation. In its more recent response, Treasury has wisely reconsidered this position, acknowledging its "need to test compliance" and pledging to engage in such testing in the future, but noted that its "strategy is to conduct testing where we have particular concerns as to risk." While SIGTARP applauds Treasury's belated recognition of the rather basic need not simply to trust TARP recipients to self-report, Treasury's strategy of testing only where it sees potential risk is inadequate.

Indeed, given that Treasury will continue to rely on self-reporting absent some recognition of a "risk," there is diminished likelihood that Treasury will accurately perceive where and when genuine compliance risks arise. To ensure better compliance, more comprehensive testing would be far superior and is instrumental for meeting what SIGTARP and Treasury agree is an important objective: the confirmation that these recipients of extraordinary public assistance have met the essential terms of their agreements.

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.

Curiously, although Treasury initially indicated that it "strongly disagrees" with this recommendation, in its more recent response it claims that it is already in compliance with the spirit of the recommendation and will now memorialize its approach. But while Treasury acknowledges that "formally articulating an internal policy could be valuable in ensuring consistency," it remains "concerned about creating an inflexible regime where different institutions could not be evaluated in the context of their necessarily different environments."

Although SIGTARP acknowledges that some degree of flexibility may be valuable, that flexibility is best provided in the context of principled and consistent guidance about Treasury's compliance expectations. Regardless of Treasury's claims to the contrary, the framework that SIGTARP observed, with its absence of clear guidelines, afforded exceptional assistance recipients abundant flexibility, but at too great a potential cost in consistency and transparency. SIGTARP therefore stands by its recommendation, believing that the recommendation does not hinder Treasury's ability to apply well-defined compliance principles to diverse individual circumstances. Moreover, a clear policy on the matter would itself provide a useful frame of reference for Treasury's expressed intention to engage exceptional assistance recipients proactively. If Treasury cannot develop such a policy, it should adopt the alternative recommendation and require all violations to be reported.

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.

In its response to this recommendation, Treasury recognized the need to continue to hire additional staff in OFS-Compliance in order to execute fully its existing compliance strategy and stated that it continues to recruit aggressively. Treasury objected to SIGTARP's characterization of delays in building the OFS-Compliance team, calling it "unfair and inaccurate" and asserting that "hiring continues to be challenged because there is a demand for individuals with the required skills and offers can be declined due to salary constraints and the limited employment period for the position." Treasury further responded by pointing to its broader compliance efforts.

While Treasury may well face real challenges in hiring qualified individuals for particular positions, the fact remains that as currently staffed, OFS-Compliance is not equipped to implement a comprehensive and effective compliance strategy. Two years into its administration of TARP, Treasury should not still be seeking to excuse its failure to complete the critically important task of assembling a robust compliance staff.

UPDATE ON TREASURY'S ADOPTION OF SIGTARP'S USE OF FUNDS RECOMMENDATION

From its inception, one of SIGTARP's earliest and most fundamental recommendations with respect to basic transparency in the operation of TARP has been that Treasury should require all TARP recipients to report periodically on their use of TARP funds. The efficacy of this common-sense recommendation — initially made in December 2008 (just eight days into SIGTARP's existence) and later examined through a survey of 364 TARP recipients and supported by an initial audit report issued in July 2009 — was reconfirmed in a subsequent audit report entitled "Additional Insight on Use of Troubled Asset Relief Program Funds," which was released on December 10, 2009.

Treasury informed SIGTARP that it intended to adopt the recommendation in December 2009 and committed to survey and report upon recipients' use of TARP funds. As Section 2: "TARP Overview" of this report notes, Treasury has since sent out its first annual use of capital survey to all TARP recipients and collected responses from 664, or 94%. These responses, along with a listing of TARP recipients that did not respond, may be reviewed in detail at www.financialstability.gov/useofcapital. While SIGTARP commends Treasury for conducting the survey and publishing its results, that it could not compel universal compliance is unfortunate. SIGTARP encourages Treasury to continue to periodically survey TARP recipients on their use of TARP funds.

UPDATE ON SIGTARP'S RECOMMENDATION THAT TREASURY PERIODICALLY DISCLOSE PUBLIC-PRIVATE INVESTMENT FUNDS ("PPIF") TRADING ACTIVITY

In SIGTARP's Quarterly Report to Congress dated July 21, 2009 (the "July 2009 Quarterly Report") prior to any trading in the Public-Private Investment Program ("PPIP"), SIGTARP recommended that Treasury periodically disclose PPIF trading activity. In light of the billions of dollars of taxpayer equity and loans that provide the majority of funding for the PPIFs, SIGTARP maintains that as a matter of basic transparency, the public should be permitted to know, to the greatest extent possible, the activity and holdings in the PPIFs. Such transparency not only dissuades misconduct and promotes sound management, but also promotes a better public understanding of PPIP and thus enhances the credibility of PPIP and TARP more broadly. In addition to transparency, SIGTARP made the recommendation based on the program's stated goal of "price discovery," noting that failure to disclose PPIF transactions, particularly the price at which such transactions occur, would render the market far less likely to "discover" market prices. Treasury responded that it would not make such disclosure because of a concern that disclosure would harm the PPIFs' operations by revealing competitive and proprietary information regarding the fund's investment positions and strategy.

SIGTARP indicated in the July 2009 Quarterly Report its intention to disclose this detailed information, redacted as appropriate to avoid the dissemination of any confidential information that could harm the PPIF investment. Since the PPIFs commenced trading in October 2009, SIGTARP has engaged in extensive discussions with both Treasury and PPIF managers concerning the appropriate disclosure of information about PPIF activity. SIGTARP has acknowledged in its quarterly reports to Congress that publishing security-by-security information may risk harm to PPIFs during the ramp-up period in which PPIF managers are still building their portfolios. For example, some disclosures 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 — a practice the PPIF managers and Treasury refer to as "front running." Based on discussions last quarter with PPIF managers about contemplated redactions to protect against front running and other potential harms, SIGTARP anticipated publishing redacted PPIF trading activity in this quarterly report. SIGTARP's proposed safeguards included publication of all trades on a six-month lag, redacting the identity of individual PPIF managers from the trades, redacting brokers, and randomizing trades within the entire program. SIGTARP was told by one PPIP manager that such safeguards "completely annihilate" the possibility of front running. Since last quarter, SIGTARP and Treasury have had further discussions with the PPIF managers, some of which have changed their position regarding the effectiveness of SIGTARP's contemplated redactions after their own discussions with Treasury. For example, one manager sent an email to SIGTARP stating that it had no further objections to security-level reporting subject to SIGTARP's proposed measures, and then days later, after communicating with Treasury, changed its position.

On October 14, 2010, Treasury wrote a letter to SIGTARP stating its concerns about the level of contemplated disclosure, even with the substantial safeguards SIGTARP proposed. A copy of the letter is included in Appendix H: "Correspondence."

Treasury stated that it "strongly believe[s] that the proposed public disclosure… could provide a material economic windfall to sophisticated financial investors" at the expense of the PPIFs and taxpayers. In particular, Treasury asserted that the proposed disclosure would put the PPIFs and taxpayers at risk of front running, limit a PPIF's negotiating leverage in the market, and potentially harm the PPIF's returns. Treasury proposed in the letter that SIGTARP "postpone publishing any detailed information regarding PPIP transactions until all eight PPIFs have drawn down ninety percent of their committed capital or June 30, 2011, whichever date is earlier." At the end of that period, Treasury proposed that SIGTARP release PPIP transactional information subject to SIGTARP's proposed safeguards "as well as additional redactions of purchase price, accrued interest, and factor." Treasury noted that it "continues to believe that any public disclosure at any time could allow sophisticated financial investors to profit at the expense of taxpayers," but that delayed disclosure would mitigate that concern. SIGTARP continues to believe that its proposed safeguards, including a six-month publication lag time, render the risk of front running remote in the extreme. Nonetheless, out of an abundance of caution and respect for Treasury's concerns, SIGTARP will not disclose the security-by-security information in this report and will consider Treasury's request going forward.

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.
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					See discussion in this section.
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		
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.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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		
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					
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.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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 least 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.
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.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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 it is working with its program administrator Fannie Mae to test a new fraud detection program and working with its compliance agent Freddie Mac to develop procedures designed to address this recommendation. SIGTARP will continue to monitor implementation of this recommendation.
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		
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.
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.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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		
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		See discussion in this section.
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		After one year of trading by the PPIFs, Treasury stated that it is still difficult to specify a benchmark by which performance of a PPIF can be measured. Treasury stated that it will begin to review each PPIF's net internal rate of return relative to the returns each PPIF manager proposed to Treasury and to private PPIF investors. Treasury stated that it is also looking for a subcontractor to assist with providing analytics and metrics on the PPIF portfolio. SIGTARP will continue to monitor Treasury's progress in this area.
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 this 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					
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.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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.
45 *	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.				X		
46 *	Treasury should develop other performance metrics and publicly report against them to measure over time the implementation and success of HAMP. For example, Treasury could set goals and publicly report against those goals for servicer processing times, modifications as a proportion of a servicer's loans in default, modifications as a proportion of foreclosures generally, rates of how many borrowers fall out of the program prior to permanent modification, and re-default rates.				X		Although Treasury has increased its reporting of servicer performance, it has not identified goals and measured performance against those goals.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
47 *	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.	X					
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				Treasury has adopted some programs to address concerns of negative equity but has not addressed other factors contained in this recommendation.
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 implemented this recommendation. SIGTARP will examine Treasury's implementation of the recommendation.
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 has implemented this recommendation. SIGTARP will examine Treasury's implementation of the recommendation.
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		
54 *	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.	X					Treasury has recently indicated that it has implemented this recommendation.
55 *	Treasury should document in detail the substance of all communications with recipients concerning warrant repurchases.				X		Treasury has agreed to document the dates, participants, and subject line of calls. It has refused to document the substance of such conversations.
56	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.	X					Treasury has indicated that it will adopt formal procedures designed to address this recommendation.

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SIGTARP RECOMMENDATIONS TABLE

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
57	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.		X				See discussion in this section.
58	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.			X			See discussion in this section.
59 *	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 program's performance against these expectations.		X				Treasury has provided anticipated costs, but not expected participation.
60 *	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.					X	Treasury plans to maintain the voluntary nature of the program, providing an explanation that on its face seems unpersuasive to SIGTARP. We will further review performance progress and any changes Treasury makes to the program over the next quarter.
61 *	Treasury should adopt a uniform appraisal process across all HAMP and HAMP-related short-sale and principal reduction programs consistent with FHA's procedures.				X		
62 *	Treasury should reconsider the length of the minimum term of HAMP's unemployment forbearance program.					X	Treasury plans to maintain the existing minimum term, providing an explanation that on its face seems unpersuasive to SIGTARP. We will further review performance progress over the next quarter.
63 *	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.	X					

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

1. As noted in the press, several major home loan servicers have halted foreclosures recently, either nationwide or in particular states. While this may depress the number of foreclosures recorded in the near term, the number of distressed homeowners facing the prospect of foreclosure still remains at historic highs.
2. 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 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 January–September 2010.
3. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%20 9-30-10.pdf, accessed 10/7/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010; Treasury, response to SIGTARP data call, 10/21/2010. The $82.0 billion available for spend does not include $5.0 billion related to AGP since this amount was not an actual cash outlay.
4. Emergency Economic Stabilization Act of 2008, P.L.110-343, 10/3/2008, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ343.pdf, accessed 8/19/2010.
5. 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.ustreas.gov/press/releases/tg433.htm, accessed 8/23/2010.
6. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ343.pdf, accessed 8/19/2010.
7. The White House Blog, "President Obama Signs Wall Street Reform: 'No Easy Task'," 7/21/2010, www.whitehouse.gov/blog/2010/07/21/president-obama-signs-wall-street-reform-no-easy-task, accessed 8/24/2010; Library of Congress, Bill Summary & Status, 111th Congress, 2009-2010, H.R. 4173, no date, http://thomas.loc.gov/cgi-bin/bdquery/z?d111:H.R.4173, accessed 8/27/2010.
8. Treasury, *Section 105(a) Report*, 8/10/2010, www.financialstability.gov/docs/105CongressionalReports/July%202010%20105(a)%20Report_Final.pdf, accessed 9/1/2010.
9. Treasury, *Section 105(a) Report*, 8/10/2010, www.financialstability.gov/docs/105CongressionalReports/July%202010%20105(a)%20Report_Final.pdf, accessed 9/1/2010.
10. Treasury, response to SIGTARP data call, 10/7/2010. According to Treasury, the current PPIP obligation is $22.4 billion; this includes $365.25 million of an initial obligation to TCW that was funded. TCW repaid the funds that were invested in its PPIF. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf, accessed 10/7/2010.
11. Office of Management and Budget, "Mid-Session Review, Budget of the U.S. Government – Fiscal Year 2011," 7/23/2010, www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/11msr.pdf, accessed 8/19/2010.
12. For $117 billion, see 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 9/1/2010.
13. Congressional Budget Office, Director's Blog, "CBO Releases Its Annual Summer Update of the Budget and Economic Outlook: CBO's Latest Projections for the TARP," 8/20/2010, http://cboblog.cbo.gov/?p=1322, accessed 8/23/2010.
14. Treasury, response to SIGTARP data call, 10/7/2010.
15. Treasury, response to SIGTARP data call, 10/7/2010.
16. Treasury, "Troubled Asset Relief Program: Two Year Retrospective," 10/5/2010, www.financialstability.gov/docs/TARP%20Two%20Year%20 Retrospective_10%2005%2010_transmittal%20letter.pdf, accessed 10/7/2010.
17. Treasury, *Section 105(a) Report*, 8/10/2010, www.financialstability.gov/docs/105CongressionalReports/July%202010%20105(a)%20Report_Final.pdf, accessed 9/1/2010. The $698.8 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). The Library of Congress, "Helping Families Save Their Homes Act of 2009," 1/6/2009, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:s896enr.txt.pdf, accessed 10/8/2010.
18. Treasury, *Section 105(a) Report*, 8/10/2010, www.financialstability.gov/docs/105CongressionalReports/July%202010%20105(a)%20Report_Final.pdf, accessed 9/1/2010. The $698.8 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). The Library of Congress, "Helping Families Save Their Homes Act of 2009," 1/6/2009, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:s896enr.txt.pdf, accessed 10/8/2010.
19. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%20 9-30-10.pdf, accessed 10/7/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010; Treasury, response to SIGTARP data call, 10/21/2010.
20. As of October 3, 2010, 122 TARP recipients in various programs had repaid their TARP funds. Under CPP, 119 TARP recipients had repaid a total of $152.8 billion. Chrysler Financial LLC, General Motors, and Chrysler had repaid their TARP funds under AIFP totaling $11.2 billion. Under TIP, Bank of America and Citigroup had repaid $40 billion. Under PPIP, two PPIFs repaid a total of $428 million. Treasury and Citigroup also terminated their agreement under AGP, reducing Treasury's exposure by $5 billion. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf, accessed 10/7/2010.
21. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%20 9-30-10.pdf, accessed 10/7/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010; Treasury, response to SIGTARP data call, 10/21/2010. The $82.0 billion available for spend does not include $5.0 billion related to AGP since this amount was not an actual cash outlay.
22. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ343.pdf, accessed 8/19/2010.
23. Treasury, response to SIGTARP data call, 10/14/2010; Treasury, response to SIGTARP data call, 10/18/2010; Treasury, *Section 105(a) Report*, 10/11/2010, http://www.financialstability.gov/docs/105CongressionalReports/September%20105(a)%20report_FINAL.pdf, accessed 10/18/2010; Treasury, response to SIGTARP data call, 10/20/2010.

24. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%20 9-30-10.pdf, accessed 10/7/2010; Treasury, response to SIGTARP data call, 10/7/2010; Treasury, response to SIGTARP data call, 10/8/2010; Treasury, response to SIGTARP data call, 10/13/2010; Treasury, response to SIGTARP data call, 10/14/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010; Treasury, response to SIGTARP data call, 10/21/2010. The $82.0 billion available for spend does not include $5.0 billion related to AGP since this amount was not an actual cash outlay.
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26. 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.
27. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf, accessed 10/7/2010.
28. Treasury, "Home Affordable Modification Program — Overview," no date, www.hmpadmin.com/portal/programs/hamp.html, accessed 8/19/2010.
29. Treasury, *Transactions Report*, 9/30/2010, www.financialstability.gov/docs/transaction-reports/10-4-10%20Transactions%20Report%20as%20of%209-30-10.pdf, accessed 10/7/2010; Treasury, TARP/Financial Stability Plan Budget Table, 10/4/2010; Treasury, response to SIGTARP data call, 10/21/2010.
30. Treasury, response to SIGTARP data call, 10/8/2010.
31. Treasury, response to SIGTARP data call, 10/8/2010.
32. Treasury, response to SIGTARP data call, 10/15/2010.
33. Treasury, response to SIGTARP data call, 10/15/2010; Fannie Mae, response to SIGTARP data call, 10/20/2010.
34. Treasury, "Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets," 3/5/2010, www.makinghomeaffordable.gov/docs/HFA%20FAQ%20--%20030510%20FINAL%20(Clean).pdf, accessed 7/12/2010.
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36. Treasury, response to SIGTARP data call, 10/7/2010.
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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 mortgages 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 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.

Capitalization: Method of modifying a mortgage by which missed payments and other costs are added to the principal balance of the loan and therefore financed or spread out over the remaining term of the loan.

Captive Financing Company: Subsidiary, the purpose of which is to provide financing to customers buying the parent company's product.

Collateral: Asset pledged by a borrower to a lender until a loan is repaid. Generally, if the borrower defaults on the loan, the lender gains ownership of the pledged asset and may sell it to satisfy the debt. In TALF, the ABS or CMBS that is purchased with the TALF loan is the collateral that is posted with FRBNY.

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 Institution ("CDFI"): Financial institution eligible for Treasury funding to serve urban and rural low-income communities through 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 holding the collateral and managing accounts for FRBNY; for TALF the custodian is Bank of New York Mellon.

Debt: Investment in a business that is required to be paid back to the investor, usually with interest.

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

Debt-to-income: A comparison of the first-lien monthly mortgage payment divided by the borrower's monthly pre-tax income; also called the front-end ratio.

Deed-In-Lieu of Foreclosure: Instead of going through the process of foreclosure, the borrower voluntarily surrenders the property deed to the lender, often as satisfaction of the unpaid mortgage balance. Sometimes called "cash for keys," which refers to incentives paid to a borrower to vacate a property.

Deficiency Judgment: Court order that authorizes a lender to collect part of an outstanding debt resulting from the foreclosure and sale of a homeowner's property or from the repossession of a property securing a debt. A deficiency judgment is rendered after the foreclosed or repossessed property is sold and the proceeds collected are insufficient to pay the full mortgage.

Direct Private Placement: Sale of securities to investors that meet minimum net worth and sophistication requirements, thereby receiving an exemption from normal SEC registration requirements.

Due Diligence: Appropriate level of attention or care a reasonable person should take before entering into an agreement or a transaction with another party. In finance, often refers to the process of conducting an audit or review of the counterparty prior to initiating a transaction.

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, three 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 two 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.

Equity: Investment that represents an ownership interest in a business.

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

Exceptional Assistance Recipients: Companies receiving assistance under SSFI, TIP, and AIFP. Current recipients are AIG, Chrysler, GM, and Ally Financial (formerly GMAC).

Excess Spread: Funds left over after required payments and other contractual obligations have been met. In TALF it is the difference between the periodic amount of interest paid out by the collateral and the amount of interest charged by FRBNY on the non-recourse loan provided to the borrower to purchase the collateral.

Exercise Price: Preset price at which the warrant holder may purchase each share. For warrants issued through CPP, this was based on the average stock price during the 20 days before the date that Treasury granted preliminary CPP participation approval.

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.

Imminent Default: Refers to borrowers who are current on their mortgage payments but are expected to not be able to continue to make their monthly payments.

Initial Public Offering ("IPO"): First public sale of a private company's stock. In an IPO, the issuer uses an underwriting firm, which helps it determine which type of security to issue (common or preferred), the best offering price, and the best time to bring it to market.

Investor: Owner of mortgage loans, or bonds backed by mortgage loans, who receives interest and principal payments from monthly mortgage payments. Servicers manage the cash flow from these payments and distribute them to bond investors according to ownership rights.

Key Person: Individual recognized as being important to the ongoing operation and investment decisions of an investment fund.

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

Letter of Credit: Letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank is required to cover the full or remaining amount of the purchase.

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).

Loan Servicer: Servicers administer the proceeds from monthly mortgage payments and disperse them to the bond owners until the loan is repaid. This includes sending monthly payment statements and collecting monthly payments, maintaining records of payments and balances, collecting and paying taxes and insurance (and managing escrow and impound funds), remitting funds to mortgage investors, and following up on delinquencies.

Loan-to-Value Ratio ("LTV"): Lending risk assessment ratio that financial institutions and other lenders examine before approving a mortgage, which is calculated by dividing the outstanding amount of the loan by the value of the collateral backing the loan. Typically, assessments with high LTV ratios are generally seen as higher risk.

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.

Nationally Recognized Statistical Rating Organizations ("NRSROs"): 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.

Net Present Value ("NPV") Test: NPV tests compare the money generated by a foreclosure alternative, such as a loan modification, to the amount an investor can reasonably expect to recover in a foreclosure sale.

New Series G Preferred Stock: After the purchase and transfer to Treasury of the SPV preferred interests, AIG's right to draw on the Series F equity capital facility will terminate. All remaining Series F preferred stock (up to $2 billion in liquidation preference) will be exchanged for newly established Series G preferred stock. Until March 31, 2012, AIG may draw down funds under the Series G facility for general corporate purposes, up to a cumulative total of $2 billion. Dividends will be payable on a cumulative basis at 5% per annum, compounded quarterly. After that date, the Series G facility will be converted into AIG common stock according to a predetermined formula. If AIG does not draw down the remaining TARP funds for its general corporate purposes, the funds can be used to purchase an additional $2 billion worth of FRBNY's remaining $6 billion interest in the AIA and ALICO's SPVs, which will be provided to Treasury.

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

Non-Cumulative Preferred Stock: Preferred stock with a defined dividend, but the company has no obligation to pay any missed dividends.

Non-Recourse Loan: Secured loan in which the borrower is relieved of the obligation to repay the loan upon surrendering the collateral.

Obligation: Definite commitment which creates a legal liability for the Government to pay funds.

Pool Assemblers: Firms authorized to create and market pools of SBA-guaranteed loans.

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.

Private Label Mortgage: In the housing finance business, mortgages created and sold by a company other than a Government-sponsored enterprise. Private institutions, such as brokerage firms, banks, and home builders, also scrutinize mortgages, known as "private-label" mortgage securities.

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

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.

Qualifying Financial Institutions ("QFIs"): Private and public U.S.-controlled banks, savings associations, bank holding companies, certain savings and loan holding companies, and mutual organizations.

Real Estate Owned ("REO"): Homes that have been foreclosed on by mortgage lenders and are then owned by the holder of the mortgage.

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 borrowers pay a commitment fee, allowing them to draw down a guaranteed maximum amount.

Risk Weighted Assets: Total assets, after adjusting for each asset's risk factor, held by a financial institution.

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

S-Corporation: S-Corporations elect to pass corporate income, losses, deductions, and credit through to their shareholders for Federal tax purposes. Shareholders of S-Corporations report the flow-through of income and losses on their personal tax returns and are taxed at their individual income tax rates.

Securitization: Process by which lenders bundle pools of mortgages and sell them as securities. These pools are a major part of servicing portfolios.

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 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.

Servicer Participation Agreement: Documents governing servicer participation in MHA for all non-GSE mortgages.

Short Sale: Sale of a home for less than mortgage value. A borrower sells the home and the lender collects the sales proceeds as full or partial satisfaction of the unpaid mortgage balance, thus avoiding foreclosure.

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 transferred assets presumptively beyond the reach of the entities providing the assets, and is legally isolated.

Strike Price: The predetermined price at which the owner of a warrant may buy the underlying share of stock. The warrant's value depends on the likelihood that its owner will be able to buy the share at the strike price and resell it for more in the open market. Also called "exercise price."

Synthetic ABS: Security deriving its value and cash flow from sources other than conventional debt, equities, or commodities – for example, credit derivatives.

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").

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

Trial Modification: Under HAMP, a trial modification is a period of at least three months in which a borrower is given a chance to establish that he or she can make lower monthly mortgage payments.

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

Trustee: Individual or corporate entity that holds or manages assets for the benefit of another.

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.

Underwater Mortgage: Mortgage loan on which a homeowner owes more than the home is worth, typically after a decline in the home's value.

Unpaid Principal Balance: Amount owed on a loan at any given time.

VEBA: A tax-free post-retirement medical expense account used by retirees and their eligible dependents to pay for any eligible medical expenses.

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

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ACRONYMS AND ABBREVIATIONS

2MP	Second Lien Modification Program
ABS	asset-backed securities
AGP	Asset Guarantee Program
AHR	American Home Recovery
AIA	American International Assurance Co., Ltd
AIFP	Automotive Industry Financing Program
AIG	American International Group, Inc.
ALICO	American Life Insurance Company
Ally Financial	Ally Financial Inc. (formerly GMAC Inc.
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
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
CMBS	commercial mortgage-backed securities
Colonial	Colonial Bancgroup Inc.
COP	Congressional Oversight Panel
CPP	Capital Purchase Program
CUSIP	Committee on Uniform Securities Identification Procedures
DIL	deed-in-lieu of foreclosure
DIP	debtor-in-possession
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
DTI	debt-to-income ratio
Edison	AIG Edison Life Insurance Company
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	Board of Governors of the Federal Reserve System
FHA	Federal Housing Administration
FHA2LP	Federal Housing Administration Second Lien Program
FHFA	Federal Housing Finance Agency
FRBNY	Federal Reserve Bank of New York
Freddie Mac	Federal Home Loan Mortgage Corporation
GAO	Government Accountability Office
GM	General Motors Corporation
GMAC	GMAC Inc.
GSE	Government-sponsored enterprise
HAFA	Home Affordable Foreclosure Alternatives
HAMP	Home Affordable Modification Program
HELP	Homeowner Emergency Loan Program
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
IAA	inter-agency agreement
ICE	Immigration and Customs Enforcement
ILFC	International Lease Finance Corp.
IPO	initial public offering
IRS	Internal Revenue Service
IRS CI	Internal Revenue Service-Criminal Investigation
LIBOR	London Interbank Offered Rate
LLC	limited liability company
LTV	loan-to-value ratio
MAP	Mortgage Assistance Program
MBS	mortgage-backed securities
MCP	mandatorily convertible preferred shares
MHA	Making Home Affordable

Midwest	Midwest Banc Holdings, Inc.
MPA	mortgage payment assistance
MPP-1	Mortgage Payment Program
MPP-2	Mortgage Payment Program
MVMC	Mount Vernon Money Center
N/A	not applicable
Nan Shan	Nan Shan Life Insurance Company, Ltd.
New Chrysler	Chrysler Group LLC
Non-Agency RMBS	non-agency residential mortgage-backed securities
NPV Test	net present value test
NRSRO	nationally recognized statistical rating organization
OFS	Office of Financial Stability
OLC	Office of Legal Counsel
Old Chrysler	Chrysler LLC
OMB	Office of Management and Budget
Omni	Omni National Bank
Pacific	Pacific Capital Bancorp
PLMP	Permanent Loan Modification Program
PPIF	Public-Private Investment Fund
PPIP	Public-Private Investment Program
PRA	Principal Reduction Alternative
Prudential	Prudential PLC, Inc.
QFI	qualifying financial institution
REO	real estate owned
RHS	Rural Housing Service
RMA	request for modification and affidavit
RMBS	residential mortgage-backed securities
S&P	Standard & Poor's
SBA	Small Business Administration
SBLF	Small Business Lending Fund
SEC	Securities and Exchange Commission
SEO	senior executive officer
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
SMRP	Second Mortgage Reduction Program
Special Master	Special Master for the Troubled Asset Relief Program

SPA	Servicer Participation Agreement
SPV	special purpose vehicle
SS/DIL	short sale/deed-in-lieu of foreclosure
SSFI	Systemically Significant Failing Institutions
Star	AIG Star Life Insurance Co., Ltd.
Sterling	Sterling Financial Corporation
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TBA	to be announced
TCW	The TCW Group, Inc.
the Rule	Interim Final Rule on TARP Standards for Compensation and Corporate Governance
TIP	Targeted Investment Program
TPP	trial period plan
Treasury	Department of the Treasury
Treasury Secretary	Secretary of the Treasury
TRUPS	trust preferred securities
UAW	United Auto Workers
UBP	Unemployment Bridge Program
UCSB	Unlocking Credit for Small Businesses
UP	Home Affordable Unemployment Program
UPB	unpaid principal balance
USDA	U.S. Department of Agriculture
USPIS	U.S. Postal Inspection Service
VA	Department of Veterans Affairs
VEBA	United Auto Workers' Retiree Medical Benefits Trust

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 EESA 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 Treasury Secretary.	*Treasury posts several documents on its public website that are responsive to this question, available at 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 July 1, 2010 through September 30, 2010 in the Monthly 105(a) reports for July 2010, August 2010 and September 2010 and in separate transaction reports posted on www.financialstability.gov/latest/reportsanddocs.html. The most recent Monthly 105(a) report for June 2010 will be posted on October 12.* Below are program descriptions from Treasury's FinancialStability.gov website, as of 9/30/2010: 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.* 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.*	Section 2: "TARP Overview" Appendix D: "Transaction Detail"

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
			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 while Chrysler and GM were restructuring in bankruptcy, 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 www.financialstability.gov/latest/reportsanddocs.html.*	Appendix D: "Transaction Detail"
3	Section 121(c)(C)	An explanation of the reasons the Treasury Secretary deemed it necessary to purchase each such troubled asset.	*Pursuant to Section 3(9)(B) of EESA, the Secretary of the Treasury periodically designates financial instruments as "troubled assets" and submits written determinations to appropriate committees of Congress. During the fourth quarter 2010, the Secretary of the Treasury signed the attached Troubled Asset Determination for the FHA Refinance Program. Treasury provided SIGTARP with FHA Refinance Program signed by the Secretary of Treasury since Treasury responded to SIGTARP data call on October 6, 2010. Additional 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 from which such troubled assets were purchased.	See #2 above	See #2

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
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 July 1, 2010 and September 30, 2010.*	Section 2.5: "Public Private Investment 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.	*The transactions report captures detailed information about troubled asset purchases, price paid, and the amount of troubled assets currently on Treasury's books. The latest transactions reports are available on OFS' website at www.financialstability.gov/latest/reportsanddocs.html* *Information on repayments of Treasury's investments under the CPP and proceeds from the sale of warrants are available within Treasury's press releases, transaction reports and Section 105(a) Monthly Congressional Reports at the following links:* *www.financialstability.gov/latest/pressreleases.html* *www.financialstability.gov/latest/reportsanddocs.html*	Table C.1; Section 2: "TARP Overview" Appendix D: "Transaction Detail"
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 July 1, 2010 to September 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/latest/reportsanddocs.html. Specifically, we describe assets purchased under TARP during the period from July 1, 2010 through September 30, 2010 in the Monthly 105(a) reports for July 2010, August 2010 and September 2010 and in separate transaction reports posted on www.financialstability.gov/latest/reportsanddocs.html.* *Information on obligations and expenditures is also available in the TARP Two Year Retrospective, available at www.financialstability.gov/latest/pr_10052010.html, and in the attached TARP budget as of October 4, 2010.*	Table C.1; Section 2: "TARP Overview" Section 4: "TARP Operations and Administration" Appendix D: "Transaction Detail"

Sources: Treasury, responses to SIGTARP data call, 9/30/2010 and 10/6/2010; Program Descriptions: Treasury, "Programs" webpage, www.financialstability.gov/roadtostability/programs.htm, accessed 9/30/2010; ASSP: "Treasury Announces Auto Suppliers Support Program," 3/19/2009, www.financialstability.gov/latest/auto3_18.html, accessed 9/30/2010; AWCP, "Obama Administration's New Warrantee Commitment Program," no date, www.financialstability.gov/docs/WarranteeCommitmentProgram.pdf, accessed 9/30/2010; TALF: Federal Reserve, "Term Asset-Backed Securities Loan Facility (TALF) Frequently Asked Questions," no date, www.federalreserve.gov/newsevents/press/monetary/monetary20090303a2.pdf, accessed 9/30/2010; MHA: "Making Home Affordable Updated Detailed Description Update," 3/26/2010, financialstability.gov/latest/pr_03262010.html, accessed 9/30/2010.

TABLE C.1

TOTAL AMOUNT OF TROUBLED ASSETS PURCHASED AND HELD ON TREASURY'S BOOKS, AS OF 9/30/2010 ($ BILLIONS)

	Obligations[a]	**Expended**[b]	**On Treasury's Books**[c]
Capital Purchase Program ("CPP")	$204.89	$204.89	$35.69
Systemically Significant Failing Institutions ("SSFI")	69.84	47.54	47.54
Home Affordable Modification Program ("HAMP")[d]	45.63	0.59	0.59
Targeted Investment Program ("TIP")	40.00	40.00	—
Automotive Industry Financing Program ("AIFP")	81.76	79.69	68.49
Asset Guarantee Program ("AGP")	5.00	—	—
Consumer and Business Lending Initiative ("CBLI")			
Term Asset-Backed Securities Loan Facility ("TALF")	4.30	0.10	0.10
Small Business Lending Program	—	—	—
Unlocking Credit for Small Businesses ("UCSB")	0.36	0.24	0.24
Community Development Capital Initiative ("CDCI")	0.57	0.21	0.21
Legacy Securities Public-Private Investment Program ("PPIP")	22.41	14.16	13.73
Total	**$474.76**	**$387.42**	**$166.59**

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 10/3/2010).
[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, "Planned TARP funds for housing include (i) approximately $27B in funds that may be provided to servicers under existing agreements for the Making Home Affordable Porgram (MHA), (ii) $7.6B for the HFA Hardest Hit Fund program and (iii) not more than $11B which will be used for the FHA Refinance Program."

Sources: Repayments data: Treasury, *Transactions Report*, 10/4/2010; all other data: Treasury, response to SIGTARP data call, 10/6/2010.

TABLE D.1

CPP TRANSACTION DETAIL, AS OF 9/30/2010

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 9/30/2010	Market Capitalization as of 9/30/2010 (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							$7.43	$33.67	$8.15	220,745	($0.72)	OUT	$986,667
2/13/2009	1st Enterprise Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$4,400,000													$564,365
12/11/2009	1st Enterprise Bank, Los Angeles, CA[2, 10a]	Preferred Stock	$6,000,000													
11/14/2008	1st FS Corporation, Hendersonville, NC	Preferred Stock w/ Warrants	$16,369,000							$1.20	$6.11	$8.87	276,815	($7.67)	OUT	$1,229,949
1/23/2009	1st Source Corporation, South Bend, IN	Preferred Stock w/ Warrants	$111,000,000							$17.36	$421.45	$19.87	837,947	($2.51)	OUT	$8,664,167
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	—	11/18/2009	R	$500,000							$370,903
1/23/2009	AB&T Financial Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$3,500,000							$1.85	$4.94	$6.55	80,153	($4.70)	OUT	$273,194
1/30/2009	Adbanc, Inc, Ogallala, NE[2]	Preferred Stock w/ Exercised Warrants	$12,720,000													$1,068,745
1/23/2009	Alarion Financial Services, Inc., Ocala, FL[2]	Preferred Stock w/ Exercised Warrants	$6,514,000													$554,257
2/6/2009	Alaska Pacific Bancshares, Inc., Juneau, AK	Preferred Stock w/ Warrants	$4,781,000							$5.75	$3.76	$4.08	175,772	$1.67	IN	$304,789
6/26/2009	Alliance Bancshares, Inc., Dalton, GA[2]	Preferred Stock w/ Exercised Warrants	$2,986,000													$184,857
12/19/2008	Alliance Financial Corporation, Syracuse, NY[4]	Preferred Stock w/ Warrants	$26,918,000	5/13/2009	$26,918,000	—	6/17/2009	R	$900,000	$30.23	$140.96					$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													$260,451
3/27/2009	Alpine Banks of Colorado, Glenwood Springs, CO[2]	Preferred Stock w/ Exercised Warrants	$70,000,000													$5,277,416
1/30/2009	AMB Financial Corp., Munster, IN[2]	Preferred Stock w/ Exercised Warrants	$3,674,000													$308,734
3/6/2009	AmeriBank Holding Company, Collinsville, OK[2]	Preferred Stock w/ Exercised Warrants	$2,492,000													$195,851
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	—	7/29/2009	R	$340,000,000	$42.03	$50,571.00					$74,367,308
5/29/2009	American Premier Bancorp, Arcadia, CA[2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$118,810
1/9/2009	American State Bancshares, Inc., Great Bend, KS[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$523,200

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Ameris Bancorp, Moultrie, GA[8]	Preferred Stock w/ Warrants	$52,000,000							$9.35	$220.89	$11.17	698,554	($1.82)	OUT	$4,506,667
12/19/2008	AmeriServ Financial, Inc, Johnstown, PA	Preferred Stock w/ Warrants	$21,000,000							$1.67	$35.44	$2.40	1,312,500	($0.73)	OUT	$1,738,333
8/21/2009	AmFirst Financial Services, Inc., McCook, NE[8]	Subordinated Debentures w/ Exercised Warrants	$5,000,000													$412,510
1/30/2009	Anchor BanCorp Wisconsin Inc., Madison, WI	Preferred Stock w/ Warrants	$110,000,000							$0.66	$14.31	$2.23	7,399,103	($1.57)	OUT	—
1/30/2009	Annapolis Bancorp, Inc., Annapolis, MD	Preferred Stock w/ Warrants	$8,152,000							$4.02	$15.73	$4.08	299,706	($0.06)	OUT	$628,383
11/21/2008	Associated Banc-Corp, Green Bay, WI	Preferred Stock w/ Warrants	$525,000,000							$13.19	$2,281.54	$19.77	3,983,308	($6.58)	OUT	$45,500,000
12/29/2009	Atlantic Bancshares, Inc., Bluffton, SC[2, 10]	Preferred Stock w/ Exercised Warrants	$2,000,000													$68,315
2/27/2009	Avenue Financial Holdings, Inc., Nashville, TN[2]	Preferred Stock w/ Exercised Warrants	$7,400,000													$591,507
3/13/2009	BancIndependent, Inc., Sheffield, AL[2]	Preferred Stock w/ Exercised Warrants	$21,100,000													$1,635,485
7/10/2009	Bancorp Financial, Inc., Oak Brook, IL[2, 10]	Preferred Stock w/ Exercised Warrants	$13,669,000													$790,384
12/19/2008	Bancorp Rhode Island, Inc., Providence, RI[4]	Preferred Stock w/ Warrants	$30,000,000	8/5/2009	$30,000,000	—	9/30/2009	R	$1,400,000	$27.93	$130.54					$941,667
2/20/2009	BancPlus Corporation, Ridgeland, MS[2, 4, 7, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$48,000,000	9/29/2010	$48,000,000	—	9/29/2010	R	$2,400,000							$4,207,399
4/3/2009	BancStar, Inc., Festus, MO[2]	Preferred Stock w/ Exercised Warrants	$8,600,000													$640,557
12/19/2008	BancTrust Financial Group, Inc., Mobile, AL	Preferred Stock w/ Warrants	$50,000,000							$3.05	$53.80	$10.26	730,994	($7.21)	OUT	$4,138,889
8/14/2009	Bank Financial Services, Inc., Eden Prarie, MN[2]	Preferred Stock w/ Exercised Warrants	$1,004,000													$54,852
1/9/2009	Bank of America Corporation, Charlotte, NC[1a, 1b-4-1b]	Preferred Stock w/ Warrants	$10,000,000,000	12/9/2009	$10,000,000,000	—	3/3/2010	A	$124,228,646	$13.10	$131,418.08					$1,293,750,000
10/28/2008	Bank of America Corporation, Charlotte, NC[1a, 1b, 4]	Preferred Stock w/ Warrants	$15,000,000,000	12/9/2009	$15,000,000,000	—	3/3/2010	A	$186,342,969							
1/16/2009	Bank of Commerce, Charlotte, NC[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$258,421
11/14/2008	Bank of Commerce Holdings, Redding, CA	Preferred Stock w/ Warrants	$17,000,000							$3.85	$65.42	$6.29	405,405	($2.44)	OUT	$1,489,861
3/13/2009	Bank of George, Las Vegas, NV[2]	Preferred Stock w/ Exercised Warrants	$2,672,000													$207,161
12/5/2008	Bank of Marin Bancorp, Novato, CA[4]	Preferred Stock w/ Warrants	$28,000,000	3/31/2009	$28,000,000	—				$32.24	$169.52	$27.23	154,242	$5.01	IN	$451,111
4/17/2009	Bank of the Carolinas Corporation, Mocksville, NC	Preferred Stock w/ Warrants	$13,179,000							$3.15	$12.28	$4.16	475,204	($1.01)	OUT	$874,940

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
12/12/2008	Bank of the Ozarks, Inc., Little Rock, AR[4]	Preferred Stock w/ Warrants	$75,000,000	11/4/2009	$75,000,000	—	11/24/2009	R	$2,650,000	$37.09	$628.90					$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													$1,318,749
2/13/2009	BankGreenville, Greenville, SC[2]	Preferred Stock w/ Exercised Warrants	$1,000,000													$82,053
11/21/2008	Banner Corporation, Walla Walla, WA	Preferred Stock w/ Warrants	$124,000,000							$2.16	$221.86	$10.89	1,707,989	($8.73)	OUT	$10,746,667
2/6/2009	Banner County Ban Corporation, Harrisburg,NE[2]	Preferred Stock w/ Exercised Warrants	$795,000													$66,109
1/16/2009	Bar Harbor Bankshares, Bar Harbor, ME[5]	Preferred Stock w/ Warrants	$18,751,000	2/24/2010	$18,751,000	—	7/28/2010	R	$250,000	$27.70	$104.62					$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	—	7/22/2009	R	$67,010,402	$24.08	$16,686.36					$92,703,517
4/3/2009	BCB Holding Company, Inc., Theodore, AL[2]	Preferred Stock w/ Exercised Warrants	$1,706,000													$127,033
12/23/2008	BCSB Bancorp, Inc., Baltimore, MD	Preferred Stock w/ Warrants	$10,800,000							$9.50	$29.65	$8.83	183,465	$0.67	IN	$888,000
1/30/2009	Beach Business Bank, Manhattan Beach, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$504,125
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	—	6/24/2009	R	$1,040,000	$18.96	$266.10					$877,778
2/13/2009	Bern Bancshares, Inc., Bern, KS[2]	Preferred Stock w/ Exercised Warrants	$985,000													$80,924
4/24/2009	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2]	Preferred Stock w/ Exercised Warrants	$1,635,000													$174,019
12/18/2009	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2, 10a]	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													$775,111
5/22/2009	Blackridge Financial, Inc., Fargo, ND[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$335,326
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													$392,855

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Blue Valley Ban Corp, Overland Park, KS	Preferred Stock w/ Warrants	$21,750,000							$6.50	$18.32	$29.37	111,083	($22.87)	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							$9.89	$89.40	$8.63	543,337	$1.26	IN	$2,648,417
2/27/2009	BNC Financial Group, Inc., New Canaan, CT[2]	Preferred Stock w/ Exercised Warrants	$4,797,000													$383,460
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													$785,708
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]	Preferred Stock w/ Warrants	$154,000,000	1/13/2010	$50,000,000	$104,000,000				$6.54	$497.24	$8.00	2,887,500	($1.46)	OUT	$11,022,222
11/21/2008	Boston Private Financial Holdings, Inc., Boston, MA[4]	Preferred Stock w/ Warrants		6/16/2010	$104,000,000	—										
12/23/2008	Bridge Capital Holdings, San Jose, CA	Preferred Stock w/ Warrants	$23,864,000							$8.75	$95.74	$9.03	396,412	($0.28)	OUT	$1,962,151
12/19/2008	Bridgeview Bancorp, Inc.,Bridgeview, IL[2]	Preferred Stock w/ Exercised Warrants	$38,000,000													$2,393,156
11/14/2008	Broadway Financial Corporation,Los Angeles,CA[3a] - 11/24/2009	Preferred Stock	$9,000,000							$2.41	$4.20					$810,417
12/4/2009	Broadway Financial Corporation,Los Angeles, CA[3, 10a]	Preferred Stock	$6,000,000													
5/15/2009	Brogan Bankshares, Inc., Kaukauna, WI[8]	Subordinated Debentures w/ Exercised Warrants	$2,400,000													$251,700
7/17/2009	Brotherhood Bancshares, Inc., Kansas City, KS[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$646,128
4/24/2009	Business Bancshares, Inc., Clayton, MO[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$1,069,563
3/13/2009	Butler Point, Inc., Catlin, IL[2]	Preferred Stock w/ Exercised Warrants	$607,000													$47,005
1/9/2009	C&F Financial Corporation, West Point, VA	Preferred Stock w/ Warrants	$20,000,000							$18.48	$57.10	$17.91	167,504	$0.57	IN	$1,600,000
12/18/2009	Cache Valley Banking Company, Logan, UT[2, 10a]	Preferred Stock	$4,640,000													$579,911
12/23/2008	Cache Valley Banking Company, Logan, UT[2]	Preferred Stock w/ Exercised Warrants	$4,767,000													
1/9/2009	Cadence Financial Corporation, Starkville, MS	Preferred Stock w/ Warrants	$44,000,000							$2.01	$23.94	$5.76	1,145,833	($3.75)	OUT	$2,970,000

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	California Bank of Commerce, Lafayette, CA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$319,733
1/23/2009	California Oaks State Bank, Thousand Oaks, CA[2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$280,766
1/23/2009	Calvert Financial Corporation, Ashland, MO[2]	Preferred Stock w/ Exercised Warrants	$1,037,000													$88,250
1/23/2009	CalWest Bancorp,Rancho Santa Margarita, CA[2]	Preferred Stock w/ Exercised Warrants	$4,656,000													$396,164
12/23/2008	Capital Bancorp, Inc., Rockville, MD[2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$421,225
12/12/2008	Capital Bank Corporation, Raleigh, NC	Preferred Stock w/ Warrants	$41,279,000							$1.66	$21.38	$8.26	749,619	($6.60)	OUT	$3,457,117
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	—	12/3/2009	A	$148,731,030	$39.55	$18,065.37					$105,174,638
12/23/2008	Capital Pacific Bancorp, Portland, OR[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$358,489
10/23/2009	Cardinal Bancorp II, Inc., Washington, MO[8]	Subordinated Debentures w/ Exercised Warrants	$6,251,000													$425,447
1/9/2009	Carolina Bank Holdings, Inc., Greensboro, NC	Preferred Stock w/ Warrants	$16,000,000							$3.05	$10.33	$6.71	357,675	($3.66)	OUT	$1,280,000
2/6/2009	Carolina Trust Bank, Lincolnton, NC	Preferred Stock w/ Warrants	$4,000,000							$5.85	$14.82	$6.90	86,957	($1.05)	OUT	$305,000
2/13/2009	Carrollton Bancorp, Baltimore, MD	Preferred Stock w/ Warrants	$9,201,000							$5.10	$13.12	$6.72	205,379	($1.62)	OUT	$692,631
1/16/2009	Carver Bancorp, Inc, New York, NY[3, 4, 30 - 8/27/2010]	Preferred Stock	$18,980,000	8/27/2010	$18,980,000	—										$1,531,581
11/21/2008	Cascade Financial Corporation, Everett, WA	Preferred Stock w/ Warrants	$38,970,000							$0.37	$4.54	$6.77	863,442	($6.40)	OUT	$1,428,900
12/5/2008	Cathay General Bancorp, Los Angeles, CA	Preferred Stock w/ Warrants	$258,000,000							$11.89	$933.60	$20.96	1,846,374	($9.07)	OUT	$21,858,333
2/27/2009	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$359,646
12/22/2009	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2, 10a]	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													$271,580
2/20/2009	CBB Bancorp, Cartersville, GA[2]	Preferred Stock w/ Exercised Warrants	$2,644,000													$269,144
12/29/2009	CBB Bancorp, Cartersville, GA[2, 10a]	Preferred Stock	$1,753,000													

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	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							$2.00	$7.39	$6.63	261,538	($4.63)	OUT	$516,989
2/6/2009	CedarStone Bank, Lebanon, TN[2]	Preferred Stock w/ Exercised Warrants	$3,564,000													$296,186
1/9/2009	Center Bancorp, Inc., Union, NJ[b]	Preferred Stock w/ Warrants	$10,000,000							$7.69	$125.27	$8.65	86,705	($0.96)	OUT	$800,000
12/12/2008	Center Financial Corporation, Los Angeles, CA[b]	Preferred Stock w/ Warrants	$55,000,000							$5.09	$203.07	$9.54	432,390	($4.45)	OUT	$4,606,250
5/1/2009	CenterBank, Milford, OH[2]	Preferred Stock w/ Exercised Warrants	$2,250,000													$158,108
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	—	10/28/2009	R	$212,000	$8.58	$252.07					$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	—	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													$1,798,500
12/5/2008	Central Bancorp, Inc., Somerville, MA	Preferred Stock w/ Warrants	$10,000,000							$12.47	$20.78	$6.39	234,742	$6.08	IN	$847,222.22
1/30/2009	Central Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$5,800,000													$487,321
2/20/2009	Central Community Corporation, Temple, TX[2]	Preferred Stock w/ Exercised Warrants	$22,000,000													$1,781,847
12/5/2008	Central Federal Corporation, Fairlawn, OH	Preferred Stock w/ Warrants	$7,225,000							$0.95	$3.92	$3.22	336,568	($2.27)	OUT	$612,118
12/23/2008	Central Jersey Bancorp, Oakhurst, NJ	Preferred Stock w/ Warrants	$11,300,000							$7.43	$69.23	$6.31	268,621	$1.12	IN	$929,111
1/9/2009	Central Pacific Financial Corp., Honolulu, HI	Preferred Stock w/ Warrants	$135,000,000							$1.43	$43.43	$12.77	1,585,748	($11.34)	OUT	$2,362,500
1/30/2009	Central Valley Community Bancorp, Fresno, CA[b]	Preferred Stock w/ Warrants	$7,000,000							$5.86	$54.87	$6.64	79,067	($0.78)	OUT	$539,583
1/30/2009	Central Virginia Bankshares, Inc., Powhatan, VA	Preferred Stock w/ Warrants	$11,385,000							$1.17	$3.07	$6.48	263,542	($5.31)	OUT	$450,656
12/18/2009	Centric Financial Corporation, Harrisburg, PA[2, 10]	Preferred Stock w/ Exercised Warrants	$6,056,000													$210,127
2/6/2009	Centrix Bank & Trust, Bedford, NH[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$623,344
1/9/2009	Centrue Financial Corporation, St. Louis, MO	Preferred Stock w/ Warrants	$32,668,000							$1.66	$10.04	$9.64	508,320	($7.98)	OUT	$571,690
6/19/2009	Century Financial Services Corporation, Santa Fe, NM[8]	Subordinated Debentures w/ Exercised Warrants	$10,000,000													$969,511
5/29/2009	Chambers Bancshares, Inc., Danville, AR[8]	Subordinated Debentures w/ Exercised Warrants	$19,817,000													$2,013,674

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
7/31/2009	Chicago Shore Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$397,396
12/31/2008	CIT Group Inc., New York, NY[16]	Contingent Value Rights	$2,330,000,000	2/8/2010	—	—				$40.82	$8,174.49					$43,687,500
10/28/2008	Citigroup Inc., New York, NY[11, 23 - 5/26/2010]	Common Stock w/ Warrants	$25,000,000,000							$3.91	$113,286.50	$17.85	210,084,034	($13.94)	OUT	$932,291,667
1/16/2009	Citizens & Northern Corporation, Wellsboro, PA[4]	Preferred Stock w/ Warrants	$26,440,000	8/4/2010	$26,440,000	—	9/1/2010	R	$400,000	$13.00	$157.69					$2,049,100
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, 30 - 8/13/2010 4]	Preferred Stock	$7,462,000	8/13/2010	$7,462,000	—										$535,813
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													$268,867
12/19/2008	Citizens First Corporation, Bowling Green, KY	Preferred Stock w/ Warrants	$8,779,000							$6.63	$13.05	$5.18	254,218	$1.45	IN	$726,707
12/12/2008	Citizens Republic Bancorp, Inc., Flint, MI	Preferred Stock w/ Warrants	$300,000,000							$0.90	$357.73	$2.56	17,578,125	($1.66)	OUT	$13,875,000
12/12/2008	Citizens South Banking Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$20,500,000							$5.00	$54.26	$7.17	428,870	($2.17)	OUT	$1,716,875
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]	Preferred Stock w/ Warrants	$400,000,000	3/3/2010	$200,000,000	—	4/7/2010	R	$18,500,000	$53.07	$2,765.05					$23,916,667
11/21/2008	City National Corporation, Beverly Hills, CA[4]	Preferred Stock w/ Warrants		12/30/2009	$200,000,000	$200,000,000										
3/27/2009	Clover Community Bankshares, Inc., Clover, SC[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$226,175
12/5/2008	Coastal Banking Company, Inc., Fernandina Beach, FL	Preferred Stock w/ Warrants	$9,950,000							$2.25	$5.83	$7.26	205,579	($5.01)	OUT	$842,986
8/28/2009	CoastalSouth Bancshares, Inc., Hilton Head Island, SC[2, 10]	Preferred Stock w/ Exercised Warrants	$16,015,000													$813,474
12/19/2008	CoBiz Financial Inc., Denver, CO	Preferred Stock w/ Warrants	$64,450,000							$5.56	$204.74	$10.79	895,968	($5.23)	OUT	$5,335,028
1/9/2009	Codorus Valley Bancorp, Inc., York, PA	Preferred Stock w/ Warrants	$16,500,000							$8.34	$34.14	$9.38	263,859	($1.04)	OUT	$1,320,000
2/13/2009	ColoEast Bankshares, Inc., Lamar, CO[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$820,528

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Colonial American Bank, West Conshohocken, PA[2]	Preferred Stock w/ Exercised Warrants	$574,000													$43,313
1/9/2009	Colony Bankcorp, Inc., Fitzgerald, GA	Preferred Stock w/ Warrants	$28,000,000							$4.50	$38.00	$8.40	500,000	($3.90)	OUT	$2,240,000
11/21/2008	Columbia Banking System, Inc., Tacoma, WA[4, 9]	Preferred Stock w/ Warrants	$76,898,000	8/11/2010	$76,898,000	—	9/1/2010	R	$3,301,647	$19.65	$772.70					$6,621,772
2/27/2009	Columbine Capital Corp., Buena Vista, CO[2]	Preferred Stock w/ Exercised Warrants	$2,260,000													$180,650
11/14/2008	Comerica Inc., Dallas, TX[4]	Preferred Stock w/ Warrants	$2,250,000,000	3/17/2010	$2,250,000,000	—	5/6/2010	A	$183,673,472	$37.15	$6,550.25					$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	—				$4.78	$12.52	$8.60	87,209	($3.82)	OUT	$36,111
5/22/2009	Commonwealth Bancshares, Inc., Louisville, KY[8]	Subordinated Debentures w/ Exercised Warrants	$20,400,000													$2,106,175
1/23/2009	Commonwealth Business Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$7,701,000													$130,573
1/16/2009	Community 1st Bank, Roseville, CA[2]	Preferred Stock w/ Exercised Warrants	$2,550,000													$139,020
3/6/2009	Community Bancshares of Kansas, Inc., Goff, KS[2]	Preferred Stock w/ Exercised Warrants	$500,000													$39,286
9/11/2009	Community Bancshares of Mississippi, Inc., Brandon, MS[2, 4, 7, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$52,000,000	9/29/2010	$52,000,000	—	9/29/2010	R	$2,600,000							$2,975,700
7/24/2009	Community Bancshares, Inc., Kingman, AZ[2, 10]	Preferred Stock w/ Exercised Warrants	$3,872,000													$215,942
1/16/2009	Community Bank of the Bay, Oakland, CA[3, 4, 30 - 9/29/2010]	Preferred Stock	$1,747,000	9/29/2010	$1,747,000	—										$76,189
5/29/2009	Community Bank Shares of Indiana, Inc., New Albany, IN	Preferred Stock w/ Warrants	$19,468,000							$8.84	$29.05	$7.56	386,270	$1.28	IN	$1,178,895
12/19/2008	Community Bankers Trust Corporation, Glen Allen, VA	Preferred Stock w/ Warrants	$17,680,000							$0.99	$21.25	$3.40	780,000	($2.41)	OUT	$1,242,511
2/27/2009	Community Business Bank, West Sacramento, CA[2]	Preferred Stock w/ Exercised Warrants	$3,976,000													$317,841
12/19/2008	Community Financial Corporation, Staunton, VA	Preferred Stock w/ Warrants	$12,643,000							$4.07	$17.75	$5.40	351,194	($1.33)	OUT	$1,046,560
5/15/2009	Community Financial Shares, Inc., Glen Ellyn, IL[2]	Preferred Stock w/ Exercised Warrants	$6,970,000													$474,888
3/20/2009	Community First Bancshares Inc., Union City, TN[2]	Preferred Stock w/ Exercised Warrants	$20,000,000													$1,529,028
4/3/2009	Community First Bancshares, Inc., Harrison, AR[2]	Preferred Stock w/ Exercised Warrants	$12,725,000													$947,770
2/27/2009	Community First Inc., Columbia, TN[2]	Preferred Stock w/ Exercised Warrants	$17,806,000													$1,423,253

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
2/6/2009	Community Holding Company of Florida, Inc., Miramar Beach, FL[2]	Preferred Stock w/ Exercised Warrants	$1,050,000													$86,926
12/23/2008	Community Investors Bancorp, Inc., Bucyrus, OH[2]	Preferred Stock w/ Exercised Warrants	$2,600,000													$233,018
1/30/2009	Community Partners Bancorp, Middletown, NJ[8]	Preferred Stock w/ Warrants	$9,000,000							$4.87	$36.75	$4.54	297,116	$0.32	IN	$693,750
11/13/2009	Community Pride Bank Corporation, Ham Lake, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$4,400,000													$269,745
1/9/2009	Community Trust Financial Corporation, Ruston, LA[2]	Preferred Stock w/ Exercised Warrants	$24,000,000													$2,092,800
12/19/2008	Community West Bancshares, Goleta, CA	Preferred Stock w/ Warrants	$15,600,000							$2.93	$17.33	$4.49	521,158	($1.56)	OUT	$1,291,333
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													$52,363
1/30/2009	Country Bank Shares, Inc., Milford, NE[2]	Preferred Stock w/ Exercised Warrants	$7,525,000													$632,223
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													$251,078
1/9/2009	Crescent Financial Corporation, Cary, NC	Preferred Stock w/ Warrants	$24,900,000							$2.70	$26.09	$4.48	833,705	($1.78)	OUT	$1,992,000
1/23/2009	Crosstown Holding Company, Blaine, MN[2]	Preferred Stock w/ Exercised Warrants	$10,650,000													$906,179
3/27/2009	CSRA Bank Corp., Wrens, GA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$180,940
12/5/2008	CVB Financial Corp, Ontario, CA[4]	Preferred Stock w/ Warrants	$130,000,000	8/26/2009	$97,500,000	$32,500,000				$7.51	$799.33					$4,739,583
12/5/2008	CVB Financial Corp, Ontario, CA[4, 9]	Preferred Stock w/ Warrants		9/2/2009	$32,500,000	—	10/28/2009	R	$1,307,000							
2/27/2009	D.L. Evans Bancorp, Burley, ID[2]	Preferred Stock w/ Exercised Warrants	$19,891,000													$1,590,014
5/15/2009	Deerfield Financial Corporation, Deerfield, WI[8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$276,774
12/4/2009	Delmar Bancorp, Delmar, MD[2]	Preferred Stock w/ Exercised Warrants	$9,000,000													$341,988
2/13/2009	DeSoto County Bank, Horn Lake, MS[2]	Preferred Stock w/ Exercised Warrants	$1,173,000													$143,629
12/29/2009	DeSoto County Bank, Horn Lake, MS[2, 10a]	Preferred Stock	$1,508,000													

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
5/22/2009	Diamond Bancorp, Inc., Washington, MO[8]	Subordinated Debentures w/ Exercised Warrants	$20,445,000													$2,110,778
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	—	7/7/2010	R	$172,000,000	$16.68	$9,083.09					$67,690,844
1/30/2009	DNB Financial Corporation, Downingtown, PA	Preferred Stock w/ Warrants	$11,750,000							$7.14	$18.87	$9.46	186,311	($2.32)	OUT	$905,729
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				$11.48	$225.63	$7.44	385,434	$4.04	IN	$2,756,021
12/5/2008	East West Bancorp, Pasadena, CA[b]	Preferred Stock w/ Warrants	$306,546,000							$16.28	$2,409.07	$15.15	1,517,555	$1.13	IN	$25,971,258
1/9/2009	Eastern Virginia Bankshares, Inc., Tappahannock, VA	Preferred Stock w/ Warrants	$24,000,000							$3.65	$21.82	$9.63	373,832	($5.98)	OUT	$1,920,000
1/16/2009	ECB Bancorp, Inc., Engelhard, NC	Preferred Stock w/ Warrants	$17,949,000							$13.54	$38.59	$18.57	144,984	($5.03)	OUT	$1,418,470
12/23/2008	Emclaire Financial Corp., Emlenton, PA	Preferred Stock w/ Warrants	$7,500,000							$16.50	$24.04	$22.45	50,111	($5.95)	OUT	$616,667
12/5/2008	Encore Bancshares Inc., Houston, TX	Preferred Stock w/ Warrants	$34,000,000							$7.19	$81.97	$14.01	364,026	($6.82)	OUT	$2,880,556
12/19/2008	Enterprise Financial Services Corp., St. Louis, MO	Preferred Stock w/ Warrants	$35,000,000							$9.30	$138.14	$16.20	324,074	($6.90)	OUT	$2,897,222.22
6/12/2009	Enterprise Financial Services Group, Inc., Allison Park, PA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$256,150
1/30/2009	Equity Bancshares, Inc., Wichita, KS[2]	Preferred Stock w/ Exercised Warrants	$8,750,000													$735,252
12/19/2008	Exchange Bank, Santa Rosa, CA[2]	Preferred Stock w/ Exercised Warrants	$43,000,000													$3,293,919
5/22/2009	F & C Bancorp, Inc., Holden, MO[8]	Subordinated Debentures w/ Exercised Warrants	$2,993,000													$309,068
1/30/2009	F & M Bancshares, Inc., Trezevant, TN[2]	Preferred Stock w/ Exercised Warrants	$4,609,000													$524,171
11/6/2009	F & M Bancshares, Inc., Trezevant, TN[2, 10a]	Preferred Stock	$3,535,000													
2/6/2009	F & M Financial Corporation, Salisbury, NC[2]	Preferred Stock w/ Exercised Warrants	$17,000,000													$1,412,913
2/13/2009	F&M Financial Corporation, Clarksville, TN[2]	Preferred Stock w/ Exercised Warrants	$17,243,000													$1,414,816
1/9/2009	F.N.B. Corporation, Hermitage, PA[4,b]	Preferred Stock w/ Warrants	$100,000,000	9/9/2009	$100,000,000	—				$8.56	$980.40	$11.52	651,042	($2.96)	OUT	$3,333,333
3/6/2009	Farmers & Merchants Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$864,280

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				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 9/30/2010	Market Capitalization as of 9/30/2010 (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
3/20/2009	Farmers & Merchants Financial Corporation, Argonia, KS[2]	Preferred Stock w/ Exercised Warrants	$442,000													$33,779
1/23/2009	Farmers Bank, Windsor, VA[2]	Preferred Stock w/ Exercised Warrants	$8,752,000													$744,681
1/9/2009	Farmers Capital Bank Corporation, Frankfort, KY	Preferred Stock w/ Warrants	$30,000,000							$4.95	$36.60	$20.09	223,992	($15.14)	OUT	$2,400,000
6/19/2009	Farmers Enterprises, Inc., Great Bend, KS[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$1,163,416
3/20/2009	Farmers State Bankshares, Inc., Holton, KS[2]	Preferred Stock w/ Exercised Warrants	$700,000													$54,147
12/29/2009	FBHC Holding Company, Boulder, CO[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,035,000													$154,592
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													$838,622
12/19/2008	FFW Corporation, Wabash, IN[2]	Preferred Stock w/ Exercised Warrants	$7,289,000													$657,604
5/29/2009	Fidelity Bancorp, Inc, Baton Rouge, LA[8]	Subordinated Debentures w/ Exercised Warrants	$3,942,000													$400,540.35
12/12/2008	Fidelity Bancorp, Inc., Pittsburgh, PA	Preferred Stock w/ Warrants	$7,000,000							$5.98	$18.23	$8.65	121,387	($2.67)	OUT	$586,250
11/13/2009	Fidelity Federal Bancorp, Evansville, IN[2, 10]	Preferred Stock w/ Exercised Warrants	$6,657,000													—
12/19/2008	Fidelity Financial Corporation, Wichita, KS[2]	Preferred Stock w/ Exercised Warrants	$36,282,000													$3,273,629
6/26/2009	Fidelity Resources Company, Plano, TX[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$185,754
12/19/2008	Fidelity Southern Corporation, Atlanta, GA[8]	Preferred Stock w/ Warrants	$48,200,000							$6.40	$67.84	$3.08	2,346,984	$3.32	IN	$3,989,889
12/31/2008	Fifth Third Bancorp, Cincinnati, OH	Preferred Stock w/ Warrants	$3,408,000,000							$12.03	$9,579.73	$11.72	43,617,747	$0.31	IN	$298,200,000
12/23/2008	Financial Institutions, Inc., Warsaw, NY	Preferred Stock w/ Warrants	$37,515,000							$17.66	$193.18	$14.88	378,175	$2.78	IN	$3,084,567
2/13/2009	Financial Security Corporation, Basin, WY[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$410,264
7/31/2009	Financial Services of Winger, Inc., Winger, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,742,000													$316,240
5/22/2009	First Advantage Bancshares Inc., Coon Rapids, MN[2]	Preferred Stock w/ Exercised Warrants	$1,177,000													$78,952
6/26/2009	First Alliance Bancshares, Inc., Cordova, TN[2]	Preferred Stock w/ Exercised Warrants	$3,422,000													$211,873

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
7/24/2009	First American Bank Corporation, Elk Grove Village, IL[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$4,439,725
3/13/2009	First American International Corp., Brooklyn, NY[3, 4, 30 - 8/13/2010]	Preferred Stock	$17,000,000	8/13/2010	$17,000,000	—										$1,204,167
1/9/2009	First Bancorp, Troy, NC	Preferred Stock w/ Warrants	$65,000,000							$13.62	$228.56	$15.82	616,308	($2.20)	OUT	$5,200,000
1/16/2009	First BanCorp, San Juan, PR[28 - 7/20/2010, i]	Mandatorily Convertible Preferred Stock w/ Warrants	$424,174,000							$0.28	$25.91	$0.73	5,842,259	($0.45)	OUT	$6,611,111
2/20/2009	First BancTrust Corporation, Paris, IL[2]	Preferred Stock w/ Exercised Warrants	$7,350,000													$595,366
2/6/2009	First Bank of Charleston, Inc., Charleston, WV[2]	Preferred Stock w/ Exercised Warrants	$3,345,000													$277,977
1/16/2009	First Bankers Trustshares, Inc., Quincy, IL[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$861,403
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							$4.55	$301.94	$13.07	573,833	($8.52)	OUT	$7,208,333
4/10/2009	First Business Bank, N.A., San Diego, CA[2]	Preferred Stock w/ Exercised Warrants	$2,211,000													$231,256
12/11/2009	First Business Bank, N.A., San Diego, CA[2, 10a]	Preferred Stock	$2,032,000													
12/19/2008	First California Financial Group, Inc, Westlake Village, CA	Preferred Stock w/ Warrants	$25,000,000							$2.45	$69.03	$6.26	599,042	($3.81)	OUT	$2,069,444
4/3/2009	First Capital Bancorp, Inc., Glen Ellen, VA	Preferred Stock w/ Warrants	$10,958,000							$2.95	$8.76	$6.55	250,947	($3.60)	OUT	$748,797
2/13/2009	First Choice Bank, Cerritos, CA[2, 4, 7, 30 - 9/24/2010, 30a]	Preferred Stock w/ Exercised Warrants	$2,200,000	9/24/2010	$2,200,000	—	9/24/2010	R	$110,000							$300,643
12/22/2009	First Choice Bank, Cerritos, CA[2, 4, 10a, 30 - 9/24/2010]	Preferred Stock	$2,836,000	9/24/2010	$2,836,000	—										
1/23/2009	First Citizens Banc Corp, Sandusky, OH	Preferred Stock w/ Warrants	$23,184,000							$4.04	$31.14	$7.41	469,312	($3.37)	OUT	$1,809,640
3/20/2009	First Colebrook Bancorp, Inc., Colebrook, NH[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$344,032
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							$1.70	$9.28	$7.02	228,312	($5.32)	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	—				$12.90	$229.71	$35.26	88,273	($22.36)	OUT	$1,308,403

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	First Community Corporation, Lexington, SC	Preferred Stock w/ Warrants	$11,350,000							$5.20	$16.96	$8.69	195,915	($3.49)	OUT	$983,667
12/11/2009	First Community Financial Partners, Inc., Joliet, IL[2]	Preferred Stock w/ Exercised Warrants	$22,000,000													$812,656
12/5/2008	First Defiance Financial Corp., Defiance, OH	Preferred Stock w/ Warrants	$37,000,000							$10.06	$81.67	$10.08	550,595	($0.02)	OUT	$3,134,722
9/11/2009	First Eagle Bancshares, Inc., Hanover Park, IL[4, 8, 30 - 9/17/2010, 30a]	Subordinated Debentures w/ Exercised Warrants	$7,500,000	9/17/2010	$7,500,000	—	9/17/2010	R	$375,000							$639,738
2/6/2009	First Express of Nebraska, Inc., Gering, NE[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$415,563
3/6/2009	First Federal Bancshares of Arkansas, Inc., Harrison, AR	Preferred Stock w/ Warrants	$16,500,000							$1.85	$8.99	$7.69	321,847	($5.84)	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	—	6/2/2010	A	$3,116,284	$16.68	$968.42					$4,677,778
6/12/2009	First Financial Bancshares, Inc., Lawrence, KS[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,756,000													$358,147
12/5/2008	First Financial Holdings Inc., Charleston, SC[b]	Preferred Stock w/ Warrants	$65,000,000							$11.14	$184.11	$20.17	241,696	($9.03)	OUT	$5,506,944
1/9/2009	First Financial Service Corporation, Elizabethtown, KY	Preferred Stock w/ Warrants	$20,000,000							$4.95	$23.39	$13.89	215,983	($8.94)	OUT	$1,600,000
12/22/2009	First Freedom Bancshares, Inc., Lebanon, TN[2, 10]	Preferred Stock w/ Exercised Warrants	$8,700,000													$296,745
2/27/2009	First Gothenburg Bancshares, Inc., Gothenburg, NE[2]	Preferred Stock w/ Exercised Warrants	$7,570,000													$605,406
8/28/2009	First Guaranty Bancshares, Inc., Hammond, LA[2]	Preferred Stock w/ Exercised Warrants	$20,699,000													$1,086,929
11/14/2008	First Horizon National Corporation, Memphis, TN[g]	Preferred Stock w/ Warrants	$866,540,000							$11.41	$2,654.24	$8.92	14,578,136	$2.49	IN	$75,942,603
8/28/2009	First Independence Corporation, Detroit, MI[2, 3]	Preferred Stock	$3,223,000													$155,331
3/13/2009	First Intercontinental Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$6,398,000													$495,929
12/12/2008	First Litchfield Financial Corporation, Litchfield, CT[4]	Preferred Stock w/ Warrants	$10,000,000	4/7/2010	$10,000,000	—	4/7/2010	R	$1,488,046							$659,722
2/27/2009	First M&F Corporation, Kosciusko, MS[4, 30 - 9/29/2010]	Preferred Stock w/ Warrants	$30,000,000	9/29/2010	$30,000,000	—				$3.38	$30.72	$8.77	513,113	($5.39)	OUT	$2,383,333
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	—	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													$393,628
2/20/2009	First Merchants Corporation, Muncie, IN[27]	Preferred Stock w/ Warrants	$69,600,000							$7.63	$194.95	$17.55	991,453	($9.92)	OUT	$8,619,444
2/20/2009	First Merchants Corporation, Muncie, IN[27]	Trust Preferred Securities w/ Warrants	$46,400,000													

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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 Midwest Bancorp, Inc., Itasca, IL	Preferred Stock w/ Warrants	$193,000,000							$11.53	$853.85	$22.18	1,305,230	($10.65)	OUT	$16,351,389
3/13/2009	First National Corporation, Strasburg, VA[2]	Preferred Stock w/ Exercised Warrants	$13,900,000													$1,077,405
3/20/2009	First NBC Bank Holding Company, New Orleans, LA[2]	Preferred Stock w/ Exercised Warrants	$17,836,000													$1,363,612
11/21/2008	First Niagara Financial Group, Lockport, NY[5, 9]	Preferred Stock w/ Warrants	$184,011,000	5/27/2009	$184,011,000	—	6/24/2009	R	$2,700,000	$11.65	$2,435.40					$4,753,618
3/13/2009	First Northern Community Bancorp, Dixon, CA	Preferred Stock w/ Warrants	$17,390,000							$4.00	$36.26	$7.39	352,977	($3.39)	OUT	$1,236,622
11/21/2008	First PacTrust Bancorp, Inc., Chula Vista, CA	Preferred Stock w/ Warrants	$19,300,000							$10.70	$45.41	$10.31	280,795	$0.39	IN	$1,672,667
3/13/2009	First Place Financial Corp., Warren, OH	Preferred Stock w/ Warrants	$72,927,000							$3.78	$64.16	$2.98	3,670,822	$0.80	IN	$5,185,920
2/20/2009	First Priority Financial Corp., Malvern, PA[2]	Preferred Stock w/ Exercised Warrants	$4,579,000													$522,159
12/18/2009	First Priority Financial Corp., Malvern, PA[2, 10a]	Preferred Stock	$4,596,000													
3/6/2009	First Reliance Bancshares, Inc., Florence, SC[2]	Preferred Stock w/ Exercised Warrants	$15,349,000													$1,205,926
1/30/2009	First Resource Bank, Exton, PA[2]	Preferred Stock w/ Exercised Warrants	$2,600,000													$300,364
12/11/2009	First Resource Bank, Exton, PA[2, 10a]	Preferred Stock	$2,417,000													
1/9/2009	First Security Group, Inc., Chattanooga, TN	Preferred Stock w/ Warrants	$33,000,000							$1.12	$18.39	$6.01	823,627	($4.89)	OUT	$1,402,500
12/23/2008	First Sound Bank, Seattle, WA	Preferred Stock w/ Warrants	$7,400,000							$0.05	$0.11	$9.73	114,080	($9.68)	OUT	$330,944
7/17/2009	First South Bancorp, Inc., Lexington, TN[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$4,521,277
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	—	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	—	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													$1,063,344
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	—	4/22/2009	R	$245,000							$66,021
1/30/2009	First United Corporation, Oakland, MD	Preferred Stock w/ Warrants	$30,000,000							$4.16	$25.62	$13.79	326,323	($9.63)	OUT	$2,312,500

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
6/12/2009	First Vernon Bancshares, Inc., Vernon, AL[2, 4, 7, 10, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$6,000,000	9/29/2010	$6,000,000	—	9/29/2010	R	$245,000							$417,770
2/6/2009	First Western Financial, Inc., Denver, CO[2]	Preferred Stock w/ Exercised Warrants	$8,559,000													$1,114,000
12/11/2009	First Western Financial, Inc., Denver, CO[2, 10a]	Preferred Stock	$11,881,000													
1/30/2009	Firstbank Corporation, Alma, MI	Preferred Stock w/ Warrants	$33,000,000							$4.64	$36.07	$8.55	578,947	($3.91)	OUT	$2,543,750
1/9/2009	FirstMerit Corporation, Akron, OH[4]	Preferred Stock w/ Warrants	$125,000,000	4/22/2009	$125,000,000	—	5/27/2009	R	$5,025,000	$18.32	$1,992.98					$1,788,194
1/30/2009	Flagstar Bancorp, Inc., Troy, MI[j]	Preferred Stock w/ Warrants	$266,657,000							$1.82	$279.12	$6.20	6,451,379	($4.38)	OUT	$20,554,810
7/24/2009	Florida Bank Group, Inc., Tampa, FL[2]	Preferred Stock w/ Exercised Warrants	$20,471,000													$1,180,793
2/20/2009	Florida Business BancGroup, Inc., Tampa, FL[2]	Preferred Stock w/ Exercised Warrants	$9,495,000													$769,063
12/19/2008	Flushing Financial Corporation, Lake Success, NY[5, 9]	Preferred Stock w/ Warrants	$70,000,000	10/28/2009	$70,000,000	—	12/30/2009	R	$900,000	$11.56	$361.11					$3,004,167
2/27/2009	FNB Bancorp, South San Francisco, CA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$959,200
2/13/2009	FNB United Corp., Asheboro, NC	Preferred Stock w/ Warrants	$51,500,000							$0.70	$8.00	$3.50	2,207,143	($2.80)	OUT	$2,589,305
5/15/2009	Foresight Financial Group, Inc., Rockford, IL[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$1,021,875
5/22/2009	Fort Lee Federal Savings Bank, Fort Lee, NJ[2]	Preferred Stock w/ Exercised Warrants	$1,300,000													$87,185
4/3/2009	Fortune Financial Corporation, Arnold, MO[2]	Preferred Stock w/ Exercised Warrants	$3,100,000													$230,899
12/5/2008	FPB Bancorp, Inc., Port St. Lucie, FL	Preferred Stock w/ Warrants	$5,800,000							$0.70	$1.44	$4.75	183,158	($4.05)	OUT	$273,889
1/23/2009	FPB Financial Corp., Hammond, LA[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$3,240,000	6/16/2010	$2,240,000	—	6/16/2010	R	$162,000							$221,722
1/23/2009	FPB Financial Corp., Hammond, LA[2, 4]	Preferred Stock w/ Exercised Warrants		12/16/2009	$1,000,000	$2,240,000										
5/22/2009	Franklin Bancorp, Inc., Washington, MO[2]	Preferred Stock w/ Exercised Warrants	$5,097,000													$341,848
5/8/2009	Freeport Bancshares, Inc., Freeport, IL[8]	Subordinated Debentures w/ Exercised Warrants	$3,000,000													$319,518
6/26/2009	Fremont Bancorporation, Fremont, CA[8]	Subordinated Debentures w/ Exercised Warrants	$35,000,000													$3,336,205
1/23/2009	Fresno First Bank, Fresno, CA[2]	Preferred Stock w/ Exercised Warrants	$1,968,000													$134,025

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

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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										$239,987
12/23/2008	Fulton Financial Corporation, Lancaster, PA[4]	Preferred Stock w/ Warrants	$376,500,000	7/14/2010	$376,500,000	—	9/8/2010	R	$10,800,000	$9.06	$1,801.06					$29,335,625
5/8/2009	Gateway Bancshares, Inc., Ringgold, GA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$415,108
2/6/2009	Georgia Commerce Bancshares, Inc., Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$8,700,000													$723,079
5/1/2009	Georgia Primary Bank, Atlanta, GA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													—
3/6/2009	Germantown Capital Corporation, Inc., Germantown, TN[2]	Preferred Stock w/ Exercised Warrants	$4,967,000													$390,216
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													$285,217
9/25/2009	Grand Financial Corporation, Hattiesburg, MS[8]	Subordinated Debentures w/ Exercised Warrants	$2,443,320													$182,196
5/29/2009	Grand Mountain Bancshares, Inc., Granby, CO[2]	Preferred Stock w/ Exercised Warrants	$3,076,000													—
1/9/2009	GrandSouth Bancorporation, Greenville, SC[2]	Preferred Stock w/ Exercised Warrants	$9,000,000													$998,944
12/11/2009	GrandSouth Bancorporation, Greenville, SC[2, 10a]	Preferred Stock	$6,319,000													
7/17/2009	Great River Holding Company, Baxter, MN[8]	Subordinated Debentures w/ Exercised Warrants	$8,400,000													$759,575
12/5/2008	Great Southern Bancorp, Springfield, MO	Preferred Stock w/ Warrants	$58,000,000							$21.77	$292.46	$9.57	909,091	$12.20	IN	$4,913,889
12/23/2008	Green Bankshares, Inc., Greeneville, TN	Preferred Stock w/ Warrants	$72,278,000							$6.79	$89.57	$17.06	635,504	($10.27)	OUT	$5,942,858
2/27/2009	Green Circle Investments, Inc., Clive, IA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$191,840
2/27/2009	Green City Bancshares, Inc., Green City, MO[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$651,000	7/14/2010	$651,000	—	7/14/2010	R	$33,000							$49,037
1/30/2009	Greer Bancshares Incorporated, Greer, SC[2]	Preferred Stock w/ Exercised Warrants	$9,993,000													$839,669
2/13/2009	Gregg Bancshares, Inc., Ozark, MO[2]	Preferred Stock w/ Exercised Warrants	$825,000													$45,190

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2/20/2009	Guaranty Bancorp, Inc., Woodsville, NH[2]	Preferred Stock w/ Exercised Warrants	$6,920,000													$560,472
9/25/2009	Guaranty Capital Corporation, Belzoni, MS[3, 4, 8, 30 - 7/30/2010]	Subordinated Debentures	$14,000,000	7/30/2010	$14,000,000	—										$913,299
1/30/2009	Guaranty Federal Bancshares, Inc., Springfield, MO	Preferred Stock w/ Warrants	$17,000,000							$5.21	$13.79	$5.55	459,459	($0.34)	OUT	$1,310,417
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													$464,385
2/20/2009	Hamilton State Bancshares, Hoschton, GA[2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$566,952
12/31/2008	Hampton Roads Bankshares, Inc., Norfolk, VA[31 - 9/30/2010, i]	Common Stock w/ Warrants	$80,347,000							$0.91	$20.16	$0.40	1,325,858	$0.51	IN	$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	—	9/21/2010	A	$713,687,430	$22.95	$10,198.25					$129,861,111
3/13/2009	Haviland Bancshares, Inc., Haviland, KS[2]	Preferred Stock w/ Exercised Warrants	$425,000													$32,911
12/19/2008	Hawthorn Bancshares, Inc., Lee's Summit, MO[8]	Preferred Stock w/ Warrants	$30,255,000							$10.08	$45.08	$17.10	265,471	($7.02)	OUT	$2,504,442
3/6/2009	HCSB Financial Corporation, Loris, SC	Preferred Stock w/ Warrants	$12,895,000							$4.00	$15.15	$21.09	91,714	($17.09)	OUT	$929,515
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							$15.39	$252.01	$20.10	609,687	($4.71)	OUT	$6,762,779
9/25/2009	Heritage Bankshares, Inc., Norfolk, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,103,000													$473,262
11/21/2008	Heritage Commerce Corp., San Jose, CA	Preferred Stock w/ Warrants	$40,000,000							$3.50	$41.37	$12.96	462,963	($9.46)	OUT	$1,466,667
11/21/2008	Heritage Financial Corporation, Olympia, WA[b]	Preferred Stock w/ Warrants	$24,000,000							$14.00	$155.68	$13.04	138,037	$0.96	IN	$2,080,000
3/20/2009	Heritage Oaks Bancorp, Paso Robles, CA	Preferred Stock w/ Warrants	$21,000,000							$3.30	$82.71	$5.15	611,650	($1.85)	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	—	6/30/2009	R	$650,000	$10.48	$72.79					$666,667
5/8/2009	Highlands Bancorp, Inc. (Highlands State Bank), Vernon, NJ[2, 13 - 8/31/2010]	Preferred Stock w/ Exercised Warrants	$3,091,000													$302,972
12/22/2009	Highlands Bancorp, Inc. (Highlands State Bank), Vernon, NJ[2, 13 - 8/31/2010]	Preferred Stock	$2,359,000													
3/6/2009	Highlands Independent Bancshares, Inc., Sebring, FL[2]	Preferred Stock w/ Exercised Warrants	$6,700,000													$526,425

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	—	4/21/2010	R	$200,000							$267,050
12/23/2008	HMN Financial, Inc., Rochester, MN	Preferred Stock w/ Warrants	$26,000,000							$3.16	$13.62	$4.68	833,333	($1.52)	OUT	$2,137,778
1/16/2009	Home Bancshares, Inc., Conway, AR[f]	Preferred Stock w/ Warrants	$50,000,000							$20.32	$577.68	$23.66	158,472	($3.34)	OUT	$3,951,389
2/20/2009	Hometown Bancorp of Alabama, Inc., Oneonta, AL[2]	Preferred Stock w/ Exercised Warrants	$3,250,000													$263,295
2/13/2009	Hometown Bancshares, Inc., Corbin, KY[2]	Preferred Stock w/ Exercised Warrants	$1,900,000													$155,900
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							$9.09	$66.68	$11.32	243,816	($2.23)	OUT	$1,541,000
12/19/2008	Horizon Bancorp, Michigan City, IN	Preferred Stock w/ Warrants	$25,000,000							$22.25	$73.43	$17.68	212,104	$4.57	IN	$2,069,444
2/27/2009	Howard Bancorp, Inc., Ellicott City, MD[2]	Preferred Stock w/ Exercised Warrants	$5,983,000													$478,221
5/1/2009	HPK Financial Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$479,659
11/13/2009	HPK Financial Corporation, Chicago, IL[2, 10a]	Preferred Stock w/ Exercised Warrants	$5,000,000													
11/14/2008	Huntington Bancshares, Columbus, OH	Preferred Stock w/ Warrants	$1,398,071,000							$5.69	$4,078.94	$8.90	23,562,994	($3.21)	OUT	$122,525,390
2/6/2009	Hyperion Bank, Philadelphia, PA[2]	Preferred Stock w/ Exercised Warrants	$1,552,000													$129,046
9/18/2009	IA Bancorp, Inc., Iselin, NJ[2, 10]	Preferred Stock w/ Exercised Warrants	$5,976,000													$286,043
5/15/2009	IBC Bancorp, Inc., Chicago, IL[3, 4, 8, 30 - 9/10/2010]	Subordinated Debentures	$4,205,000	9/10/2010	$4,205,000	—										$427,216
12/5/2008	Iberiabank Corporation, Lafayette, LA[5, 9]	Preferred Stock w/ Warrants	$90,000,000	3/31/2009	$90,000,000	—	5/20/2009	R	$1,200,000	$49.98	$1,342.61					$1,450,000
3/27/2009	IBT Bancorp, Inc., Irving, TX[2]	Preferred Stock w/ Exercised Warrants	$2,295,000													$173,055
3/13/2009	IBW Financial Corporation, Washington, DC[2, 4, 3a - 11/13/2009, 30 - 9/3/2010]	Preferred Stock	$6,000,000	9/3/2010	$6,000,000	—										$453,067
3/6/2009	ICB Financial, Ontario, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$471,425
1/16/2009	Idaho Bancorp, Boise, ID[2]	Preferred Stock w/ Exercised Warrants	$6,900,000													$124,306

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
5/22/2009	Illinois State Bancorp, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$6,272,000													$551,431
12/29/2009	Illinois State Bancorp, Inc., Chicago, IL[2, 10, a]	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													$92,832
1/9/2009	Independent Bank Corp., Rockland, MA[4]	Preferred Stock w/ Warrants	$78,158,000	4/22/2009	$78,158,000	—	5/27/2009	R	$2,200,000	$22.52	$477.49					$1,118,094
12/12/2008	Independent Bank Corporation, Ionia, MI[22, i, j]	Mandatorily Convertible Preferred Stock w/ Warrants	$74,426,000							$1.39	$10.44	$7.23	346,154	($5.84)	OUT	$2,430,000
4/24/2009	Indiana Bank Corp., Dana, IN[2]	Preferred Stock w/ Exercised Warrants	$1,312,000													$93,599
12/12/2008	Indiana Community Bancorp, Columbus, IN	Preferred Stock w/ Warrants	$21,500,000							$12.56	$42.52	$17.09	188,707	($4.53)	OUT	$1,800,625
2/27/2009	Integra Bank Corporation, Evansville, IN	Preferred Stock w/ Warrants	$83,586,000							$0.73	$15.40	$1.69	7,418,876	($0.96)	OUT	$1,950,340
12/19/2008	Intermountain Community Bancorp, Sandpoint, ID	Preferred Stock w/ Warrants	$27,000,000							$2.00	$16.78	$6.20	653,226	($4.20)	OUT	$1,222,500
12/23/2008	International Bancshares Corporation, Laredo, TX	Preferred Stock w/ Warrants	$216,000,000							$16.89	$1,146.39	$24.43	1,326,238	($7.54)	OUT	$17,760,000
12/23/2008	Intervest Bancshares Corporation, New York, NY	Preferred Stock w/ Warrants	$25,000,000							$2.10	$19.15	$5.42	691,882	($3.32)	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	—	12/10/2009	A	$950,318,243	$38.06	$150,914.26					$795,138,889
1/30/2009	Katahdin Bankshares Corp., Houlton, ME[2]	Preferred Stock w/ Exercised Warrants	$10,449,000													$877,872
11/14/2008	KeyCorp, Cleveland, OH	Preferred Stock w/ Warrants	$2,500,000,000							$7.96	$7,007.05	$10.64	35,244,361	($2.68)	OUT	$219,097,222
3/20/2009	Kirksville Bancorp, Inc., Kirksville, MO[2]	Preferred Stock w/ Exercised Warrants	$470,000													$35,995
8/21/2009	KS Bancorp, Inc., Smithfield, NC[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$214,367
2/20/2009	Lafayette Bancorp, Inc., Oxford, MS[2, 4, 7, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$1,998,000	9/29/2010	$1,998,000	—	9/29/2010	R	$100,000							$267,134
12/29/2009	Lafayette Bancorp, Inc., Oxford, MS[2, 4, 10a, 30 - 9/29/2010]	Preferred Stock	$2,453,000	9/29/2010	$2,453,000	—										
2/6/2009	Lakeland Bancorp, Inc., Oak Ridge, NJ[4]	Preferred Stock w/ Warrants	$59,000,000	8/4/2010	$20,000,000	$39,000,000				$8.43	$202.63	$9.32	949,571	($0.89)	OUT	$4,468,194
2/27/2009	Lakeland Financial Corporation, Warsaw, IN[5, b]	Preferred Stock w/ Warrants	$56,044,000	6/9/2010	$56,044,000	—				$18.66	$300.99	$21.20	198,269	($2.54)	OUT	$3,596,156
12/18/2009	Layton Park Financial Group, Milwaukee, WI[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$107,638

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
1/9/2009	LCNB Corp., Lebanon, OH[4]	Preferred Stock w/ Warrants	$13,400,000	10/21/2009	$13,400,000	—				$11.70	$78.24	$9.26	217,063	$2.44	IN	$524,833
12/23/2008	Leader Bancorp, Inc., Arlington, MA[2]	Preferred Stock w/ Exercised Warrants	$5,830,000													$522,572
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													$4,892,132.44
2/13/2009	Liberty Bancshares, Inc., Springfield, MO[2]	Preferred Stock w/ Exercised Warrants	$21,900,000													$1,796,955.83
12/4/2009	Liberty Bancshares, Inc., Fort Worth, TX[2, 10]	Preferred Stock w/ Exercised Warrants	$6,500,000													$238,896.22
2/6/2009	Liberty Financial Services, Inc., New Orleans, LA[3, 4, 30 - 9/24/2010]	Preferred Stock	$5,645,000	9/24/2010	$5,645,000	—										$461,009
2/20/2009	Liberty Shares, Inc., Hinesville, GA[2]	Preferred Stock w/ Exercised Warrants	$17,280,000													$1,399,560
7/10/2009	Lincoln National Corporation, Radnor, PA[4]	Preferred Stock w/ Warrants	$950,000,000	6/30/2010	$950,000,000	—	9/16/2010	A	$216,620,887	$23.92	$7,576.73					$46,180,555
12/12/2008	LNB Bancorp Inc., Lorain, OH	Preferred Stock w/ Warrants	$25,223,000							$4.62	$33.99	$6.74	561,343	($2.12)	OUT	$2,112,427
2/6/2009	Lone Star Bank, Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$3,072,000													—
12/12/2008	LSB Corporation, North Andover, MA[4]	Preferred Stock w/ Warrants	$15,000,000	11/18/2009	$15,000,000	—	12/16/2009	R	$560,000	$20.84	$93.93					$700,000
6/26/2009	M&F Bancorp, Inc., Durham, NC[2, 3, 4, 10, 30 - 8/20/2010]	Preferred Stock	$11,735,000	8/20/2010	$11,735,000	—										$674,763
12/23/2008	M&T Bank Corporation, Buffalo, NY[d]	Preferred Stock w/ Warrants	$600,000,000							$81.81	$9,745.13	$73.86	1,218,522	$7.95	IN	$53,120,833
11/14/2008	M&T Bank Corporation (Provident Bancshares Corp.), Baltimore, MD	Preferred Stock w/ Warrants	$151,500,000							$81.81	$9,745.13	$55.76	407,542	$26.05	IN	$9,489,792
4/24/2009	Mackinac Financial Corporation, Manistique, MI	Preferred Stock w/ Warrants	$11,000,000							$5.10	$17.44	$4.35	379,310	$0.75	IN	$719,583
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										$1,111,132
12/29/2009	Mainline Bancorp, Inc., Ebensburg, PA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$153,963
1/16/2009	MainSource Financial Group, Inc., Greensburg, IN	Preferred Stock w/ Warrants	$57,000,000							$7.64	$153.84	$14.95	571,906	($7.31)	OUT	$4,504,583
12/5/2008	Manhattan Bancorp, El Segundo, CA[4]	Preferred Stock w/ Warrants	$1,700,000	9/16/2009	$1,700,000	—	10/14/2009	R	$63,364	$4.85	$19.34					$66,347

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				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 9/30/2010	Market Capitalization as of 9/30/2010 (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
6/19/2009	Manhattan Bancshares, Inc., Manhattan, IL[8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$255,862
3/6/2009	Marine Bank & Trust Company, Vero Beach, FL[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$235,713
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													$2,128,963
12/19/2008	Marquette National Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$35,500,000													$3,203,087
11/14/2008	Marshall & Ilsley Corporation, Milwaukee, WI	Preferred Stock w/ Warrants	$1,715,000,000							$7.04	$3,714.44	$18.62	13,815,789	($11.58)	OUT	$150,300,694
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							$16.22	$875.28	$29.05	506,024	($12.83)	OUT	$16,605,556
11/20/2009	McLeod Bancshares, Inc., Shorewood, MN[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$240,708
2/27/2009	Medallion Bank, Salt Lake City, UT[2]	Preferred Stock w/ Exercised Warrants	$11,800,000													$1,260,255
12/22/2009	Medallion Bank, Salt Lake City, UT[2, 10a]	Preferred Stock w/ Exercised Warrants	$9,698,000													
5/15/2009	Mercantile Bank Corporation, Grand Rapids, MI	Preferred Stock w/ Warrants	$21,000,000							$4.50	$38.67	$5.11	616,438	($0.61)	OUT	$1,050,000
2/6/2009	Mercantile Capital Corp., Boston, MA[2]	Preferred Stock w/ Exercised Warrants	$3,500,000													$290,894
6/19/2009	Merchants and Manufacturers Bank Corporation, Joliet, IL[2]	Preferred Stock w/ Exercised Warrants	$3,510,000													$221,104
3/6/2009	Merchants and Planters Bancshares, Inc., Toone, TN[2]	Preferred Stock w/ Exercised Warrants	$1,881,000													$147,786
2/13/2009	Meridian Bank, Devon, PA[2]	Preferred Stock w/ Exercised Warrants	$6,200,000													$723,413
12/11/2009	Meridian Bank, Devon, PA[2, 10, a]	Preferred Stock	$6,335,000													
1/30/2009	Metro City Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$646,961
1/16/2009	MetroCorp Bancshares, Inc., Houston, TX	Preferred Stock w/ Warrants	$45,000,000							$2.72	$33.39	$8.75	771,429	($6.03)	OUT	$3,000,625
6/26/2009	Metropolitan Bank Group, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$71,526,000													$3,454,185

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
4/10/2009	Metropolitan Capital Bancorp, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$2,040,000													$236,204
11/20/2009	Metropolitan Capital Bancorp, Inc., Chicago, IL[2, 10a]	Preferred Stock	$2,348,000													
12/19/2008	Mid Penn Bancorp, Inc., Millersburg, PA	Preferred Stock w/ Warrants	$10,000,000							$6.90	$24.01	$20.52	73,099	($13.62)	OUT	$827,778
1/30/2009	Middleburg Financial Corporation, Middleburg, VA[5,b]	Preferred Stock w/ Warrants	$22,000,000	12/23/2009	$22,000,000	—				$14.08	$97.64	$15.85	104,101	($1.77)	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	—	12/23/2009	R	$509,000							$508,989
1/9/2009	MidSouth Bancorp, Inc., Lafayette, LA[b]	Preferred Stock w/ Warrants	$20,000,000							$14.15	$137.61	$14.37	104,384	($0.22)	OUT	$1,600,000
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[14, 20, i]	Mandatorily Convertible Preferred Stock w/ Warrants	$89,388,000								$0.16	$0.31	4,282,020	($0.31)	OUT	$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	—	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							$14.66	$126.28	$12.08	198,675	$2.58	IN	$1,220,000
2/20/2009	Mid-Wisconsin Financial Services, Inc., Medford, WI[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$809,931
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													$409,280
12/23/2008	Mission Valley Bancorp, Sun Valley, CA[3, 4, 30 - 8/20/2010]	Preferred Stock	$5,500,000	8/20/2010	$5,500,000	—										$456,042
12/19/2008	Monadnock Bancorp, Inc., Peterborough, NH[2]	Preferred Stock w/ Exercised Warrants	$1,834,000													$165,522
2/6/2009	Monarch Community Bancorp, Inc., Coldwater, MI	Preferred Stock w/ Warrants	$6,785,000							$1.45	$2.97	$3.90	260,962	($2.45)	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	—	2/10/2010	R	$260,000	$8.42	$49.47					$743,167
3/13/2009	Moneytree Corporation, Lenoir City, TN[2]	Preferred Stock w/ Exercised Warrants	$9,516,000													$737,621
1/30/2009	Monument Bank, Bethesda, MD[2]	Preferred Stock w/ Exercised Warrants	$4,734,000													$397,796
10/28/2008	Morgan Stanley, New York, NY[4]	Preferred Stock w/ Warrants	$10,000,000,000	6/17/2009	$10,000,000,000	—	8/12/2009	R	$950,000,000	$24.68	$34,477.19					$318,055,555
1/16/2009	Morrill Bancshares, Inc., Merriam, KS[2]	Preferred Stock w/ Exercised Warrants	$13,000,000													$1,119,824

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
1/23/2009	Moscow Bancshares, Inc., Moscow, TN[2]	Preferred Stock w/ Exercised Warrants	$6,216,000													$528,889
9/25/2009	Mountain Valley Bancshares, Inc., Cleveland, GA[2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$159,867
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							$7.69	$53.71	$7.77	625,135	($0.08)	OUT	$2,662,520
3/27/2009	Naples Bancorp, Inc., Naples, FL[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$301,567
11/21/2008	Nara Bancorp, Inc., Los Angeles, CA[b]	Preferred Stock w/ Warrants	$67,000,000							$7.05	$267.60	$9.64	521,266	($2.59)	OUT	$5,806,667
2/27/2009	National Bancshares, Inc., Bettendorf, IA[2]	Preferred Stock w/ Exercised Warrants	$24,664,000													$1,971,450
12/12/2008	National Penn Bancshares, Inc., Boyertown, PA[b]	Preferred Stock w/ Warrants	$150,000,000							$6.25	$788.09	$15.30	735,294	($9.05)	OUT	$12,562,500
12/11/2009	Nationwide Bankshares, Inc., West Point, NE[8]	Subordinated Debentures w/ Exercised Warrants	$2,000,000													$113,731
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													$902,278
6/19/2009	NEMO Bancshares Inc., Madison, MO[8]	Subordinated Debentures w/ Exercised Warrants	$2,330,000													$225,976
1/16/2009	New Hampshire Thrift Bancshares, Inc., Newport, NH	Preferred Stock w/ Warrants	$10,000,000							$10.70	$61.76	$8.14	184,275	$2.56	IN	$790,278
1/9/2009	New York Private Bank & Trust Corporation, New York, NY[2]	Preferred Stock w/ Exercised Warrants	$267,274,000													$23,306,336
12/12/2008	NewBridge Bancorp, Greensboro, NC	Preferred Stock w/ Warrants	$52,372,000							$3.57	$55.89	$3.06	2,567,255	$0.51	IN	$4,386,155
12/23/2008	Nicolet Bankshares, Inc., Green Bay, WI[2]	Preferred Stock w/ Exercised Warrants	$14,964,000													$1,341,077
1/9/2009	North Central Bancshares, Inc., Fort Dodge, IA	Preferred Stock w/ Warrants	$10,200,000							$12.55	$16.96	$15.43	99,157	($2.88)	OUT	$816,000
12/12/2008	Northeast Bancorp, Lewiston, ME	Preferred Stock w/ Warrants	$4,227,000							$12.00	$27.97	$9.33	67,958	$2.67	IN	$354,012
5/15/2009	Northern State Bank, Closter, NJ[2]	Preferred Stock w/ Exercised Warrants	$1,341,000													$131,838
12/18/2009	Northern State Bank, Closter, NJ[2, 10a]	Preferred Stock	$1,230,000													
2/20/2009	Northern States Financial Corporation, Waukegan, IL	Preferred Stock w/ Warrants	$17,211,000							$1.54	$6.27	$4.42	584,084	($2.88)	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	—	8/26/2009	R	$87,000,000	$48.24	$11,678.47					$46,623,333

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Northway Financial, Inc., Berlin, NH[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$840,208
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													$163,503
1/30/2009	Oak Ridge Financial Services, Inc., Oak Ridge, NC	Preferred Stock w/ Warrants	$7,700,000							$4.51	$8.08	$7.05	163,830	($2.54)	OUT	$593,542
12/5/2008	Oak Valley Bancorp, Oakdale, CA	Preferred Stock w/ Warrants	$13,500,000							$5.40	$41.50	$5.78	350,346	($0.38)	OUT	$1,143,750
1/16/2009	OceanFirst Financial Corp., Toms River, NJ[5, 9]	Preferred Stock w/ Warrants	$38,263,000	12/30/2009	$38,263,000	—	2/3/2010	R	$430,797	$12.27	$230.96					$1,828,122
1/30/2009	Ojai Community Bank, Ojai, CA[2]	Preferred Stock w/ Exercised Warrants	$2,080,000													$174,763
12/5/2008	Old Line Bancshares, Inc., Bowie, MD[4]	Preferred Stock w/ Warrants	$7,000,000	7/15/2009	$7,000,000	—	9/2/2009	R	$225,000	$8.13	$31.54					$213,889
12/12/2008	Old National Bancorp, Evansville, IN[4]	Preferred Stock w/ Warrants	$100,000,000	3/31/2009	$100,000,000	—	5/8/2009	R	$1,200,000	$10.50	$915.30					$1,513,889
1/16/2009	Old Second Bancorp, Inc., Aurora, IL	Preferred Stock w/ Warrants	$73,000,000							$1.39	$19.34	$13.43	815,339	($12.04)	OUT	$5,769,028
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													—
6/5/2009	OneFinancial Corporation, Little Rock, AR[8, 10]	Subordinated Debentures w/ Exercised Warrants	$17,300,000													$1,676,994
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													$229,338
5/1/2009	OSB Financial Services, Inc., Orange, TX[8]	Subordinated Debentures w/ Exercised Warrants	$6,100,000													$674,443
11/21/2008	Pacific Capital Bancorp, Santa Barbara, CA[29 - 9/24/2010, i]	Common Stock w/ Warrants	$195,045,000							$0.81	$220.65	$0.20	1,512,003	$0.61	IN	$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													$1,039,618
1/16/2009	Pacific Coast National Bancorp, San Clemente, CA[2, 19]	Preferred Stock w/ Exercised Warrants	$4,120,000	2/11/2010	—	—										$18,088
12/23/2008	Pacific Commerce Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$4,060,000													$331,905
12/12/2008	Pacific International Bancorp, Seattle, WA	Preferred Stock w/ Warrants	$6,500,000							$3.90	$7.84	$7.63	127,785	($3.73)	OUT	$138,125

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
3/6/2009	Park Bancorporation, Inc., Madison, WI[2]	Preferred Stock w/ Exercised Warrants	$23,200,000													$1,822,843
12/23/2008	Park National Corporation, Newark, OH	Preferred Stock w/ Warrants	$100,000,000							$64.04	$978.15	$65.97	227,376	($1.93)	OUT	$8,222,222
1/30/2009	Parke Bancorp, Inc., Sewell, NJ[8]	Preferred Stock w/ Warrants	$16,288,000							$8.95	$39.72	$7.41	329,757	$1.54	IN	$1,255,533
12/23/2008	Parkvale Financial Corporation, Monroeville, PA	Preferred Stock w/ Warrants	$31,762,000							$6.15	$34.00	$12.66	376,327	($6.51)	OUT	$2,611,542
2/6/2009	Pascack Bancorp, Inc. (Pascack Community Bank), Westwood, NJ[2, 13 - 2/10/2010]	Preferred Stock w/ Exercised Warrants	$3,756,000													$312,198
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							$8.00	$19.88	$6.58	154,354	$1.42	IN	$314,099
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													$2,349,366
4/17/2009	Patterson Bancshares, Inc, Patterson, LA[2]	Preferred Stock w/ Exercised Warrants	$3,690,000													$65,933
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				$11.78	$103.49	$28.63	150,296	($16.85)	OUT	$2,076,652
1/30/2009	Peninsula Bank Holding Co., Palo Alto, CA	Preferred Stock w/ Warrants	$6,000,000							$5.50	$10.18	$11.02	81,670	($5.52)	OUT	$150,000
4/17/2009	Penn Liberty Financial Corp., Wayne, PA[2]	Preferred Stock w/ Exercised Warrants	$9,960,000													$720,744
2/13/2009	Peoples Bancorp, Lynden, WA[2]	Preferred Stock w/ Exercised Warrants	$18,000,000													$1,476,950
1/30/2009	Peoples Bancorp Inc., Marietta, OH	Preferred Stock w/ Warrants	$39,000,000							$12.37	$129.89	$18.66	313,505	($6.29)	OUT	$3,006,250
12/23/2008	Peoples Bancorp of North Carolina, Inc., Newton, NC	Preferred Stock w/ Warrants	$25,054,000							$4.84	$26.81	$10.52	357,234	($5.68)	OUT	$2,059,996
4/24/2009	Peoples Bancorporation, Inc., Easley, SC[2]	Preferred Stock w/ Exercised Warrants	$12,660,000													$902,711
3/20/2009	Peoples Bancshares of TN, Inc, Madisonville, TN[2]	Preferred Stock w/ Exercised Warrants	$3,900,000													$298,160
3/6/2009	PeoplesSouth Bancshares, Inc., Colquitt, GA[2]	Preferred Stock w/ Exercised Warrants	$12,325,000													$968,353
9/11/2009	PFSB Bancorporation, Inc., Pigeon Falls, WI[2, 10]	Preferred Stock w/ Exercised Warrants	$1,500,000													$75,512
2/6/2009	PGB Holdings, Inc., Chicago, IL[3, 4, 30 - 8/13/2010]	Preferred Stock	$3,000,000	8/13/2010	$3,000,000	—										$227,917

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
1/23/2009	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							$9.19	$307.24	$26.64	267,455	($17.45)	OUT	$7,956,250
12/19/2008	Plains Capital Corporation, Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$87,631,000													$7,906,818
7/17/2009	Plato Holdings Inc., Saint Paul, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$2,500,000													$223,387
1/30/2009	Plumas Bancorp, Quincy, CA	Preferred Stock w/ Warrants	$11,949,000							$3.06	$14.61	$7.54	237,712	($4.48)	OUT	$622,344
12/5/2008	Popular, Inc., San Juan, PR[12]	Trust Preferred Securities w/ Warrants	$935,000,000							$2.90	$2,965.82	$6.70	20,932,836	($3.80)	OUT	$66,359,028
11/21/2008	Porter Bancorp Inc., Louisville, KY[6]	Preferred Stock w/ Warrants	$35,000,000							$10.04	$106.88	$16.68	314,820	($6.64)	OUT	$3,033,333
4/3/2009	Prairie Star Bancshares, Inc., Olathe, KS[2]	Preferred Stock w/ Exercised Warrants	$2,800,000													$132,253
5/8/2009	Premier Bancorp, Inc., Wilmette, IL[3, 4, 8, 30 - 8/13/2010]	Subordinated Debentures	$6,784,000	8/13/2010	$6,784,000	—										$660,215
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							$6.15	$48.81	$5.31	628,588	$0.84	IN	$967,344
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[g]	Preferred Stock w/ Warrants	$41,400,000							$0.44	$44.15	$5.70	1,090,385	($5.26)	OUT	$1,046,500
11/20/2009	Presidio Bank, San Francisco, CA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,800,000													—
1/23/2009	Princeton National Bancorp, Inc., Princeton, IL	Preferred Stock w/ Warrants	$25,083,000							$4.75	$15.74	$24.27	155,025	($19.52)	OUT	$1,957,868
2/27/2009	Private Bancorporation, Inc., Minneapolis, MN[2]	Preferred Stock w/ Exercised Warrants	$4,960,000													$498,860
12/29/2009	Private Bancorporation, Inc., Minneapolis, MN[2, 10a]	Preferred Stock	$3,262,000													
1/30/2009	PrivateBancorp, Inc., Chicago, IL[b]	Preferred Stock w/ Warrants	$243,815,000							$11.39	$813.19	$28.35	645,013	($16.96)	OUT	$18,794,073
10/2/2009	Providence Bank, Rocky Mount, NC[2, 10]	Preferred Stock w/ Exercised Warrants	$4,000,000													$187,583

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
3/13/2009	Provident Community Bancshares, Inc., Rock Hill, SC	Preferred Stock w/ Warrants	$9,266,000							$1.52	$2.72	$7.77	178,880	($6.25)	OUT	$543,091
2/27/2009	PSB Financial Corporation, Many, LA[2, 4, 7, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$9,270,000	9/29/2010	$9,270,000	—	9/29/2010	R	$464,000							$802,802
1/16/2009	Puget Sound Bank, Bellevue, WA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$387,632
1/16/2009	Pulaski Financial Corp, Creve Coeur, MO	Preferred Stock w/ Warrants	$32,538,000							$6.90	$74.65	$6.27	778,421	$0.63	IN	$2,571,406
2/13/2009	QCR Holdings, Inc., Moline, IL	Preferred Stock w/ Warrants	$38,237,000							$9.03	$41.54	$10.99	521,888	($1.96)	OUT	$2,878,397
10/30/2009	Randolph Bank & Trust Company, Asheboro, NC[2]	Preferred Stock w/ Exercised Warrants	$6,229,000													$268,723
6/19/2009	RCB Financial Corporation, Rome, GA[2, 10]	Preferred Stock w/ Exercised Warrants	$8,900,000													$542,094
1/16/2009	Redwood Capital Bancorp, Eureka, CA[2]	Preferred Stock w/ Exercised Warrants	$3,800,000													$327,333
1/9/2009	Redwood Financial Inc., Redwood Falls, MN[2]	Preferred Stock w/ Exercised Warrants	$2,995,000													$261,201
3/6/2009	Regent Bancorp, Inc., Davie, FL[2]	Preferred Stock w/ Exercised Warrants	$9,982,000													$784,282
2/27/2009	Regent Capital Corporation, Nowata, OK[2]	Preferred Stock w/ Exercised Warrants	$2,655,000													$212,256
10/23/2009	Regents Bancshares, Inc., Vancouver, WA[2, 10]	Preferred Stock w/ Exercised Warrants	$12,700,000													$542,868
2/13/2009	Regional Bankshares, Inc., Hartsville, SC[2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$123,080
11/14/2008	Regions Financial Corporation, Birmingham, AL	Preferred Stock w/ Warrants	$3,500,000,000							$7.27	$9,130.69	$10.88	48,253,677	($3.61)	OUT	$306,736,111
2/13/2009	Reliance Bancshares, Inc., Frontenac, MO[2]	Preferred Stock w/ Exercised Warrants	$40,000,000													$3,282,111
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													$1,478,738
5/15/2009	Riverside Bancshares, Inc., Little Rock, AR[8]	Subordinated Debentures w/ Exercised Warrants	$1,100,000													$115,363
1/30/2009	Rogers Bancshares, Inc., Little Rock, AR[2]	Preferred Stock w/ Exercised Warrants	$25,000,000													$738,021

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Royal Bancshares of Pennsylvania, Inc., Narberth, PA	Preferred Stock w/ Warrants	$30,407,000							$1.74	$21.19	$4.13	1,104,370	($2.39)	OUT	$358,971
1/16/2009	S&T Bancorp, Indiana, PA	Preferred Stock w/ Warrants	$108,676,000							$17.42	$484.68	$31.53	517,012	($14.11)	OUT	$8,588,423
12/23/2008	Saigon National Bank, Westminster, CA[2]	Preferred Stock w/ Exercised Warrants	$1,549,000													—
3/13/2009	Salisbury Bancorp, Inc., Lakeville, CT	Preferred Stock w/ Warrants	$8,816,000							$22.95	$38.74	$22.93	57,671	$0.02	IN	$626,916
12/5/2008	Sandy Spring Bancorp, Inc., Olney, MD[4]	Preferred Stock w/ Warrants	$83,094,000	7/21/2010	$41,547,000	$41,547,000				$15.50	$372.03	$19.13	651,547	($3.63)	OUT	$6,901,418
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							$2.30	$4.61	$15.75	38,107	($13.45)	OUT	$331,111
3/27/2009	SBT Bancorp, Inc., Simsbury, CT[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$301,567
1/16/2009	SCBT Financial Corporation, Columbia, SC[4]	Preferred Stock w/ Warrants	$64,779,000	5/20/2009	$64,779,000	—	6/24/2009	R	$1,400,000	$31.19	$398.58					$1,115,639
12/19/2008	Seacoast Banking Corporation of Florida, Stuart, FL[b]	Preferred Stock w/ Warrants	$50,000,000							$1.22	$113.92	$6.36	589,623	($5.14)	OUT	$388,889
12/23/2008	Seacoast Commerce Bank, Chula Vista, CA[2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$161,320
2/13/2009	Security Bancshares of Pulaski County, Inc., Waynesville, MO[2]	Preferred Stock w/ Exercised Warrants	$2,152,000													$176,632
1/9/2009	Security Business Bancorp, San Diego, CA[2]	Preferred Stock w/ Exercised Warrants	$5,803,000													$506,001
1/9/2009	Security California Bancorp, Riverside, CA[2]	Preferred Stock w/ Exercised Warrants	$6,815,000													$594,305
6/26/2009	Security Capital Corporation, Batesville, MS[2, 4, 7, 10, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$17,388,000	9/29/2010	$17,388,000	—	9/29/2010	R	$522,000							$1,153,111
12/19/2008	Security Federal Corporation, Aiken, SC[30 - 9/29/2010, 4]	Preferred Stock w/ Warrants	$18,000,000	9/29/2010	$18,000,000	—				$11.00	$27.07	$19.57	137,966	($8.57)	OUT	$1,600,000
2/20/2009	Security State Bancshares, Inc., Charleston, MO[2]	Preferred Stock w/ Exercised Warrants	$12,500,000													$1,012,413
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							$3.59	$36.14	$6.30	556,976	($2.71)	OUT	$2,027,394
1/9/2009	Shore Bancshares, Inc., Easton, MD[4]	Preferred Stock w/ Warrants	$25,000,000	4/15/2009	$25,000,000	—				$9.48	$80.04	$21.68	172,970	($12.20)	OUT	$333,333
6/26/2009	Signature Bancshares, Inc., Dallas, TX[8]	Subordinated Debentures w/ Exercised Warrants	$1,700,000													$162,044
12/12/2008	Signature Bank, New York, NY[4]	Preferred Stock w/ Warrants	$120,000,000	3/31/2009	$120,000,000	—	3/10/2010	A	$11,320,751	$38.84	$1,576.63					$1,816,667

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
1/16/2009	Somerset Hills Bancorp, Bernardsville, NJ[4]	Preferred Stock w/ Warrants	$7,414,000	5/20/2009	$7,414,000	—	6/24/2009	R	$275,000	$8.06	$43.97					$127,686
2/20/2009	Sonoma Valley Bancorp, Sonoma, CA[2, 25]	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													$267,776
12/5/2008	South Financial Group, Inc., Greenville, SC[26 - 9/30/2010]	Preferred Stock w/ Warrants	$347,000,000	9/30/2010	$130,179,219	—	9/30/2010	R	$400,000							$16,386,111
7/17/2009	SouthCrest Financial Group, Inc., Fayetteville, GA[2]	Preferred Stock w/ Exercised Warrants	$12,900,000													$757,732
1/16/2009	Southern Bancorp, Inc., Arkadelphia, AR[3, 4, 30 - 8/6/2010]	Preferred Stock	$11,000,000	8/6/2010	$11,000,000	—										$855,556
12/5/2008	Southern Community Financial Corp., Winston-Salem, NC	Preferred Stock w/ Warrants	$42,750,000							$1.75	$29.42	$3.95	1,623,418	($2.20)	OUT	$3,621,875
2/27/2009	Southern First Bancshares, Inc., Greenville, SC	Preferred Stock w/ Warrants	$17,299,000							$6.62	$20.81	$7.85	330,554	($1.23)	OUT	$1,268,594
5/15/2009	Southern Heritage Bancshares, Inc., Cleveland, TN[2]	Preferred Stock w/ Exercised Warrants	$4,862,000													$331,213
1/23/2009	Southern Illinois Bancorp, Inc., Carmi, IL[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$425,403
12/5/2008	Southern Missouri Bancorp, Inc., Poplar Bluff, MO	Preferred Stock w/ Warrants	$9,550,000							$15.52	$32.41	$12.53	114,326	$2.99	IN	$809,097
6/12/2009	SouthFirst Bancshares, Inc., Sylacauga, AL[2]	Preferred Stock w/ Exercised Warrants	$2,760,000													$176,744
12/5/2008	Southwest Bancorp, Inc., Stillwater, OK	Preferred Stock w/ Warrants	$70,000,000							$12.97	$251.54	$14.92	703,753	($1.95)	OUT	$5,930,556
3/13/2009	Sovereign Bancshares, Inc., Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$18,215,000													$1,411,897
3/27/2009	Spirit BankCorp, Inc., Bristow, OK[2]	Preferred Stock w/ Exercised Warrants	$30,000,000													$2,261,750
3/13/2009	St. Johns Bancshares, Inc., St. Louis, MO[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$232,533
4/24/2009	Standard Bancshares, Inc., Hickory Hills, IL[2]	Preferred Stock w/ Exercised Warrants	$60,000,000													$4,278,250
12/5/2008	State Bancorp, Inc., Jericho, NY	Preferred Stock w/ Warrants	$36,842,000							$8.98	$149.58	$11.87	465,569	($2.89)	OUT	$3,121,336
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										$3,676,806
2/13/2009	State Capital Corporation, Greenwood, MS[2, 4, 7, 30 - 9/29/2010, 30a]	Preferred Stock w/ Exercised Warrants	$15,000,000	9/29/2010	$15,000,000	—	9/29/2010	R	$750,000							$1,330,709
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	—	7/8/2009	R	$60,000,000	$37.66	$18,900.16					$63,611,111

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
6/26/2009	Stearns Financial Services, Inc., St. Cloud, MN[8]	Subordinated Debentures w/ Exercised Warrants	$24,900,000													$2,373,461
9/25/2009	Steele Street Bank Corporation, Denver, CO[8, 10]	Subordinated Debentures w/ Exercised Warrants	$11,019,000													$794,792
12/19/2008	StellarOne Corporation, Charlottesville, VA	Preferred Stock w/ Warrants	$30,000,000							$12.72	$291.25	$14.87	302,623	($2.15)	OUT	$2,483,333
12/23/2008	Sterling Bancorp, New York, NY	Preferred Stock w/ Warrants	$42,000,000							$8.69	$233.25	$12.19	516,817	($3.50)	OUT	$3,453,333
12/12/2008	Sterling Bancshares, Inc., Houston, TX[4]	Preferred Stock w/ Warrants	$125,198,000	5/5/2009	$125,198,000	—	6/9/2010	A	$3,007,891	$5.37	$547.34					$2,486,571
12/5/2008	Sterling Financial Corporation, Spokane, WA[24, i]	Common Stock w/ Warrants	$303,000,000							$0.65	$469.89	$0.20	6,437,677	$0.45	IN	$6,733,333
1/30/2009	Stewardship Financial Corporation, Midland Park, NJ[8]	Preferred Stock w/ Warrants	$10,000,000							$7.95	$46.48	$11.24	133,475	($3.29)	OUT	$770,833
2/6/2009	Stockmens Financial Corporation, Rapid City, SD[2]	Preferred Stock w/ Exercised Warrants	$15,568,000													$1,293,841
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													$1,454,270
12/19/2008	Summit State Bank, Santa Rosa, CA	Preferred Stock w/ Warrants	$8,500,000							$6.75	$32.03	$5.33	239,212	$1.42	IN	$703,611
1/9/2009	Sun Bancorp, Inc., Vineland, NJ[4]	Preferred Stock w/ Warrants	$89,310,000	4/8/2009	$89,310,000	—	5/27/2009	R	$2,100,000	$5.10	$143.78					$1,103,971
11/14/2008	SunTrust Banks, Inc., Atlanta, GA	Preferred Stock w/ Warrants	$3,500,000,000							$25.83	$12,913.30	$44.15	11,891,280	($18.32)	OUT	$436,631,944
12/31/2008	SunTrust Banks, Inc., Atlanta, GA	Preferred Stock w/ Warrants	$1,350,000,000							$25.83	$12,913.30	$33.70	6,008,902	($7.87)	OUT	
12/5/2008	Superior Bancorp Inc., Birmingham, AL[17]	Trust Preferred Securities w/ Warrants	$69,000,000							$0.96	$12.06	$5.38	1,923,792	($4.42)	OUT	$4,983,333
1/9/2009	Surrey Bancorp, Mount Airy, NC[2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$174,400
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				$8.44	$1,094.73	$14.86	3,028,264	($6.42)	OUT	$21,958,333
4/10/2009	SV Financial, Inc., Sterling, IL[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$293,694
12/12/2008	SVB Financial Group, Santa Clara, CA[5]	Preferred Stock w/ Warrants	$235,000,000	12/23/2009	$235,000,000	—	6/16/2010	R	$6,820,000	$42.32	$1,775.07					$12,109,028
5/8/2009	Sword Financial Corporation, Horicon, WI[8]	Subordinated Debentures w/ Exercised Warrants	$13,644,000													$1,453,138
12/19/2008	Synovus Financial Corp., Columbus, GA	Preferred Stock w/ Warrants	$967,870,000							$2.46	$1,931.24	$9.36	15,510,737	($6.90)	OUT	$80,118,128
1/16/2009	Syringa Bancorp, Boise, ID[2]	Preferred Stock w/ Exercised Warrants	$8,000,000													$253,122

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	Taylor Capital Group, Rosemont, IL	Preferred Stock w/ Warrants	$104,823,000							$11.47	$210.05	$10.75	1,462,647	$0.72	IN	$9,084,661
8/28/2009	TCB Corporation, Greenwood, SC[8, 10]	Subordinated Debentures w/ Exercised Warrants	$9,720,000													$760,254
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	—	12/15/2009	A	$9,599,964	$16.19	$2,305.04					$7,925,719
12/23/2008	TCNB Financial Corp., Dayton, OH[2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$179,244
12/19/2008	Tennessee Commerce Bancorp, Inc., Franklin, TN	Preferred Stock w/ Warrants	$30,000,000							$4.04	$46.07	$9.75	461,538	($5.71)	OUT	$2,483,333
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	—	3/11/2010	A	$6,709,061	$17.27	$635.14					$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	—	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													$1,114,222
12/12/2008	The Bancorp, Inc., Wilmington, DE[5]	Preferred Stock w/ Warrants	$45,220,000	3/10/2010	$45,220,000	—	9/8/2010	R	$4,753,985	$6.69	$175.15					$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							$16.10	$91.24	$18.56	274,784	($2.46)	OUT	$2,559,444
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	—	8/5/2009	R	$136,000,000	$26.13	$31,722.92					$95,416,667
1/16/2009	The Baraboo Bancorporation, Baraboo, WI[2]	Preferred Stock w/ Exercised Warrants	$20,749,000													$1,787,262
12/19/2008	The Connecticut Bank and Trust Company, Hartford, CT	Preferred Stock w/ Warrants	$5,448,000							$5.00	$17.84	$4.65	175,742	$0.35	IN	$272,400
12/19/2008	The Elmira Savings Bank, FSB, Elmira, NY	Preferred Stock w/ Warrants	$9,090,000							$16.19	$31.08	$11.70	116,538	$4.49	IN	$752,450
1/9/2009	The First Bancorp, Inc., Damariscotta, ME	Preferred Stock w/ Warrants	$25,000,000							$13.83	$135.02	$16.60	225,904	($2.77)	OUT	$2,000,000
2/6/2009	The First Bancshares, Inc., Hattiesburg, MS[4, 30 - 9/29/2010]	Preferred Stock w/ Warrants	$5,000,000	9/29/2010	$5,000,000	—				$9.98	$30.14	$13.71	54,705	($3.73)	OUT	$411,806
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	—	7/22/2009	R	$1,100,000,000	$144.58	$74,547.83					$318,055,555
5/22/2009	The Landrum Company, Columbia, MO[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$1,005,979

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CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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	The Little Bank, Incorporated, Kinston, NC[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$672,167
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	—	4/29/2010	A	$324,195,686	$51.91	$27,273.51					$421,066,667
2/20/2009	The Private Bank of California, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$5,450,000													$441,479
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													$130,439
12/11/2009	The Victory Bancorp, Inc., Limerick, PA[2, 10a]	Preferred Stock w/ Exercised Warrants	$1,505,000													$96,315
2/27/2009	The Victory Bancorp, Inc.(The Victory Bank), Limerick, PA[2, 13 - 12/4/2009]	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													$483,024
12/5/2008	TIB Financial Corp, Naples, FL[32 - 9/30/2010]	Preferred Stock w/ Warrants	$37,000,000	9/30/2010	$12,119,637	—	9/30/2010	R	$40,000	$0.40	$5.96					$1,284,722
12/19/2008	Tidelands Bancshares, Inc, Mt. Pleasant, SC	Preferred Stock w/ Warrants	$14,448,000							$1.25	$5.37	$3.79	571,821	($2.54)	OUT	$1,195,973
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							$4.04	$28.46	$6.73	370,899	($2.69)	OUT	$952,236
4/3/2009	Titonka Bancshares, Inc, Titonka, IA[2]	Preferred Stock w/ Exercised Warrants	$2,117,000													$157,700
2/6/2009	Todd Bancshares, Inc., Hopkinsville, KY[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$332,450
12/12/2008	TowneBank, Portsmouth, VA	Preferred Stock w/ Warrants	$76,458,000							$14.96	$418.33	$21.31	538,184	($6.35)	OUT	$6,403,358
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													$278,950
12/19/2008	Tri-County Financial Corporation, Waldorf, MD[2]	Preferred Stock w/ Exercised Warrants	$15,540,000													$1,402,140
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, 4, 30 - 8/13/2010]	Preferred Stock	$2,795,000	8/13/2010	$2,795,000	—										$190,215
2/27/2009	TriState Capital Holdings, Inc., Pittsburgh, PA[2]	Preferred Stock w/ Exercised Warrants	$23,000,000													$1,842,643

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				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 9/30/2010	Market Capitalization as of 9/30/2010 (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	TriSummit Bank, Kingsport, TN[2]	Preferred Stock w/ Exercised Warrants	$2,765,000													$343,030
12/22/2009	TriSummit Bank, Kingsport, TN[2, 10a]	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	—	12/30/2009	R	$10,000,000	$21.74	$1,388.86					$11,287,500
5/29/2009	Two Rivers Financial Group, Burlington, IA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$792,067
11/14/2008	U.S. Bancorp, Minneapolis, MN[4]	Preferred Stock w/ Warrants	$6,599,000,000	6/17/2009	$6,599,000,000	—	7/15/2009	R	$139,000,000	$21.62	$41,449.02					$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													$752,334
11/14/2008	UCBH Holdings, Inc., San Francisco, CA[14]	Preferred Stock w/ Warrants	$298,737,000							$0.01	$1.45	$5.71	7,847,732	($5.70)	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	—	3/31/2010	R	$4,500,000	$11.34	$1,298.71					$13,475,555
5/1/2009	Union Bank & Trust Company, Oxford, NC[2]	Preferred Stock w/ Exercised Warrants	$3,194,000													$323,047
12/18/2009	Union Bank & Trust Company, Oxford, NC[2, 10a]	Preferred Stock	$2,997,000													
12/29/2009	Union Financial Corporation, Albuquerque, NM[2, 10]	Preferred Stock w/ Exercised Warrants	$2,179,000													$72,069
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	—	12/23/2009	R	$450,000	$13.06	$338.70					$3,691,597.12
2/20/2009	United American Bank, San Mateo, CA[2]	Preferred Stock w/ Exercised Warrants	$8,700,000													—
1/16/2009	United Bancorp, Inc., Tecumseh, MI	Preferred Stock w/ Warrants	$20,600,000							$3.65	$18.55	$9.92	311,492	($6.27)	OUT	$1,627,972
12/23/2008	United Bancorporation of Alabama, Inc., Atmore, AL[4, 30 - 9/3/2010, g]	Preferred Stock w/ Warrants	$10,300,000	9/3/2010	$10,300,000	—					$11.83	$14.41	107,193	($14.41)	OUT	$872,639
5/22/2009	United Bank Corporation, Barnesville, GA[8]	Subordinated Debentures w/ Exercised Warrants	$14,400,000													$1,486,711
12/5/2008	United Community Banks, Inc., Blairsville, GA[f]	Preferred Stock w/ Warrants	$180,000,000							$2.24	$211.29	$12.28	1,099,542	($10.04)	OUT	$15,250,000
1/16/2009	United Financial Banking Companies, Inc., Vienna, VA[2]	Preferred Stock w/ Exercised Warrants	$5,658,000													$487,396
12/5/2008	Unity Bancorp, Inc., Clinton, NJ	Preferred Stock w/ Warrants	$20,649,000							$5.25	$37.67	$4.05	764,778	$1.20	IN	$1,749,430

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
5/22/2009	Universal Bancorp, Bloomfield, IN[2]	Preferred Stock w/ Exercised Warrants	$9,900,000													$663,946
6/19/2009	University Financial Corp, Inc., St. Paul, MN[3, 4, 8, 30 - 7/30/2010]	Subordinated Debentures	$11,926,000	7/30/2010	$11,926,000	—										$1,022,886
2/6/2009	US Metro Bank, Garden Grove, CA[2]	Preferred Stock w/ Exercised Warrants	$2,861,000													$237,778
12/23/2008	Uwharrie Capital Corp, Albemarle, NC[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$896,222
1/30/2009	Valley Commerce Bancorp, Visalia, CA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$646,961
1/9/2009	Valley Community Bank, Pleasanton, CA[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$479,601
12/12/2008	Valley Financial Corporation, Roanoke, VA	Preferred Stock w/ Warrants	$16,019,000							$3.65	$17.08	$6.97	344,742	($3.32)	OUT	$941,117
12/18/2009	Valley Financial Group, Ltd., 1st State Bank, Saginaw, MI[2]	Preferred Stock w/ Exercised Warrants	$1,300,000													$46,643
11/14/2008	Valley National Bancorp, Wayne, NJ[4]	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]	Preferred Stock w/ Warrants	$300,000,000	9/23/2009	$125,000,000	$100,000,000				$12.90	$2,078.46					$12,979,167
11/14/2008	Valley National Bancorp, Wayne, NJ[4]	Preferred Stock w/ Warrants		12/23/2009	$100,000,000	—										
5/1/2009	Village Bank and Trust Financial Corp, Midlothian, VA	Preferred Stock w/ Warrants	$14,738,000							$1.45	$6.15	$4.43	499,029	($2.98)	OUT	$949,782
12/12/2008	Virginia Commerce Bancorp, Arlington, VA	Preferred Stock w/ Warrants	$71,000,000							$4.86	$140.25	$3.95	2,696,203	$0.91	IN	$5,946,250
6/12/2009	Virginia Company Bank, Newport News, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$4,700,000													$291,247
4/24/2009	Vision Bank - Texas, Richardson, TX[2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$106,957
12/19/2008	VIST Financial Corp., Wyomissing, PA[h]	Preferred Stock w/ Warrants	$25,000,000							$7.08	$46.07	$10.19	367,984	($3.11)	OUT	$2,069,444
1/30/2009	W.T.B. Financial Corporation, Spokane, WA[2]	Preferred Stock w/ Exercised Warrants	$110,000,000													$9,242,291
12/11/2009	Wachusett Financial Services, Inc., Clinton, MA[2, 10]	Preferred Stock w/ Exercised Warrants	$12,000,000													$435,825
12/19/2008	Wainwright Bank & Trust Company, Boston, MA[4]	Preferred Stock w/ Warrants	$22,000,000	11/24/2009	$22,000,000	—	12/16/2009	R	$568,700	$18.83	$138.44					$1,023,611
1/16/2009	Washington Banking Company, Oak Harbor, WA[b]	Preferred Stock w/ Warrants	$26,380,000							$13.86	$212.18	$8.04	246,082	$5.82	IN	$2,084,753
11/14/2008	Washington Federal, Inc., Seattle, WA[4]	Preferred Stock w/ Warrants	$200,000,000	5/27/2009	$200,000,000	—	3/9/2010	A	$15,623,222	$15.28	$1,718.60					$5,361,111
10/30/2009	WashingtonFirst Bankshares, Inc., Reston, VA[2, 10a]	Preferred Stock	$6,842,000													$828,188
1/30/2009	WashingtonFirst Bankshares, Inc. (WashingtonFirst Bank), Reston, VA[2, 13 - 10/30/2009]	Preferred Stock w/ Exercised Warrants	$6,633,000													

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
6/26/2009	Waukesha Bankshares, Inc., Waukesha, WI[2, 10]	Preferred Stock w/ Exercised Warrants	$5,625,000													$336,811
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				$17.56	$1,378.00	$18.28	3,282,276	($0.72)	OUT	$32,416,667
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	—	5/20/2010	A	$849,014,998	$25.12	$131,437.47					$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	—	12/23/2009	R	$950,000	$16.34	$434.43					$2,854,167
12/31/2008	West Bancorporation, Inc., West Des Moines, IA	Preferred Stock w/ Warrants	$36,000,000							$6.30	$109.65	$11.39	474,100	($5.09)	OUT	$2,925,000
2/13/2009	Westamerica Bancorporation, San Rafael, CA[4]	Preferred Stock w/ Warrants	$83,726,000	9/2/2009	$41,863,000	$41,863,000				$54.49	$1,587.96	$50.92	246,640	$3.57	IN	$2,755,981
2/13/2009	Westamerica Bancorporation, San Rafael, CA[4]	Preferred Stock w/ Warrants		11/18/2009	$41,863,000	—										
11/21/2008	Western Alliance Bancorporation, Las Vegas, NV[b]	Preferred Stock w/ Warrants	$140,000,000							$6.70	$538.86	$13.34	787,107	($6.64)	OUT	$12,133,333
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]	Preferred Stock w/ Exercised Warrants	$6,855,000													$757,751
12/29/2009	Western Illinois Bancshares Inc., Monmouth, IL[2, 10a]	Preferred Stock	$4,567,000													
5/15/2009	Western Reserve Bancorp, Inc, Medina, OH[2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$320,188
2/20/2009	White River Bancshares Company, Fayetteville, AR[2]	Preferred Stock w/ Exercised Warrants	$16,800,000													$1,360,683
12/19/2008	Whitney Holding Corporation, New Orleans, LA	Preferred Stock w/ Warrants	$300,000,000							$8.17	$789.52	$17.10	2,631,579	($8.93)	OUT	$24,833,333
12/12/2008	Wilmington Trust Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$330,000,000							$8.98	$822.06	$26.66	1,856,714	($17.68)	OUT	$27,637,500
12/12/2008	Wilshire Bancorp, Inc., Los Angeles, CA	Preferred Stock w/ Warrants	$62,158,000							$6.54	$192.84	$9.82	949,460	($3.28)	OUT	$5,205,733
12/19/2008	Wintrust Financial Corporation, Lake Forest, IL	Preferred Stock w/ Warrants	$250,000,000							$32.41	$1,008.44	$22.82	1,643,295	$9.59	IN	$20,694,444
5/15/2009	Worthington Financial Holdings, Inc., Huntsville, AL[2]	Preferred Stock w/ Exercised Warrants	$2,720,000													$185,300
1/23/2009	WSFS Financial Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$52,625,000							$37.51	$266.96	$45.08	175,105	($7.57)	OUT	$4,107,674
1/16/2009	Yadkin Valley Financial Corporation, Elkin, NC	Preferred Stock w/ Warrants	$36,000,000							$2.58	$41.65	$13.99	385,990	($11.41)	OUT	$3,549,427
7/24/2009	Yadkin Valley Financial Corporation, Elkin, NC	Preferred Stock w/ Warrants	$13,312,000							$2.58	$41.65	$7.30	273,534	($4.72)	OUT	

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 9/30/2010 (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 9/30/2010	Market Capitalization as of 9/30/2010 (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
4/24/2009	York Traditions Bank, York, PA[2]	Preferred Stock w/ Exercised Warrants	$4,871,000													$347,376
11/14/2008	Zions Bancorporation, Salt Lake City, UT	Preferred Stock w/ Warrants	$1,400,000,000							$21.36	$3,784.97	$36.27	5,789,909	($14.91)	OUT	$122,694,444
		Total Purchase Amount*	$204,940,341,320	Total Capital Repayment Amount**	$152,790,392,391			Total Warrant Proceeds****	$6,904,074,066							
				Total Losses***	($2,575,821,144)											
				TOTAL TREASURY CPP INVESTMENT AMOUNT OUTSTANDING	$49,574,127,785											

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numeric notes were taken verbatim from Treasury's 10/4/2010 *Transactions Report*. All amounts and totals reflect cumulative receipts since inception through 10/3/2010.

*Total purchase amount includes the capitalization of accrued dividends referred to in Notes 20, 22, and 28.
**Total repaid includes (i) the amount of $13,354,158,535 applied as repayment under the Capital Purchase Program from the total proceeds of $16,368,709,569 received pursuant to the sales of Citigroup, Inc. common stock as of September 30, 2010 (see Note 23 and "Capital Purchase Program - Citigroup Common Stock Disposition" on following pages) and (ii) the amount of $363,290,000 repaid by institutions that have completed exchanges for investments under the Community Development Capital Initiative (see Note 30 and "Community Development Capital Initiative" on following pages).
***Losses include (i) the investment amount for institutions that have completed bankruptcy proceedings (see Notes 16 and 19) and (ii) the investment amount less the amount of final proceeds for institutions where Treasury has completed a sale (see Notes 26 and 32), but excludes investment amounts for institutions that have pending receivership or bankruptcy proceedings (see Notes 14 and 25).
****Total warrant proceeds includes $7,566,000, which represents the total amount of warrants that were included in nine institutions' exchange into the CDCI program (see Note 30a).

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 the CPP, Targeted Investment Program (TIP), and Asset Guarantee Program (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 subject to certain parameters 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). Completion of the sale under this authority occurred on May 26, 2010. On May 26, 2010, Treasury again gave Morgan Stanley discretionary authority as its sales agent to sell subject to certain parameters 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). Completion of the sale under this authority occurred on June 30, 2010. On July 23, 2010, Treasury again gave Morgan Stanley discretionary authority as its sales agent to sell subject to certain parameters up to 1,500,000,000 shares of the common stock from time to time during the period ending on September 30, 2010 (or on completion of the sale). Completion of the sale under this authority occurred on September 30, 2010. All such sales were generally made at the market price. See "Capital Purchase Program - Citigroup, Inc., Common Stock Disposition" on following page for the actual number of shares sold by Morgan Stanley, the weighted average price per share and the total proceeds to Treasury from all such sales during those periods.

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

4 On 8/26/2010, Treasury completed the exchange of its $303,000,000 of Preferred Stock in Sterling Financial Corporation (Sterling) for a like amount of Mandatorily Convertible Preferred Stock (MCP), pursuant to the terms of the exchange agreement between Treasury and Sterling entered into on 4/29/2010. Since Sterling also fulfilled the conversion conditions set forth in the Certificate of Designations for the MCP, including those related to its capital plan, Treasury's $303,000,000 of MCP was subsequently converted into 378,750,000 shares of 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 9/30/2010, Treasury completed the sale of all Preferred Stock and Warrants issued by South Financial Group, Inc. to Toronto-Dominion Bank (TD) at an aggregate purchase price of $130,179,218.75 for the Preferred Stock and $400,000 for the Warrants, pursuant to the terms of the agreement between Treasury and TD entered into on 5/18/2010.

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.

28 On 7/20/2010, Treasury completed the exchange of its $400,000,000 of Preferred Stock in First BanCorp for $424,174,000 of Mandatorily Convertible Preferred Stock (MCP), which is equivalent to the initial investment amount of $400,000,000, plus $24,174,000 of capitalized previously accrued and unpaid dividends. Subject to the fulfillment by First BanCorp of certain conditions, including those related to its capital plan, the MCP may be converted to common stock.

29 On 8/31/2010, following the completion of the conditions related to Pacific Capital Bancorp's (Pacific Capital) capital plan, Treasury exchanged its $180,634,000 of Preferred Stock in Pacific Capital for $195,045,000 of Mandatorily Convertible Preferred Stock (MCP), which is equivalent to the initial investment amount of $180,634,000, plus $14,411,000 of capitalized previously accrued and unpaid dividends. On 9/27/2010, following the completion of the conversion conditions set forth in the Certificate of Designations for the MCP, all of Treasury's MCP was converted into 360,833,250 shares of common stock of Pacific Capital.

30 This institution qualified to participate in the Community Development Capital Initiative (CDCI), and has completed an exchange of its Capital Purchase Program investment for an investment under the terms of the CDCI program. See "Community Development Capital Initiative" below.

30a At the time of this institution's exchange into the CDCI program, the warrant preferreds were included in the total amount of preferred stock exchanged for Treasury's CDCI investment. Therefore this disposition amount does not represent cash proceeds to Treasury.

31 On 9/30/2010, Treasury completed the exchange of its $ 80,347,000 of Preferred Stock in Hampton Roads Bankshares, Inc. (Hampton) for a like amount of Mandatorily Convertible Preferred Stock (MCP), pursuant to the terms of the exchange agreement between Treasury and Hampton entered into on 8/12/2010. Since Hampton also fulfilled the conversion conditions set forth in the Certificate of Designations for the MCP, Treasury's $80,347,000 of MCP was subsequently converted into 52,225,550 shares of common stock.

32 On 9/30/2010, Treasury completed the sale of all Preferred Stock and Warrants issued by TIB Financial Corp. to North American Financial Holdings, Inc. (NAFH) at an aggregate purchase price of $12,119,637.37 for the Preferred Stock and $40,000 for the Warrants, pursuant to the terms of the agreement between Treasury and NAFH entered into on 9/24/2010.

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 10/3/2010.

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 warrant was modified via Qualified Equity Offerings and Stock Dividend.

g According to Treasury, these institutions warrants were increased via Stock Dividend.

h According to Treasury, these institutions warrants were increased via Stock Issuance.

i According to Treasury, these institutions converted their warrants from Preferred to Mandatory Convertable Prefferred.

j According to Treasury, these institutions executed a 1 to 10 reverse stock split.

Sources: Treasury, *Transaction Report*, 10/4/2010; Treasury, responses to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 10/6/2010.

TABLE D.2

CPP — CITIGROUP, INC. COMMON STOCK DISPOSITION, AS OF 9/30/2010

Note	Date	Pricing Mechanism[4]	Number of Shares	Proceeds[5]
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
3	7/23/2010 – 9/30/2010	$3.9090	1,500,000,000	$5,863,489,587
			Total Proceeds	**$16,368,709,569**

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *Transactions Report*.

[1] On 4/26/2010, Treasury gave Morgan Stanley & Co. Incorporated (Morgan Stanley) discretionary authority, as its sales agent, to sell subject to certain parameters up to 1,500,000,000 shares of common stock from time to time during the period ending on 6/30/2010 (or upon completion of the sale). Completion of the sale under this authority occurred on 5/26/2010.

[2] On 5/26/2010, 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 6/30/2010 (or upon completion of the sale). Completion of the sale under this authority occurred on 6/30/2010.

[3] On 7/23/2010, Treasury gave Morgan Stanley & Co. Incorporated (Morgan Stanley) discretionary authority, as its sales agent, to sell subject to certain parameters up to 1,500,000,000 shares of common stock from time to time during the period ending on 9/30/2010 (or upon completion of the sale). Completion of the sale under this authority occured on 9/30/2010.

[4] 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.

[5] Amount represents the gross proceeds to Treasury.

Source: Treasury, *Transactions Report*, 10/4/2010.

TABLE D.3

SSFI (AIG) TRANSACTION DETAIL, AS OF 9/30/2010

	Seller		Purchase Detail				Exchange Details					Warrants and Market Data						
Note	**Date**	**Institution**	**Transaction Type**	**Investment Description**	**Investment Amount**	**Pricing Mechanism**	**Date**	**Transaction Type**	**Investment Description**	**Investment Amount**	**Pricing Mechanism**	**Stock Price**	**Market Capitalization (in millions)**	**Strike Price**	**Outstanding Warrant Shares**	**Amount "In the Money"or "Out of the Money" [a]**	**In or Out of the Money [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	$39.10	$26,156	$50.00	2,689,938	($10.90)	OUT	—
2,3	4/17/2009	AIG, New York, NY	Purchase	Preferred Stock w/ Warrants	$29,835,000,000	Par						$39.10	$26,156	$0.00002	150	$39.10	IN	—
				Total	**$69,835,000,000**													

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *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*, 10/4/2010; Treasury, response to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 10/6/2010.

TABLE D.4

TIP TRANSACTION DETAIL, AS OF 9/30/2010

		Seller					Capital Repayment Details		Treasury Investment Remaining After Capital Repayment		Final Disposition			Market and Warrants Data						
Note	**Date**	**Institution Name**	**Transaction Type**	**Investment Description**	**Investment Amount**	**Pricing Mechanism**	**Capital Repayment Amount**	**Capital Repayment Date[2]**	**Remaining Capital Amount**	**Remaining Capital Description**	**Final Disposition Date 3**	**Final Disposition Description**	**Final Disposition Proceeds**	**Stock Price**	**Market Capitalization (in millions)**	**Strike Price**	**Outstanding Warrant Shares**	**Amount "In the Money" or "Out of the Money"**	**In or Out of the Money [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	—	Warrants				$3.91	$113,287	$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	—	Warrants	3/3/2010 A	Warrants	$1,255,639,099.00	$13.10	$131,418					$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	**—**													

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *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.
[3] 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.
[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*, 10/3/2010; Treasury, response to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 10/6/2010.

TABLE D.5

AGP TRANSACTION DETAIL, AS OF 9/30/2010

	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 Description	Remaining Premium Amount	Stock Price	Market Capitalization (in millions)	Strike Price	Outstanding Warrant Shares	Amount "In the Money" or "Out of the Money"	In or Out of the Money[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	$3.91	$113,287	$10.61	66,531,728	($6.70)	OUT	$440,016,889
4-5								9/29/2010	Exchange trust preferred securities for trust preferred securities	Trust Preferred Securities w/ Warrants	$2,246,000,000	9/30/2010	Disposition	$2,246,000,000	Warrants	—							
3	12/23/2009	Citigroup Inc., New York, NY	Termination	Termination Agreement	($5,000,000,000)																		
				Total	**$—**																		

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes taken verbatim from 10/4/2010 *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.

[4] On 9/29/2010, Treasury entered into an agreement with Citigroup Inc. to exchange $2,234,000,000 in aggregate liquidation preference of its trust preferred securities for $2,246,000,000 in aggregate liquidation preference of trust preferred securities with certain modified terms. At the time of exchange, Citigroup Inc. paid the outstanding accrued and unpaid dividends.

[5] On 9/30/2010, Treasury entered into underwritten offering of the trust preferred securities, the gross proceeds of which do not include accumulated and unpaid distributions from the date of the exchange through the closing date.

[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*, 10/4/2010; Treasury, response to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 10/6/2010.

TABLE D.6

TALF TRANSACTION DETAIL, AS OF 9/30/2010

		Seller						
Note	Date	Institution	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Adjusted Investment Date	Adjusted Investment Amount
1-2	3/3/2009	TALF LLC, Wilmington, DE	Purchase	Debt Obligation w/ Additional Note	$20,000,000,000	N/A	7/19/2010	$4,300,000,000
				TOTAL	**$—**			

Note: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *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.

[2] On 7/19/2010, Treasury, the FRBNY and TALF LLC entered into an amendment of the credit agreement previously entered into on 3/3/2009, which amendment reduced Treasury's maximum loan amount to $4,300,000,000.

Source: Treasury, *Transactions Report*, 10/4/2010.

TABLE D.7

PPIP TRANSACTION DETAIL, AS OF 9/30/2010

Seller							Adjusted Investment[3]		Final Investment Amount[7]		Capital Repayment Details		Investment after Capital Repayment		Distribution or Disposition			
Note	Date	Institution	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Date	Amount	Date	Amount	Repayment Date	Repayment Amount	Amount	Description	Date	Description	Proceeds	Interest/ Distributions 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	7/16/2010	$2,486,550,000								$36,069,711
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	7/16/2010	$1,243,275,000								
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	7/16/2010	$2,300,847,000								$51,688,921
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	7/16/2010	$1,150,423,500								
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	7/16/2010	$1,389,960,000								$8,882,978
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	7/16/2010	$694,980,000								
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	7/16/2010	$856,000,000								$70,274,954
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	7/16/2010	$1,712,000,000	2/18/2010	$4,888,718	$1,707,111,282	Debt Obligation w/ Contingent Proceeds				
											4/15/2010	$7,066,434	$1,700,044,848	Debt Obligation w/ Contingent Proceeds				
											9/15/2010	$60,022,674	$1,640,022,174	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	7/16/2010	$949,100,000								$5,918,447
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	7/16/2010	$474,550,000								
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	7/16/2010	$2,321,568,200								$674,155
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	7/16/2010	$1,160,784,100								
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	7/16/2010	$1,241,156,516								$33,133,865
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	7/16/2010	$620,578,258								
2,4,5	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		$200,000,000	1/11/2010	$34,000,000	$166,000,000	Debt Obligation w/ Contingent Proceeds		N/A		$342,176
											1/12/2010	$166,000,000	—	Contingent Proceeds	1/29/2010	Distribution	$502,302	
															2/24/2010	Final Distribution	$1,223	
1,4,5	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		$156,250,000	1/15/2010	$156,250,000	—	Membership I nterest	1/29/2010	Distribution	$20,091,872	
															2/24/2010	Final Distribution	$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	7/16/2010	$2,298,974,000								$8,365,305
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	7/16/2010	$1,149,487,000								
				Initial Investment Amount	$30,000,000,000		Total Investment Amount	$30,356,250,000	Total Final Investment Amount	$22,406,483,574	Total Capital Repayment	$428,227,826				Total Proceeds	$20,644,319	

Notes: Numbers may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *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.
[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.
[7] Amount adjusted to show Treasury's final capital commitment (membership interest) and the maximum amount of Treasury's debt obligation that may be drawn down in accordance with the Loan Agreement.

Sources: Treasury, *Transactions Report*, 10/4/2010; Treasury, responses to SIGTARP data call, 10/7/2010.

TABLE D.8

AIFP TRANSACTION DETAIL, AS OF 9/30/2010

							Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Note	Description	Amount/ Equity Percent	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity Percent	Dividend/ 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						$1,631,539,236
	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														
General Motors,[b,c] Detroit, MI	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										$709,521,711
	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%						
	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	
															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	
															4/20/2010	Repayment	$4,676,779,986	None	—	
	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										
							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						
Chrysler FinCo, Farmington Hills, MI	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	$7,405,894
															4/17/2009	Partial repayment	$31,810,122	Debt Obligation w/ Additional Note	$1,464,690,823	
															5/18/2009	Partial repayment	$51,136,084	Debt Obligation w/ Additional Note	$1,413,554,739	
															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	—	
															7/14/2009	Repayment	$15,000,000	None	—	

Continued on next page.

AIFP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

							Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Note	Description	Amount/ Equity Percent	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity Percent	Dividend/ Interest Paid to Treasury[a]
	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	5/14/2010	Termination and settlement payment [20]	$1,900,000,000	None	—	
	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	—	
Chrysler,[c] Auburn Hills, MI	5/1/2009	Purchase	Old Chrysler	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	5/10/2010	Proceeds from sale of collateral	$30,544,528	Right to recover proceeds	N/A	$437,049,853
	5/20/2009	Purchase	Old Chrysler	Debt Obligation w/ Additional Note	—	17									9/9/2010	Proceeds from sale of collateral	$9,666,784	Right to recover proceeds	N/A	
	5/27/2009	Purchase	New Chrysler	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%						
																Additional Note Proceeds	$15,000,000			
			Total Initial Investment Amount	**$81,344,932,551**												**Total Payments**	**$10,792,830,559**			**$2,785,516,694**
															Total Treasury Investment Amount		**$67,063,948,412**			

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*, 10/3/2010; Treasury, response to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 10/6/2010.

TABLE D.9

ASSP TRANSACTION DETAIL, AS OF 9/30/2010

	Seller						Adjustment Details			Repayment[4]				
Note	Date	Institution Name	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	$21,629,701
										2/11/2010	Partial repayment	Debt Obligation w/ Additional Note	$100,000,000	
										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
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 may not total due to rounding. Data as of 10/3/2010. Numbered notes were taken verbatim from Treasury's 10/4/2010 *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*, 10/4/2010; Treasury, response to SIGTARP data call, 10/7/2010.

TABLE D.10

HAMP TRANSACTION DETAIL, AS OF 9/30/2010

	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)
4/13/2009	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	
						7/14/2010	$128,690,000	$687,000,000	Updated portfolio data from servicer	
						9/30/2010	$4,000,000	$691,000,000	Initial FHA-HAMP cap and initial FHA2LP cap	
						9/30/2010	$59,807,784	$750,807,784	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	
						7/14/2010	($757,680,000)	$1,011,700,000	Updated portfolio data from servicer	
						7/16/2010	($7,110,000)	$1,004,590,000	Transfer of cap to multiple servicers due to servicing transfer	
						8/13/2010	($6,300,000)	$998,290,000	Transfer of cap to multiple servicers due to servicing transfer	
						9/15/2010	($8,300,000)	$989,990,000	Transfer of cap to multiple servicers due to servicing transfer	
						9/30/2010	$32,400,000	$1,022,390,000	Initial FHA-HAMP cap and initial FHA2LP cap	
						9/30/2010	$101,287,484	$1,123,677,484	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
4/13/2009	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	$135,075
						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	
						7/14/2010	($2,038,220,000)	$5,051,700,000	Updated portfolio data from servicer	
						9/30/2010	($287,348,828)	$4,764,351,172	Updated portfolio data from servicer	
						9/30/2010	$344,000,000	$5,108,351,172	Initial FHA-HAMP cap, initial FHA2LP cap, and initial RD-HAMP	
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	
						7/14/2010	($881,530,000)	$1,185,900,000	Updated portfolio data from servicer	
						8/13/2010	($3,700,000)	$1,182,200,000	Transfer of cap due to servicing transfer	
						9/30/2010	$119,200,000	$1,301,400,000	Initial FHA-HAMP cap, initial FHA2LP cap, and initial 2MP cap	
						9/30/2010	$216,998,139	$1,518,398,139	Updated portfolio data from servicer	
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	
						7/14/2010	($513,660,000)	$514,700,000	Updated portfolio data from servicer	
						7/16/2010	($22,980,000)	$491,720,000	Transfer of cap due to multiple servicing transfers	
						9/15/2010	$1,800,000	$493,520,000	Transfer of cap due to servicing transfer	
						9/30/2010	$9,800,000	$503,320,000	Initial FHA-HAMP cap and initial FHA2LP cap	
						9/30/2010	$116,222,668	$619,542,668	Updated portfolio data from servicer	
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)	—	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	$922
						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	
						7/14/2010	($191,610,000)	$944,900,000	Updated portfolio data from servicer	
						7/16/2010	$23,710,000	$968,610,000	Transfer of cap from Saxon Mortgage Services, Inc. due to servicing transfer	
						9/15/2010	$100,000	$968,710,000	Initial FHA-HAMP cap	
						9/30/2010	$3,742,740	$972,452,740	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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	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	$133,299
						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	
						7/14/2010	($366,750,000)	$1,236,900,000	Updated portfolio data from servicer	
						9/30/2010	$95,300,000	$1,332,200,000	Initial FHA-HAMP cap, initial FHA2LP cap, and initial RD-HAMP	
						9/30/2010	$222,941,084	$1,555,141,084	Updated portfolio data from servicer	
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	
						7/14/2010	($1,787,300,000)	$6,620,800,000	Updated portfolio data from servicer	
						9/30/2010	$105,500,000	$6,726,300,000	Initial FHA-HAMP cap, initial FHA2LP cap, and initial RD-HAMP	
						9/30/2010	($614,527,362)	$6,111,772,638	Updated portfolio data from servicer	
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	
						7/14/2010	($73,010,000)	$549,400,000	Updated portfolio data from servicer	
						9/30/2010	$6,700,000	$556,100,000	Initial FHA2LP cap	
						9/30/2010	($77,126,410)	$478,973,590	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	
						7/14/2010	$19,540,000	$96,300,000	Updated portfolio data from servicer	
						7/16/2010	($210,000)	$96,090,000	Transfer of cap to Green Tree Servicing LLC due to servicing transfer	
						8/13/2010	($100,000)	$95,990,000	Transfer of cap due to servicing transfer	
						9/30/2010	$68,565,782	$164,555,782	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
4/24/2009	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	
						7/14/2010	($24,220,000)	$93,900,000	Updated portfolio data from servicer	
						7/16/2010	$210,000	$94,110,000	Transfer of cap from Wilshire Credit Corporation due to servicing transfer	
						8/13/2010	$2,200,000	$96,310,000	Transfer of cap due to servicing transfer	
						9/10/2010	$34,600,000	$130,910,000	Initial 2MP cap	
						9/30/2010	$5,600,000	$136,510,000	Initial FHA2LP cap and FHA-HAMP	
						9/30/2010	$10,185,090	$146,695,090	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	
						7/14/2010	($75,610,000)	$278,900,000	Updated portfolio data from servicer	
						8/13/2010	$1,100,000	$280,000,000	Transfer of cap due to servicing transfer	
						9/30/2010	$3,763,685	$283,763,685	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	
						7/14/2010	($76,870,000)	$401,300,000	Updated portfolio data from servicer	
						9/1/2010	$400,000	$401,700,000	Initial FHA-HAMP cap	
						9/30/2010	($8,454,269)	$393,245,731	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	
						7/14/2010	($85,900,000)	$313,300,000	Updated portfolio data from servicer	
						8/13/2010	$100,000	$313,400,000	Transfer of cap due to servicing transfer	
						9/30/2010	$2,900,000	$316,300,000	Initial FHA-HAMP cap, initial FHA2LP cap, initial RD-HAMP, and initial 2MP cap	
						9/30/2010	$33,801,486	$350,101,486	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	
						7/14/2010	($13,870,000)	$30,200,000	Updated portfolio data from servicer	
						9/30/2010	$400,000	$30,600,000	Initial FHA-HAMP cap, initial FHA2LP cap, and initial 2MP cap	
						9/30/2010	$586,954	$31,186,954	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

Date	Servicer Modifying Borrowers' Loans: 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 Details: Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
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	
						7/14/2010	($23,350,000)	$34,800,000	Updated portfolio data from servicer	
						9/30/2010	$7,846,346	$42,646,346	Updated portfolio data from servicer	
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	
						7/14/2010	($8,860,000)	$45,800,000	Updated portfolio data from servicer	
						9/30/2010	($4,459,154)	$41,340,846	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)	—	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	
						7/14/2010	($1,800,000)	$1,300,000	Updated portfolio data from servicer	
						7/30/2010	$1,500,000	$2,800,000	Updated portfolio data from servicer	
						9/30/2010	$1,551,668	$4,351,668	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	
						7/14/2010	$70,000	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	($430,000)	$1,100,000	Updated portfolio data from servicer	
						9/30/2010	$60,445	$1,160,445	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	
						7/14/2010	($272,640,000)	$409,100,000	Updated portfolio data from servicer	
						9/30/2010	$80,600,000	$489,700,000	Initial FHA-HAMP cap, initial FHA2LP cap, and initial 2MP cap	
						9/30/2010	$71,230,004	$560,930,004	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	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

Date	Servicer Modifying Borrowers' Loans: 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 Details: Adjustment Date	Cap Adjustment Amount	Adjusted Cap	Reason for Adjustment	Market Capitalization (in Millions)
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	
						7/14/2010	($34,250,000)	$113,000,000	Updated portfolio data from servicer	
						9/30/2010	$600,000	$113,600,000	Initial FHA2LP cap	
						9/30/2010	($15,252,303)	$98,347,697	Updated portfolio data from servicer	
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	
						7/14/2010	($30,000)	$400,000	Updated portfolio data from servicer	
						9/30/2010	$35,167	$435,167	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	
						7/14/2010	($400,000)	$700,000	Updated portfolio data from servicer	
						9/30/2010	$170,334	$870,334	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	
						7/14/2010	($22,580,000)	$62,300,000	Updated portfolio data from servicer	
						9/30/2010	($8,194,261)	$54,105,739	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	$27,804
						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	
						7/14/2010	($17,180,000)	$22,800,000	Updated portfolio data from servicer	
						9/30/2010	$35,500,000	$58,300,000	Initial FHA2LP cap and initial 2MP cap	
						9/30/2010	$23,076,191	$81,376,191	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	
						7/14/2010	($130,000)	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
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	
						7/14/2010	($240,000)	$3,300,000	Updated portfolio data from servicer	
						9/30/2010	$471,446	$3,771,446	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
7/22/2009	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	
						7/14/2010	($289,990,000)	$1,304,100,000	Updated portfolio data from servicer	
						9/30/2010	$1,690,508	$1,305,790,508	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	
						7/14/2010	($5,730,000)	$5,900,000	Updated portfolio data from servicer	
						9/30/2010	$2,658,280	$8,558,280	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	
						7/14/2010	($180,000)	$600,000	Updated portfolio data from servicer	
						9/30/2010	$125,278	$725,278	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	
						7/14/2010	($2,470,000)	$5,600,000	Updated portfolio data from servicer	
						9/30/2010	$2,523,114	$8,123,114	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	
						7/14/2010	($3,960,000)	$400,000	Updated portfolio data from servicer	
						9/30/2010	$180,222	$580,222	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	
						7/14/2010	($46,200,000)	$37,100,000	Updated portfolio data from servicer	
						9/30/2010	($28,686,775)	$8,413,225	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	$157,972
						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	
						7/14/2010	($1,934,230,000)	$2,935,400,000	Updated portfolio data from servicer	
						9/30/2010	$72,400,000	$3,007,800,000	Initial FHA-HAMP cap, nitial FHA2LP cap, and initial RD-HAMP	
						9/30/2010	$215,625,536	$3,223,425,536	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
7/31/2009	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	
						7/14/2010	($392,140,000)	$683,100,000	Updated portfolio data from servicer	
						7/16/2010	($630,000)	$682,470,000	Transfer of cap to Saxon Mortgage Services, Inc.	
						9/30/2010	$13,100,000	$695,570,000	Initial FHA-HAMP cap and initial FHA2LP cap	
						9/30/2010	($8,006,457)	$687,563,543	Updated portfolio data from servicer	
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	
						7/14/2010	($70,000)	$200,000	Updated portfolio data from servicer	
						9/30/2010	$90,111	$290,111	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	
						7/14/2010	($10,000)	$800,000	Updated portfolio data from servicer	
						9/30/2010	($74,722)	$725,278	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	
						7/14/2010	($189,040,000)	$526,800,000	Updated portfolio data from servicer	
						9/30/2010	$38,626,728	$565,426,728	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	
						7/14/2010	($474,730,000)	$1,167,500,000	Updated portfolio data from servicer	
						8/13/2010	($700,000)	$1,166,800,000	Transfer of cap to due to servicing transfer	
						9/15/2010	($1,000,000)	$1,165,800,000	Transfer of cap to due to servicing transfer	
						9/30/2010	($115,017,236)	$1,050,782,764	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	
						7/14/2010	($18,020,000)	$43,700,000	Updated portfolio data from servicer	
						7/16/2010	$6,680,000	$50,380,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
						8/13/2010	$2,600,000	$52,980,000	Transfer of cap to due to servicing transfer	
						9/15/2010	($100,000)	$52,880,000	Transfer of cap to due to servicing transfer	
						9/30/2010	$200,000	$53,080,000	Initial FHA-HAMP cap and 2MP initial cap	
						9/30/2010	($1,423,197)	$51,656,803	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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	
						7/14/2010	($850,000)	$9,300,000	Updated portfolio data from servicer	
						9/15/2010	$100,000	$9,400,000	Transfer of cap to due to servicing transfer	
						9/30/2010	$100,000	$9,500,000	Initial FHA-HAMP cap	
						9/30/2010	$16,755,064	$26,255,064	Updated portfolio data from servicer	
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	
						7/14/2010	($408,850,000)	$1,882,500,000	Updated portfolio data from servicer	
						9/30/2010	$5,500,000	$1,888,000,000	2MP initial cap	
						9/30/2010	($51,741,163)	$1,836,258,837	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	
						7/14/2010	($1,900,000)	$1,500,000	Updated portfolio data from servicer	
						9/30/2010	($1,209,889)	$290,111	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	
						7/14/2010	$8,300,000	$10,800,000	Updated portfolio data from servicer	
						9/30/2010	$5,301,172	$16,101,172	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	
						7/14/2010	($1,110,000)	$200,000	Updated portfolio data from servicer	
						9/30/2010	$100,000	$300,000	Initial RD-HAMP	
						9/30/2010	($9,889)	$290,111	Updated portfolio data from servicer	
9/2/2009 as amended on 8/27/2010	Vantium Capital, Inc.dba Acqura Loan Services, Plano, TX[10]	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	
						7/14/2010	($730,000)	$3,600,000	Updated portfolio data from servicer	
						9/15/2010	$4,700,000	$8,300,000	Transfer of cap due to servicing transfer	
						9/30/2010	$117,764	$8,417,764	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	
						7/14/2010	($300,000)	$600,000	Updated portfolio data from servicer	
						9/30/2010	$270,334	$870,334	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
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	
						7/14/2010	($85,780,000)	$144,600,000	Updated portfolio data from servicer	
						9/30/2010	$36,574,444	$181,174,444	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	
						7/14/2010	($1,440,000)	$10,300,000	Updated portfolio data from servicer	
						9/30/2010	($6,673,610)	$3,626,390	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	
						7/14/2010	($13,540,000)	$5,000,000	Updated portfolio data from servicer	
						9/30/2010	$1,817,613	$6,817,613	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	
						7/14/2010	($410,000)	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	($670,000)	$400,000	Updated portfolio data from servicer	
						9/30/2010	$35,167	$435,167	Updated portfolio data from servicer	
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	
						7/14/2010	($2,390,000)	$6,600,000	Updated portfolio data from servicer	
						9/30/2010	$2,973,670	$9,573,670	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	
						7/14/2010	($120,000)	$2,000,000	Updated portfolio data from servicer	
						9/30/2010	($1,419,778)	$580,222	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	
						7/14/2010	$5,310,000	$7,800,000	Updated portfolio data from servicer	
						9/30/2010	$323,114	$8,123,114	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
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	
						7/14/2010	($140,000)	$300,000	Updated portfolio data from servicer	
						9/30/2010	$1,150,556	$1,450,556	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	
						7/14/2010	($110,000)	$300,000	Updated portfolio data from servicer	
						9/30/2010	($9,889)	$290,111	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	
						7/14/2010	($70,000)	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	$41
						12/30/2009	$350,000	$650,000	Updated portfolio data from servicer & HAFA initial cap	
						3/26/2010	$1,360,000	$2,010,000	Updated portfolio data from servicer	
						7/14/2010	($1,810,000)	$200,000	Updated portfolio data from servicer	
						9/30/2010	$235,167	$435,167	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	
						7/14/2010	($70,000)	$200,000	Updated portfolio data from servicer	
						9/30/2010	($54,944)	$145,056	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	
						7/14/2010	($320,000)	$400,000	Updated portfolio data from servicer	
						9/30/2010	$180,222	$580,222	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	
						7/14/2010	($260,000)	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	($430,000)	$400,000	Updated portfolio data from servicer	
						9/30/2010	$180,222	$580,222	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	
						7/14/2010	($16,610,000)	$105,300,000	Updated portfolio data from servicer	
						9/30/2010	$1,751,033	$107,051,033	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
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	
						7/14/2010	($770,000)	$1,900,000	Updated portfolio data from servicer	
						9/30/2010	$565,945	$2,465,945	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)	—	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)	—	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	
						7/14/2010	$10,000	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	$1,310,000	$2,100,000	Updated portfolio data from servicer	
						9/30/2010	$75,834	$2,175,834	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	
						7/14/2010	($2,890,000)	$20,800,000	Updated portfolio data from servicer	
						9/30/2010	$9,661,676	$30,461,676	Updated portfolio data from servicer	
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	
						7/14/2010	($1,080,000)	$1,000,000	Updated portfolio data from servicer	
						9/30/2010	$160,445	$1,160,445	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	—	$20,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($10,000)	$10,000	Updated portfolio data from servicer	
						7/14/2010	$90,000	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
11/25/2009	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	
						7/14/2010	($1,160,000)	$3,300,000	Updated portfolio data from servicer	
						8/13/2010	$800,000	$4,100,000	Transfer of cap due to servicing transfer	
						9/30/2010	$200,000	$4,300,000	Initial FHA-HAMP cap and initial RD-HAMP	
						9/30/2010	$1,357,168	$5,657,168	Updated portfolio data from servicer	
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)	—	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	
						7/14/2010	($950,000)	$1,400,000	Updated portfolio data from servicer	
						9/30/2010	$50,556	$1,450,556	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	
						7/14/2010	($810,000)	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	$150,000	$300,000	Updated portfolio data from servicer	
						9/30/2010	($9,889)	$290,111	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	
						7/14/2010	($120,000)	$1,100,000	Updated portfolio data from servicer	
						9/30/2010	$100,000	$1,200,000	Initial FHA-HAMP cap	
						9/30/2010	$105,500	$1,305,500	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	
						7/14/2010	($570,000)	$800,000	Updated portfolio data from servicer	
						9/30/2010	$70,334	$870,334	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	
						7/14/2010	($1,180,000)	$1,900,000	Updated portfolio data from servicer	
						9/30/2010	$275,834	$2,175,834	Updated portfolio data from servicer	

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HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
12/9/2009	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	
						7/14/2010	($1,980,000)	$7,400,000	Updated portfolio data from servicer	
						9/30/2010	($6,384,611)	$1,015,389	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	
						7/14/2010	($80,000)	$600,000	Updated portfolio data from servicer	
						9/30/2010	($19,778)	$580,222	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	
						7/14/2010	($2,890,000)	$3,600,000	Updated portfolio data from servicer	
						9/30/2010	$606,612	$4,206,612	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	
						7/14/2010	($710,000)	$900,000	Updated portfolio data from servicer	
						9/30/2010	$550,556	$1,450,556	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	
						7/14/2010	($350,000)	$800,000	Updated portfolio data from servicer	
						9/30/2010	$70,334	$870,334	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)	—	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	
						7/14/2010	($330,000)	$700,000	Updated portfolio data from servicer	
						9/30/2010	$25,278	$725,278	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	
						7/14/2010	($360,000)	$1,100,000	Updated portfolio data from servicer	
						9/30/2010	$60,445	$1,160,445	Updated portfolio data from servicer	
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)	—	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	
						7/14/2010	$1,430,000	$1,500,000	Updated portfolio data from servicer	
						9/30/2010	$95,612	$1,595,612	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
12/16/2009	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	
						7/14/2010	($10,000)	$200,000	Updated portfolio data from servicer	
						9/30/2010	$90,111	$290,111	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)	—	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	
						7/14/2010	($390,000)	$1,500,000	Updated portfolio data from servicer	
						9/8/2010	($1,500,000)	—	Termination of SPA	
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	
						7/14/2010	($1,870,000)	$600,000	Updated portfolio data from servicer	
						9/30/2010	$850,556	$1,450,556	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	
						7/14/2010	($140,000)	$800,000	Updated portfolio data from servicer	
						9/30/2010	$70,334	$870,334	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	
						7/14/2010	($1,560,000)	$1,400,000	Updated portfolio data from servicer	
						9/30/2010	$5,852,780	$7,252,780	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	
						7/14/2010	$760,000	$800,000	Updated portfolio data from servicer	
						9/30/2010	($74,722)	$725,278	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	—	$60,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	$90,000	$150,000	Updated portfolio data from servicer	
						7/14/2010	$50,000	$200,000	Updated portfolio data from servicer	
						9/30/2010	($54,944)	$145,056	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	—	$110,000	Updated HPDP cap & HAFA initial cap	
						3/26/2010	($20,000)	$90,000	Updated portfolio data from servicer	
						7/14/2010	$10,000	$100,000	Updated portfolio data from servicer	
						9/30/2010	$45,056	$145,056	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	
						7/14/2010	($140,000)	$600,000	Updated portfolio data from servicer	
						9/30/2010	($19,778)	$580,222	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
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	
						7/14/2010	$50,000	$900,000	Updated portfolio data from servicer	
						9/30/2010	($29,666)	$870,334	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	
						7/14/2010	$10,000	$300,000	Updated portfolio data from servicer	
						9/30/2010	($9,889)	$290,111	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	
						7/14/2010	$3,630,000	$24,400,000	Updated portfolio data from servicer	
						7/16/2010	$330,000	$24,730,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
						8/13/2010	$700,000	$25,430,000	Transfer of cap due to servicing transfer	
						9/15/2010	$200,000	$25,630,000	Transfer of cap due to servicing transfer	
						9/30/2010	($1,695,826)	$23,934,174	Updated portfolio data from servicer	
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	
						7/14/2010	($8,750,000)	$700,000	Updated portfolio data from servicer	
						9/30/2010	$170,334	$870,334	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)	—	Termination of SPA	
1/29/2010	iServe Residential Lending, LLC, 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	
						7/14/2010	$370,000	$600,000	Updated portfolio data from servicer	
						9/30/2010	$200,000	$800,000	Initial FHA-HAMP cap and initial 2MP cap	
						9/30/2010	($364,833)	$435,167	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	
						9/30/2010	$25,278	$725,278	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	7/14/2010	$4,440,000	$5,500,000	Updated portfolio data from servicer	
						9/24/2010	($5,500,000)	—	Termination of SPA	
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	
						7/14/2010	($12,660,000)	$15,500,000	Updated portfolio data from servicer	
						9/30/2010	$100,000	$15,600,000	Initial FHA-HAMP cap	
						9/30/2010	($3,125,218)	$12,474,782	Updated portfolio data from servicer	
3/10/2010	Navy Federal Credit Union, Vienna, VA	Purchase	Financial Instrument for Home Loan Modifications	$60,780,000	N/A	7/14/2010	($44,880,000)	$15,900,000	Updated portfolio data from servicer	
						9/30/2010	$1,071,505	$16,971,505	Updated portfolio data from servicer	
3/10/2010	Vist Financial Corp, Wyomissing, PA	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A	7/14/2010	$400,000	$700,000	Updated portfolio data from servicer	
						9/30/2010	$25,278	$725,278	Updated portfolio data from servicer	
4/14/2010	Midwest Bank and Trust Co., Elmwood Park, IL	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A	7/14/2010	$300,000	$600,000	Updated portfolio data from servicer	
						9/30/2010	($19,778)	$580,222	Updated portfolio data from servicer	
4/14/2010	Wealthbridge Mortgage Corp, Beaverton, OR	Purchase	Financial Instrument for Home Loan Modifications	$6,550,000	N/A	7/14/2010	($150,000)	$6,400,000	Updated portfolio data from servicer	
						9/15/2010	$1,600,000	$8,000,000	Transfer of cap due to servicing transfer	
						9/30/2010	($4,352,173)	$3,647,827	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
5/21/2010	Aurora Financial Group, Inc., Marlton, NJ[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$10,000	N/A	5/26/2010	$30,000	$40,000	Updated FHA-HAMP cap	
						9/30/2010	$250,111	$290,111	Updated portfolio data from servicer	
6/16/2010	Selene Financial, L.P., Houston, TX[9]	Transfer	Financial Instrument for Home Loan Modifications	—	N/A	6/16/2010	$3,680,000	$3,680,000	Transfer of cap from CitiMortgage, Inc. due to servicing transfer	
						8/13/2010	$3,300,000	$6,980,000	Transfer of cap due to servicing transfer	
						9/30/2010	$3,043,831	$10,023,831	Updated portfolio data from servicer	
8/4/2010	Suburban Mortgage Company of New Mexico, Alburquerque, NM	Purchase	Financial Instrument for Home Loan Modifications	$880,000	N/A	9/30/2010	$1,585,945	$2,465,945	Updated portfolio data from servicer	
8/20/2010	Bramble Savings Bank, Cincinnati, OH	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A	9/30/2010	$1,040,667	$1,740,667	Updated portfolio data from servicer	
8/25/2010	Pathfinder Bank, Oswego, OH	Purchase	Financial Instrument for Home Loan Modifications	$1,300,000	N/A	9/30/2010	$2,181,334	$3,481,334	Updated portfolio data from servicer	
8/27/2010	First Financial Bank, N.A., Terre Haute, OH	Purchase	Financial Instrument for Home Loan Modifications	$4,300,000	N/A	9/30/2010	$7,014,337	$11,314,337	Updated portfolio data from servicer	
9/1/2010	RBC Bank (USA), Raleigh, NC[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/3/2010	Fay Servicing, LLC, Chicago, IL	Purchase	Financial Instrument for Home Loan Modifications	$3,100,000	N/A	9/30/2010	$5,168,169	$8,268,169	Updated portfolio data from servicer	
9/15/2010	Vericret Financial, Inc., Oklahoma city, OK[9]	Purchase	Financial Instrument for Home Loan Modifications	—	N/A	9/15/2010	$1,000,000	$1,000,000	Transfer of cap due to servicing transfer	
						9/30/2010	$450,556	$1,450,556	Updated portfolio data from servicer	
9/15/2010	Midwest Community Bank, Freeport, IL	Purchase	Financial Instrument for Home Loan Modifications	$400,000	N/A	9/30/2010	$180,222	$580,222	Updated portfolio data from servicer	
9/24/2010	American Finance House LARIBA, Pasadena, CA	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/24/2010	Centrue Bank, Ottawa, IL	Purchase	Financial Instrument for Home Loan Modifications	$1,900,000	N/A	9/30/2010	$856,056	$2,756,056	Updated portfolio data from servicer	
9/30/2010	AgFirst Farm Credit Bank, Columbia, SC	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	Amarillo National Bank, Amarillo, TX[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	American Financial Resources Inc., Parsippany, NJ[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	Banco Popular de Puerto Rico, San Juan, PR[4, 5, 8]	Purchase	Financial Instrument for Home Loan Modifications	$1,700,000	N/A	9/30/2010	$765,945	$2,465,945	Updated portfolio data from servicer	
9/30/2010	Capital International Financial, Inc., Coral Gables, FL[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/24/2010	Citizens Community Bank, Freeburg, IL	Purchase	Financial Instrument for Home Loan Modifications	$800,000	N/A	9/30/2010	$360,445	$1,160,445	Updated portfolio data from servicer	
9/30/2010	Community Credit Union of Florida, Rockledge, FL[6]	Purchase	Financial Instrument for Home Loan Modifications	$2,000,000	N/A	9/30/2010	$901,112	$2,901,112	Updated portfolio data from servicer	
9/30/2010	CU Mortgage Services, Inc. New Brighton, NM[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (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)
9/30/2010	First Federal Bank of Florida, Lake City, FL[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	First Mortgage Coporation, Diamond Bar, CA[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	First Safety Bank, Cincinnati, OH	Purchase	Financial Instrument for Home Loan Modifications	$400,000	N/A	9/30/2010	$180,222	$580,222	Updated portfolio data from servicer	
9/30/2010	Flagstar Capital Markets Corporation, Troy, MI[7, 8]	Purchase	Financial Instrument for Home Loan Modifications	$800,000	N/A	9/30/2010	$360,445	$1,160,445	Updated portfolio data from servicer	
9/30/2010	Franklin Savings, Cincinnati, OH[4]	Purchase	Financial Instrument for Home Loan Modifications	$1,700,000	N/A	9/30/2010	$765,945	$2,465,945	Updated portfolio data from servicer	
9/30/2010	Gateway Mortgage Group, LLC, Tulsa, OK[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	GFA Federal Credit Union, Gardner, MA	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	Guaranty Bank, Saint Paul, MN[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/24/2010	James B. Nutter & Company, Kansas City, MO[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$300,000	N/A	9/30/2010	$135,167	$435,167	Updated portfolio data from servicer	
9/30/2010	Liberty Bank and Trust Co, New Orleans, LA	Purchase	Financial Instrument for Home Loan Modifications	$1,000,000	N/A	9/30/2010	$450,556	$1,450,556	Updated portfolio data from servicer	
9/30/2010	M&T Bank, Buffalo, NY[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A	9/30/2010	$315,389	$1,015,389	Updated portfolio data from servicer	
9/30/2010	Magna Bank, Germantown, TN[5]	Purchase	Financial Instrument for Home Loan Modifications	$1,400,000	N/A	9/30/2010	$630,778	$2,030,778	Updated portfolio data from servicer	
9/30/2010	Mainstreet Credit Union, Lexena, KS	Purchase	Financial Instrument for Home Loan Modifications	$500,000	N/A	9/30/2010	$225,278	$725,278	Updated portfolio data from servicer	
9/30/2010	Marsh Associates, Inc., Charlotte, NC[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	Midland Mortgage Compnay, Oklahoma City, OK[4, 5]	Purchase	Financial Instrument for Home Loan Modifications	$43,500,000	N/A	9/30/2010	$49,915,806	$93,415,806	Updated portfolio data from servicer	
9/30/2010	Schmidt Mortgage Company, Rocky River, OH[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	Stockman Bank of Montana, Miles City, MT[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
9/30/2010	University First Federal Credit Union, Salt Lake City, UT	Purchase	Financial Instrument for Home Loan Modifications	$600,000	N/A	9/30/2010	$270,334	$870,334	Updated portfolio data from servicer	
9/30/2010	Weststar Mortgage, Inc., Woodbridge, PA[4, 8]	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2010	$45,056	$145,056	Updated portfolio data from servicer	
			Total Initial Cap	**$23,831,570,000**	**Total Cap Adjustments**		**$6,077,210,820**			
				TOTAL CAP			**$29,908,780,820**			

HAMP TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

Notes: Numbers affected by rounding. Data as of 9/30/2010. Numbered notes and definitions were taken verbatim from Treasury's 10/4/2010 *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] Initial cap amount includes RD-HAMP.
[6] Initial cap amount includes 2MP.
[7] Initial cap amount includes FHA2LP.
[8] Initial cap does not include HAMP.
[9] This institution executed an Assignment and Assumption Agreement (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.
[10] The amendment reflects a change in the legal name of the institution.

"HAFA" means the Home Affordable Foreclosure Alternatives program.
"HPDP" means the Home Price Decline Protection program.
"2MP" means the Second Lien Modification Program.
"RD-HAMP" means the Rural Housing Service Home Affordable Modification Program.
"FHA2LP" means the FHA Second Lien Program.

Sources: Treasury, *Transactions Report*, 10/4/2010; Treasury, response to SIGTARP data call, 10/7/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed on 10/15/2010.

TABLE D.11

UCSB TRANSACTION DETAIL, AS OF 9/30/2010

				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					
3/19/2010	Floating Rate SBA 7a security due 2022	Coastal Securities, Inc.	83165ADC5	$7,617,617	109	—	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	108.875	—	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	110.502	—	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	107.5	—	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	106.806	—	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	110.798	—	6/30/2010	$9,717,173	—	$4,844					
5/25/2010	Floating Rate SBA 7a security due 2029	Coastal Securities, Inc.	83164K3B7	$8,417,817	110.125	—	7/30/2010	$9,294,363	—	$4,635					
5/25/2010	Floating Rate SBA 7a security due 2033	Coastal Securities, Inc.	83165AEK6	$17,119,972	109.553	—	7/30/2010	$18,801,712	—	$9,377					
6/17/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	83165AEQ3	$34,441,059	110.785	—	8/30/2010	$38,273,995	—	$19,077					
6/17/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	83165AEP5	$28,209,085	112.028	—	8/30/2010	$31,693,810	—	$15,801					
7/14/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	83164K3Y7	$6,004,156	106.625	—	9/30/2010	$6,416,804	—	$3,200					
7/14/2010	Floating Rate SBA 7a security due 2025	Coastal Securities, Inc.	83164K4J9	$6,860,835	108.505	—	9/30/2010	$7,462,726	—	$3,722					
7/14/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	83165AE42	$13,183,361	111.86	—	9/30/2010	$14,789,302	—	$7,373					
7/29/2010	Floating Rate SBA 7a security due 2017	Coastal Securities, Inc.	83164K4E0	$2,598,386	108.4375	—	9/30/2010	$2,826,678	—	$1,408					$1,147,793
7/29/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	TBA	$10,000,000	106.75	TBA	10/29/2010	$10,695,743	TBA*	$5,337					
8/17/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	83165AEZ3	$8,279,048	110.198	—	9/30/2010	$9,150,989	—	$4,561					
8/17/2010	Floating Rate SBA 7a security due 2019	Coastal Securities, Inc.	TBA	$5,000,000	110	TBA	10/29/2010	$5,516,139	TBA*	$2,750					
8/17/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	TBA	$10,000,000	110.75	TBA	10/29/2010	$11,107,744	TBA*	$5,537					
8/31/2010	Floating Rate SBA 7a security due 2020	Shay Financial Inc.	83165AEW0	$9,272,482	110.515	—	9/29/2010	$10,277,319	—	$5,123					
8/31/2010	Floating Rate SBA 7a security due 2025	Coastal Securities, Inc.	TBA	$9,000,000	112.5	TBA	10/29/2010	$10,152,363	TBA*	$5,062					
8/31/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	TBA	$6,000,000	105.875	TBA	11/30/2010	$6,364,946	TBA*	$3,176					
9/14/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	TBA	$8,000,000	111.5	TBA	10/29/2010	$8,945,511	TBA*	$4,460					
9/14/2010	Floating Rate SBA 7a security due 2020	Coastal Securities, Inc.	TBA	$7,000,000	110.93	TBA	11/30/2010	$7,786,810	TBA*	$3,882					
9/14/2010	Floating Rate SBA 7a security due 2028	Coastal Securities, Inc.	TBA	$5,000,000	106.5	TBA	11/30/2010	$5,334,063	TBA*	$2,662					
9/14/2010	Floating Rate SBA 7a security due 2025	Coastal Securities, Inc.	TBA	$5,000,000	110.5	TBA	11/30/2010	$5,539,399	TBA*	$2,762					
9/28/2010	Floating Rate SBA 7a security due 2034	Coastal Securities, Inc.	TBA	$3,000,000	110.875	TBA	11/30/2010	$3,334,285	TBA*	$1,663					
9/28/2010	Floating Rate SBA 7a security due 2033	Coastal Securities, Inc.	TBA	$10,000,000	113.875	TBA	12/30/2010	$11,420,447	TBA*	$5,693					
9/28/2010	Floating Rate SBA 7a security due 2033	Coastal Securities, Inc.	TBA	$13,000,000	113.875	TBA	11/30/2010	$14,845,639	TBA*	$7,401					
9/28/2010	Floating Rate SBA 7a security due 2033	Coastal Securities, Inc.	TBA	$13,000,000	114.15625	TBA	12/30/2010	$14,882,516	TBA*	$7,420					
			Total Purchase Face Amount	$322,898,543			TOTAL INVESTMENT AMOUNT*	$357,305,594	Total Senior Security Proceeds	$178,151			Total Disposition Proceeds	$—	

Notes: Numbers affected by rounding. Date as of 9/30/2010. Numbered notes were taken verbatim from Treasury's 9/30/2010 *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, *Transaction Report*, 10/4/2010; Treasury, response to SIGTARP Data call, 10/12/2010.

TABLE D.12

HARDEST HIT FUND (HHF) PROGRAM TRANSACTION DETAIL, AS OF 9/30/2010

Note	Trade Date	Seller Name of Institution	Transaction Type	Investment Description	Initial Investment Amount	Additional Investment Amount	Investment Amount [1]	Pricing Mechanism
	6/23/2010	Nevada Affordable Housing Assistance Corporation, Reno, NV	Purchase	Financial Instrument for HHF Program	$102,800,000	—	$194,026,240	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$34,056,581		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$57,169,659		N/A
	6/23/2010	CalHFA Mortgage Assistance Corporation, Sacramento, CA	Purchase	Financial Instrument for HHF Program	$699,600,000	—	$1,975,334,096	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$476,257,070		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$799,477,026		
	6/23/2010	Florida Housing Finance Corporation, Tallahassee, FL	Purchase	Financial Instrument for HHF Program	$418,000,000	—	$1,057,839,136	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$238,864,755		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$400,974,381		
	6/23/2010	Arizona (Home) Foreclosure Prevention Funding Corporation, Phoenix, AZ	Purchase	Financial Instrument for HHF Program	$125,100,000	—	$267,766,006	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$142,666,006		
	6/23/2010	Michigan Homeowner Assistance Nonprofit Housing Corporation, Lansing, MI	Purchase	Financial Instrument for HHF Program	$154,500,000	—	$498,605,738	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$128,461,559		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$215,644,179		
	8/3/2010	North Carolina Housing Finance Agency, Raleigh, NC	Purchase	Financial Instrument for HHF Program	$159,000,000	—	$482,781,786	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$120,874,221		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$202,907,565		
	8/3/2010	Ohio Homeowner Assistance LLC, Columbus, OH	Purchase	Financial Instrument for HHF Program	$172,000,000	—	$570,395,099	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$148,728,864		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$249,666,235		
	8/3/2010	Oregon Affordable Housing Assistance Corporation, Salem, OR	Purchase	Financial Instrument for HHF Program	$88,000,000	—	$220,042,786	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$49,294,215		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$82,748,571		
	8/3/2010	Rhode Island Housing and Mortgage Finance Corporation, Providence, RI	Purchase	Financial Instrument for HHF Program	$43,000,000	—	$79,351,573	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$13,570,770		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$22,780,803		
	8/3/2010	SC Housing Corp, Columbia, SC	Purchase	Financial Instrument for HHF Program	$138,000,000	—	$295,431,547	N/A
2	9/23/2010		Purchase	Financial Instrument for HHF Program	—	$58,772,347		
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$98,659,200		
	9/23/2010	Alabama Housing Finance Authority, Montomery, AL	Purchase	Financial Instrument for HHF Program	$60,672,471	—	$162,521,345	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$101,848,874		
	9/23/2010	Kentucky Housing Corporation, Frankfort, KY	Purchase	Financial Instrument for HHF Program	$55,588,050	—	$148,901,875	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$93,313,825		
	9/23/2010	Mississippi Home Corporation, Jackson, MS	Purchase	Financial Instrument for HHF Program	$38,036,950	—	$101,888,323	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$63,851,373		
	9/23/2010	GHFA Affordable Housing, Inc., Atlanta, GA	Purchase	Financial Instrument for HHF Program	$126,650,987	—	$339,255,819	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$212,604,832		
	9/23/2010	Indiana Housing and Community Development Authority, Indianapolis, IN	Purchase	Financial Instrument for HHF Program	$82,762,859	—	$221,694,139	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$138,931,280		
	9/23/2010	Illinois Housing Development Authority, Chicago, IL	Purchase	Financial Instrument for HHF Program	$166,352,726	—	$445,603,557	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$279,250,831		
	9/23/2010	New Jersey Housing and Mortgage Finance Agency, Trenton, NJ	Purchase	Financial Instrument for HHF Program	$112,200,637	—	$300,548,144	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$188,347,507		
	9/23/2010	District of Columbia Housing Finance Agency, Washington, DC	Purchase	Financial Instrument for HHF Program	$7,726,678	—	$20,697,198	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$12,970,520		
	9/23/2010	Tennessee Housing Development Agency, Nashville, TN	Purchase	Financial Instrument for HHF Program	$81,128,260	—	$217,315,593	N/A
3	9/29/2010		Purchase	Financial Instrument for HHF Program	—	$136,187,333		
						Total Investment Amount	**$7,600,000,000**	

Notes: Numbers affected by rounding. Data as of 9/30/2010. Numbered note is taken verbatim from Treasury's 10/4/2010 *Transactions Report*.

[1] The purchase will be incrementally funded up to the investment amount.
[2] On 9/23/2010, Treasury provided additional investment to this HFA and substituted its investment for an amended and restated financial instrument.
[3] On 9/29/2010, Treasury provided additional investment to this HFA and substituted its investment for an amended and restated financial instrument.

Source: Treasury, *Transaction Report*, 10/4/2010.

TABLE D.13

CDCI PROGRAM TRANSACTION DETAIL, AS OF 9/30/2010

					Purchase Details				Disposition Details		
Note	Trade Date	Seller Name of Institution	Transaction Type	Investment Description	Amount from CPP	Additional Investment	Investment Amount	Pricing Mechanism	Date	Amount	Remaining Investment Amount
1	7/30/2010	Guaranty Capital Corporation, Belzoni, MS	Purchase	Subordinated Debentures	$14,000,000	—	$14,000,000	Par			
1, 2	7/30/2010	University Financial Corp, Inc., St. Paul, MN	Purchase	Subordinated Debentures	$11,926,000	$10,189,000	$22,115,000	Par			
1, 2	8/6/2010	Southern Bancorp, Inc., Arkadelphia, AR	Purchase	Preferred Stock	$11,000,000	$22,800,000	$33,800,000	Par			
1	8/13/2010	Premier Bancorp, Inc., Wilmette, IL	Purchase	Subordinated Debentures	$6,784,000	—	$6,784,000	Par			
1	8/13/2010	Citizens Bancshares Corporation, Atlanta, GA	Purchase	Preferred Stock	$7,462,000	—	$11,841,000	Par			
2a	9/17/2010		Purchase	Preferred Stock	—	$4,379,000		Par			
1	8/13/2010	PGB Holdings, Inc., Chicago, IL	Purchase	Preferred Stock	$3,000,000	—	$3,000,000	Par			
1	8/13/2010	First American International Corp., Brooklyn, NY	Purchase	Preferred Stock	$17,000,000	—	$17,000,000	Par			
1	8/13/2010	Tri-State Bank of Memphis, Memphis, TN	Purchase	Preferred Stock	$2,795,000	—	$2,795,000	Par			
1	8/20/2010	Mission Valley Bancorp, Sun Valley, CA	Purchase	Preferred Stock	$5,500,000	—	$10,336,000	Par			
2a	9/24/2010		Purchase	Preferred Stock	—	$4,836,000		Par			
1	8/20/2010	M&F Bancorp, Inc., Durham, NC	Purchase	Preferred Stock	$11,735,000	—	$11,735,000	Par			
1	8/27/2010	Carver Bancorp, Inc., New York, NY	Purchase	Preferred Stock	$18,980,000	—	$18,980,000	Par			
	9/3/2010	Kilmichael Bancorp, Inc., Kilmichael, MS	Purchase	Preferred Stock	—	—	$3,154,000	Par			
1	9/3/2010	United Bancorporation of Alabama, Inc., Atmore, AL	Purchase	Preferred Stock	$10,300,000	—	$10,300,000	Par			
1	9/3/2010	IBW Financial Corporation, Washington, DC	Purchase	Preferred Stock	$6,000,000	—	$6,000,000	Par			
1, 2	9/10/2010	IBC Bancorp, Inc., Chicago, IL	Purchase	Subordinated Debentures	$4,205,000	$3,881,000	$8,086,000	Par			
	9/17/2010	CFBanc Corporation, Washington, DC	Purchase	Preferred Stock	—	—	$5,781,000	Par			
	9/17/2010	American Bancorp of Illinois, Inc., Oak Brook, IL	Purchase	Subordinated Debentures	—	—	$5,457,000	Par			
	9/17/2010	Hope Federal Credit Union, Jackson, MS	Purchase	Subordinated Debentures	—	—	$4,520,000	Par			
	9/17/2010	Genesee Co-op Federal Credit Union, Rochester, NY	Purchase	Subordinated Debentures	—	—	$300,000	Par			
1	9/17/2010	First Eagle Bancshares, Inc., Hanover Park, IL	Purchase	Subordinated Debentures	$7,875,000	—	$7,875,000	Par			
1, 2	9/24/2010	Liberty Financial Services, Inc., New Orleans, LA	Purchase	Preferred Stock	$5,645,000	$5,689,000	$11,334,000	Par			
1	9/24/2010	First Choice Bank, Cerritos, CA	Purchase	Preferred Stock	$5,146,000	—	$5,146,000	Par			
	9/24/2010	Bainbridge Bancshares, Inc., Bainbridge, GA	Purchase	Preferred Stock	—	—	$3,372,000	Par			
	9/24/2010	Virginia Community Capital, Inc., Christiansburg, VA	Purchase	Subordinated Debentures	—	—	$1,915,000	Par			
	9/24/2010	Lower East Side People's Federal Credit Union, New York, NY	Purchase	Subordinated Debentures	—	—	$898,000	Par			
	9/24/2010	Atlantic City Federal Credit Union, Lander, WY	Purchase	Subordinated Debentures	—	—	$2,500,000	Par			
	9/24/2010	Neighborhood Trust Federal Credit Union, New York, NY	Purchase	Subordinated Debentures	—	—	$283,000	Par			
	9/24/2010	Gateway Community Federal Credit Union, Missoula, MT	Purchase	Subordinated Debentures	—	—	$1,657,000	Par			
	9/24/2010	Union Baptist Church Federal Credit Union, Fort Wayne, IN	Purchase	Subordinated Debentures	—	—	$10,000	Par			
	9/24/2010	Buffalo Cooperative Federal Credit Union, Buffalo, NY	Purchase	Subordinated Debentures	—	—	$145,000	Par			
	9/24/2010	Tulane-Loyola Federal Credit Union, New Orleans, LA	Purchase	Subordinated Debentures	—	—	$424,000	Par			
	9/24/2010	Alternatives Federal Credit Union, Ithaca, NY	Purchase	Subordinated Debentures	—	—	$2,234,000	Par			
	9/24/2010	Liberty County Teachers Federal Credit Union, Liberty, TX	Purchase	Subordinated Debentures	—	—	$435,000	Par			
	9/24/2010	UNO Federal Credit Union, New Orleans, LA	Purchase	Subordinated Debentures	—	—	$743,000	Par			
	9/24/2010	Butte Federal Credit Union, Biggs, CA	Purchase	Subordinated Debentures	—	—	$1,000,000	Par			
	9/24/2010	Thurston Union of Low-Income People (TULIP) Cooperative Credit Union, Olympia, WA	Purchase	Subordinated Debentures	—	—	$75,000	Par			
	9/24/2010	Phenix Pride Federal Credit Union, Phenix City, AL	Purchase	Subordinated Debentures	—	—	$153,000	Par			
	9/24/2010	Pyramid Federal Credit Union, Tucson, AZ	Purchase	Subordinated Debentures	—	—	$2,500,000	Par			
	9/24/2010	Cooperative Center Federal Credit Union, Berkeley, CA	Purchase	Subordinated Debentures	—	—	$2,799,000	Par			
	9/24/2010	Prince Kuhio Federal Credit Union, Honolulu, HI	Purchase	Subordinated Debentures	—	—	$273,000	Par			
	9/24/2010	Community First Guam Federal Credit Union, Hagatna, GU	Purchase	Subordinated Debentures	—	—	$2,650,000	Par			
	9/24/2010	Brewery Credit Union, Milwaukee, WI	Purchase	Subordinated Debentures	—	—	$1,096,000	Par			
	9/24/2010	Tongass Federal Credit Union, Ketchikan, AK	Purchase	Subordinated Debentures	—	—	$1,600,000	Par			
	9/24/2010	Santa Cruz Community Credit Union, Santa Cruz, CA	Purchase	Subordinated Debentures	—	—	$2,828,000	Par			
	9/24/2010	Northeast Community Federal Credit Union, San Francisco, CA	Purchase	Subordinated Debentures	—	—	$350,000	Par			
	9/24/2010	Fairfax County Federal Credit Union, Fairfax, VA	Purchase	Subordinated Debentures	—	—	$8,044,000	Par			
1, 2	9/29/2010	Security Federal Corporation, Aiken, SC	Purchase	Preferred Stock	$18,000,000	$4,000,000	$22,000,000	Par			
1, 2	9/29/2010	Community Bank of the Bay, Oakland, CA	Purchase	Preferred Stock	$1,747,000	$2,313,000	$4,060,000	Par			
1, 2	9/29/2010	The First Bancshares, Inc., Hattiesburg, MS	Purchase	Preferred Stock	$5,000,000	$12,123,000	$17,123,000	Par			
1, 2	9/29/2010	BancPlus Corporation, Ridgeland, MS	Purchase	Preferred Stock	$50,400,000	$30,514,000	$80,914,000	Par			
1	9/29/2010	First M&F Corporation, Kosciusko, MS	Purchase	Preferred Stock	$30,000,000	—	$30,000,000	Par			
1	9/29/2010	State Capital Corporation, Greenwood, MS	Purchase	Preferred Stock	$15,750,000	—	$15,750,000	Par			
1	9/29/2010	Lafayette Bancorp, Inc., Oxford, MS	Purchase	Preferred Stock	$4,551,000	—	$4,551,000	Par			

Continued on next page.

CDCI PROGRAM TRANSACTION DETAIL, AS OF 9/30/2010 (CONTINUED)

					Purchase Details				Disposition Details		
Note	Trade Date	Seller Name of Institution	Transaction Type	Investment Description	Amount from CPP	Additional Investment	Investment Amount	Pricing Mechanism	Date	Amount	Remaining Investment Amount
1	9/29/2010	PSB Financial Corporation, Many, LA	Purchase	Preferred Stock	$9,734,000	—	$9,734,000	Par			
1	9/29/2010	Community Bancshares of Mississippi, Inc., Brandon, MS	Purchase	Preferred Stock	$54,600,000	—	$54,600,000	Par			
1	9/29/2010	First Vernon Bancshares, Inc., Vernon, AL	Purchase	Preferred Stock	$6,245,000	—	$6,245,000	Par			
1	9/29/2010	Security Capital Corporation, Batesville, MS	Purchase	Preferred Stock	$17,910,000	—	$17,910,000	Par			
	9/29/2010	BankAsiana, Palisades Park, NJ	Purchase	Preferred Stock	—	—	$5,250,000	Par			
	9/29/2010	The Magnolia State Corporation, Bay Springs, MS	Purchase	Subordinated Debentures	—	—	$7,922,000	Par			
	9/29/2010	Bancorp of Okolona, Inc., Okolona, MS	Purchase	Subordinated Debentures	—	—	$3,297,000	Par			
	9/29/2010	Southern Chautauqua Federal Credit Union, Lakewood, NY	Purchase	Subordinated Debentures	—	—	$1,709,000	Par			
	9/29/2010	Fidelis Federal Credit Union, New York, NY	Purchase	Subordinated Debentures	—	—	$14,000	Par			
	9/29/2010	Bethex Federal Credit Union, Bronx, NY	Purchase	Subordinated Debentures	—	—	$502,000	Par			
	9/29/2010	Shreveport Federal Credit Union, Shreveport, LA	Purchase	Subordinated Debentures	—	—	$2,646,000	Par			
	9/29/2010	Carter Federal Credit Union, Springhill, LA	Purchase	Subordinated Debentures	—	—	$6,300,000	Par			
	9/29/2010	Workers United Federal Credit Union, New York, NY	Purchase	Subordinated Debentures	—	—	$57,000	Par			
	9/29/2010	North Side Community Federal Credit Union, Chicago, IL	Purchase	Subordinated Debentures	—	—	$325,000	Par			
	9/29/2010	East End Baptist Tabernacle Federal Credit Union, Bridgeport, CT	Purchase	Subordinated Debentures	—	—	$7,000	Par			
	9/29/2010	Community Plus Federal Credit Union, Rantoul, IL	Purchase	Subordinated Debentures	—	—	$450,000	Par			
	9/29/2010	Border Federal Credit Union, Del Rio, TX	Purchase	Subordinated Debentures	—	—	$3,260,000	Par			
	9/29/2010	Opportunities Credit Union, Burlington, VT	Purchase	Subordinated Debentures	—	—	$1,091,000	Par			
	9/29/2010	First Legacy Community Credit Union, Charlotte, NC	Purchase	Subordinated Debentures	—	—	$1,000,000	Par			
	9/29/2010	Union Settlement Federal Credit Union, New York, NY	Purchase	Subordinated Debentures	—	—	$295,000	Par			
	9/29/2010	Southside Credit Union, San Antonio, TX	Purchase	Subordinated Debentures	—	—	$1,100,000	Par			
	9/29/2010	D.C. Federal Credit Union, Washington, DC	Purchase	Subordinated Debentures	—	—	$1,522,000	Par			
	9/29/2010	Faith Based Federal Credit Union, Oceanside, CA	Purchase	Subordinated Debentures	—	—	$30,000	Par			
	9/29/2010	Greater Kinston Credit Union, Kinston, NC	Purchase	Subordinated Debentures	—	—	$350,000	Par			
	9/29/2010	Hill District Federal Credit Union, Pittsburgh, PA	Purchase	Subordinated Debentures	—	—	$100,000	Par			
	9/29/2010	Freedom First Federal Credit Union, Roanoke, VA	Purchase	Subordinated Debentures	—	—	$9,278,000	Par			
	9/29/2010	Episcopal Community Federal Credit Union, Los Angeles, CA	Purchase	Subordinated Debentures	—	—	$100,000	Par			
	9/29/2010	Vigo County Federal Credit Union, Terre Haute, IN	Purchase	Subordinated Debentures	—	—	$1,229,000	Par			
	9/29/2010	Renaissance Community Development Credit Union, Somerset, NJ	Purchase	Subordinated Debentures	—	—	$31,000	Par			
	9/29/2010	Independent Employers Group Federal Credit Union, Hilo, HI	Purchase	Subordinated Debentures	—	—	$698,000	Par			
	9/30/2010	Brooklyn Cooperative Federal Credit Union, Brooklyn, NY	Purchase	Subordinated Debentures	—	—	$300,000	Par			
						Total Purchase Amount	**$570,073,000**				

Notes: Numbers affected by rounding. Data as of 9/30/2010. Numbered notes are taken verbatim from Treasury's 10/4/2010 *Transactions Report.*

[1] This institution qualified to participate in the Community Development Capital Initiative (CDCI), and has exchanged its Capital Purchase Program investment for an equivalent amount of investment with Treasury under the CDCI program terms.
[2] Treasury made an additional investment in this institution at the time it entered the CDCI program.
[2a] Treasury made an additional investment in this institution after the time it entered the CDCI program.

Source: Treasury, *Transaction Report*, 10/4/2010.

TABLE D.14

FHA SHORT REFINANCE PROGRAM, AS OF 9/30/2010

Note	Trade Date	Seller Name	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism
1	9/3/2010	Citigroup, Inc., New York, NY	Purchase	Facility Purchase Agreement, dated as of 9/3/2010, between the U.S. Department of the Treasury and Citibank, N.A	$8,117,000,000	N/A
				TOTAL	**$8,117,000,000**	

Notes: Numbers affected by rounding. Data as of 9/30/2010. Numbered note is taken verbatim from Treasury's 10/4/2010 *Transactions Report.*

[1] On September 3, 2010, the U.S. Department of the Treasury and Citibank, N.A. entered into a facility purchase agreement (the "L/C Facility Agreement"), which allows Treasury to demand from Citigroup the issuance of an up to $8 billion, 10-year letter of credit (the "L/C"). Treasury will increase availability under the L/C incrementally in proportion to the dollar value of mortgages refinanced under the FHA Short Refinance program from time to time during the first 2.5 years. At that time, the amount of the L/C will be capped at the then-current level. Under the terms of the L/C Facility Agreement, Treasury will incur fees for the availability and usage of the L/C up to a maximum amount of $117 million.

Source: Treasury, *Transaction Report*, 10/4/2010.

CROSS-REFERENCE OF REPORT TO THE INSPECTOR GENERAL ACT OF 1978

This appendix cross-references this report to the reporting requirements under the Inspector General Act of 1978 (P.L. 95-452), as amended, 5 U.S.C. APP.

Section	Statute (Inspector General Act of 1978)	SIGTARP Action	Report Reference
Section 5(a)(1)	"Description of significant problems, abuses, and deficiencies... "	List problems, abuses, and deficiencies from SIGTARP audits and investigations.	Section 1: "The Office of the SIGTARP" Section 5: "SIGTARP Recommendations"
Section 5(a)(2)	"Description of recommendations for corrective action…with respect to significant problems, abuses, or deficiencies... "	List recommendations from SIGTARP audits and investigations.	Section 1: "The Office of the SIGTARP" Section 5: "SIGTARP Recommendations"
Section 5(a)(3)	"Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	List all instances of incomplete corrective action from previous semiannual reports.	Section 5: "SIGTARP Recommendations"
Section 5(a)(4)	"A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted... "	List status of SIGTARP investigations referred to prosecutive authorities.	Section 1: "The Office of the SIGTARP"
Section 5(a)(5)	"A summary of each report made to the [Treasury Secretary] under section 6(b)(2)... " (instances where information requested was refused or not provided)	List TARP oversight reports by Treasury, FSOB, SEC, GAO, COP, OMB, CBO, Federal Reserve, FDIC, and SIGTARP.	Appendix G: "Key Oversight Reports and Testimonies"
Section 5(a)(6)	"A listing, subdivided according to subject matter, of each audit report issued..." showing dollar value of questioned costs and recommendations that funds be put to better use.	List SIGTARP audits.	Section 1: "The Office of the SIGTARP"
Section 5(a)(7)	"A summary of each particularly significant report... "	Provide a synopsis of significant SIGTARP audits.	Section 1: "The Office of the SIGTARP"
Section 5(a)(8)	"Statistical tables showing the total number of audit reports and the total dollar value of questioned costs... "	Provide statistical tables showing dollar value of questioned costs from SIGTARP audits.	As detailed in Section 1: "The Office of the SIGTARP," SIGTARP has made significant findings in its audit reports. However, to date SIGTARP's audits have not included questioned costs findings.
Section 5(a)(9)	"Statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management..."	Provide statistical tables showing dollar value of funds put to better use by management from SIGTARP audits.	As detailed in Section 1: "The Office of the SIGTARP," SIGTARP has made important findings in its audit reports. However, to date SIGTARP's audits have not included funds put to better use findings.
Section 5(a)(10)	"A summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision..."	Provide a synopsis of significant SIGTARP audit reports in which recommendations by SIGTARP are still open.	Section 1: "The Office of the SIGTARP" Section 5: "SIGTARP Recommendations"
Section 5(a)(11)	"A description and explanation of the reasons for any significant revised management decision..."	Explain audit reports in which significant revisions have been made to management decisions.	As detailed in Section 1: "The Office of the SIGTARP," and Section 5: "SIGTARP Recommendations," SIGTARP has made noteworthy recommendations in its audit reports, and the majority of these recommendations have been agreed to. To date, no management decisions have been revised.
Section 5(a)(12)	"Information concerning any significant management decision with which the Inspector General is in disagreement..."	Provide information where management disagreed with a SIGTARP audit finding.	See discussion in Section 1: "The Office of the SIGTARP," and Section 5: "SIGTARP Recommendations."

PUBLIC ANNOUNCEMENTS OF AUDITS

This appendix provides an announcement of new and ongoing public audits by the agencies listed below. See Appendix G: "Key Oversight Reports and Testimonies" for a listing of published reports. Italics indicate narrative taken verbatim from the agencies' responses to SIGTARP's data call.

- U.S. Department of 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 (report is being drafted).*
- *Material Loss Review of Midwest Banc and Trust (fieldwork is just beginning).*

GAO[3]

Ongoing Audits

- *CPP Approval and Return Process: Review Treasury's process as well as regulators' processes for approvals and withdrawals, as well as Treasury and regulators' application of criteria for repayment.*
- *TARP after two years will provide an overview of the evolution and status of the programs with discussion of possible effectiveness indicators.*
- *AIG indicators report will update financial and other indicators to chart AIG's prospects.*
- *Financial audit of OFS for FY 2010.*
- *HAMP # 3 will focus on implementation of new programs plus continued oversight of servicer performance for ongoing problems.*
- *Auto industry program — ongoing oversight of program and analysis of community impacts of restructuring of auto companies.*

FDIC OIG[4]

Ongoing Audits

- *Material Loss Review and Evaluation of Efforts to Address Capital Deficiencies at ShoreBank, Chicago, Illinois.*

Endnotes

1 Treasury OIG, response to SIGTARP data call, 9/22/2010.
2 Federal Reserve OIG, response to SIGTARP data call, 9/30/2010.
3 GAO, response to SIGTARP data call, 9/29/2010.
4 FDIC OIG, response to SIGTARP data call, 9/30/2010.

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*, 7/1/2010 – 9/30/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed on 10/6/2010. (released weekly)
Treasury, Section 105(a) Report, 7/12/2010 – 9/10/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed on 10/6/2010.
Treasury, "Dividend and Interest Reports," 7/15/2010 – 9/10/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed on 10/6/2010.
Treasury, "Making Home Affordable Program Reports," 8/20/2010 – 9/22/2010, www.financialstability.gov/latest/reportsanddocs.html, accessed on 10/6/2010.
Treasury, "Warrant Disposition Report," 8/4/2010, www.financialstability.gov/docs/TARP_WRRTDISP_80310.pdf, accessed on 10/6/2010.
Treasury, "Treasury Status Update Response to SIGTARP Audit Report on Corporate Governance," 8/5/2010, www.financialstability.gov/docs/Treasury%20Status%20Update%20Response%20to%20SIGTARP%20Audit%20Report%20on%20Corporate%20Governance%20(08052010).pdf, accessed on 10/6/2010.
Treasury, "Treasury's Response to GAO's HAMP Audit Report," 8/23/2010, www.financialstability.gov/docs/HAMP/final%20GAO%20hamp%20response.pdf, accessed on 10/6/2010.
Treasury, "Safety and Soundness: City National Corporation Capital Purchase Program Case Study," 8/27/2010, www.utreas.gov/inspector-general/audit-reports/2009/oig09044.pdf, accessed on 10/6/2010.
Treasury, "Treasury's Response to GAO's TARP Extension Audit Report," 8/30/2010, www.financialstability.gov/docs/HAMP/final%20summary%20response_081310.pdf, accessed on 10/6/2010.
RECORDED TESTIMONY
Treasury, "Remarks by the President on the American Auto Industry and American Economy at Chrysler Auto Plant," 7/30/2010, www.financialstability.gov/latest/tg_07302010.html, accessed on 10/6/2010.
Treasury, "Secretary of Treasury Timothy F. Geithner Remarks at Center for American Progress," 8/4/2010, www.financialstability.gov/latest/tg_08042010.html, accessed on 10/6/2010.
Treasury, "Treasury Deputy Secretary Neal S. Wolin Remarks at the New England Council Boston, Massachusetts," 8/5/2010, www.financialstability.gov/latest/tg_08052010.html, accessed on 10/6/2010.
Treasury, "Secretary of Treasury Tim Geithner Remarks at Office of Financial Stability Town Hall," 9/22/2010, www.financialstability.gov/latest/tg_09222010.html, accessed on 10/6/2010.
Treasury, "Treasury Secretary Timothy F. Geithner: Written Testimony, House Financial Services Committee," 09/22/2010, www.treas.gov/press/releases/tg867.htm, accessed on 9/30/2010.
Treasury, "Treasury Deputy Secretary Neal Wolin Written Testimony before the Senate Banking Committee on 'Implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act,' 9/30/2010, www.treas.gov/press/releases/tg881.htm, accessed on 10/6/2010.

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 Treasury 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," 6/30/2010, www.financialstability.gov/docs/FSOB/FINSOB%20Report%20063010.pdf, accessed on 10/6/2010.

Financial Stability Oversight Board, "Troubled Asset Relief Program: Two Year Retrospective," 10/5/2010, www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf, accessed on 10/6/2010.

RECORDED TESTIMONY

None

SECURITIES AND EXCHANGE COMMISSION (SEC)

ROLES AND MISSION

The 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 Concerning Continuing Oversight on International Cooperation to Modernize Financial Regulation," Commissioner Kathleen L. Casey, 7/20/2010, www.sec.gov/news/testimony/2010/ts072010klc.htm, accessed on 10/6/2010.

SEC, "Oversight of the U.S. Securities and Exchange Commission: Evaluating Present Reforms and Future Challenges," Chairman Mary L. Schapiro, 7/20/2010, www.sec.gov/news/testimony/2010/ts072010mls.htm, accessed on 10/6/2010.

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, "Troubled Asset Relief Program: Continued Attention Needed to Ensure the Transparency and Accountability of Ongoing Programs," 7/21/2010, www.gao.gov/new.items/d10933t.pdf, accessed on 10/6/2010.

GAO, "Financial Assistance: Ongoing Challenges and Guiding Principles Related to Government Assistance for Private Sector Companies," 8/3/2010, www.gao.gov/new.items/d10719.pdf, accessed on 10/6/2010.

GAO, "Troubled Asset Relief Program: Bank Stress Test Offers Lessons as Regulators Take Further Actions to Strengthen Supervisory Oversight," 9/29/2010, www.gao.gov/new.items/d10861.pdf, accessed on 10/6/2010.

GAO, "Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process," 10/4/2010, www.gao.gov/new.items/d1147.pdf, accessed on 10/6/2010.

RECORDED TESTIMONY

None

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, "Small Banks in the Capital Purchase Program," 7/14/2010, http://cop.senate.gov/reports/library/report-071410-cop.cfm, accessed on 10/6/2010.

COP, "The Global Context and International Effects of the TARP," 8/12/2010, http://cop.senate.gov/reports/library/report-081210-cop.cfm, accessed on 10/6/2010.

COP, "Assessing the TARP on the Eve of Its Expiration," 9/16/2010, http://cop.senate.gov/reports/library/report-091610-cop.cfm, accessed on 10/6/2010.

RECORDED TESTIMONY

COP, "An Update on the TARP Program," 7/21/2010, http://cop.senate.gov/documents/testimony-072110-warren.pdf, accessed on 10/6/2010.

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 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 Congress more generally by preparing reports and analyses. In accordance with CBO's mandate to provide objective and impartial analysis, CBO's reports contain no policy recommendations.

OVERSIGHT REPORTS

CBO, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output From April 2010 Through June 2010," August 2010, www.cbo.gov/doc.cfm?index=11706, accessed on 10/6/2010.

RECORDED TESTIMONY

CBO, "The Economic Outlook and Fiscal Policy Choices," 9/28/2010, www.cbo.gov/doc.cfm?index=11874, accessed on 10/6/2010.

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.*

OVERSIGHT REPORTS

Federal Reserve, "Monetary Policy Report to the Congress," 7/21/2010, www.federalreserve.gov/monetarypolicy/files/20100721_mprfullreport.pdf, accessed on 10/6/2010.

Federal Reserve, "Audit of the Board's Processing of Applications for the Capital Purchase Program under the Troubled Asset Relief Program," 9/2010, www.federalreserve.gov/oig/oig_rpt_2009.htm, accessed on 10/6/2010.

RECORDED TESTIMONY

Federal Reserve, "Semiannual Monetary Policy Report to the Congress," Chairman Ben S. Bernanke, Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C, 7/21/2010, www.federalreserve.gov/newsevents/testimony/bernanke20100721a.htm, accessed on 10/6/2010.

Federal Reserve, "Causes of the Recent Financial and Economic Crisis," Chairman Ben S. Bernanke, Before the Financial Crisis Inquiry Commission, Washington, D.C., 9/2/2010, www.federalreserve.gov/newsevents/testimony/bernanke20100902a.htm, accessed on 10/6/2010.

Federal Reserve, "Regulatory Reform Implementation," Chairman Ben S. Bernanke, Before the Committee on Banking, Housing, and Urban Affairs, Washington, D.C, 9/30/2010, www.federalreserve.gov/newsevents/testimony/bernanke20100930a.htm, accessed on 10/6/2010.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

ROLES AND MISSION

FDIC is an independent agency created by Congress that maintains the 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, "Executive Compensation Oversight After the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Before the Committee on Financial Services, U.S House of Representatives, 9/24/2010, www.fdic.gov/news/news/speeches/chairman/spsep2410.html, accessed on 10/6/2010.

FDIC, "Implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act," before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 9/30/2010, www.fdic.gov/news/news/speeches/chairman/spsep3010.html, accessed on 10/6/2010.

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 United Commercial Bank, San Francisco, California," 7/20/2010, www.fdicig.gov/reportsl0/10-043.pdf, accessed on 10/6/2010.

RECORDED TESTIMONY

None

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, Quarterly Report to Congress, 7/21/2010, http://sigtarp.gov/reports/congress/2010/July2010_Quarterly_Report_to_Congress.pdf, accessed on 10/6/2010.
SIGTARP, "Factors Affecting the Decisions of General Motors and Chrysler to Reduce Their Dealership Networks," 7/19/2010, http://sigtarp.gov/reports/audit/2010/Factors%20Affecting%20the%20Decisions%20of%20General%20Motors%20and%20Chrysler%20to%20Reduce%20Their%20Dealership%20Networks%207_19_2010.pdf, accessed on 10/6/2010.
RECORDED TESTIMONY
SIGTARP, Statement of Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program, Before the Senate Committee on Finance, 7/21/2010, http://sigtarp.gov/reports/testimony/2010/Testimony%20Before%20the%20Senate%20Committee%20on%20Finance_7_21_2010%20Final.pdf, accessed on 10/6/2010.

Note: Italics style indicates narrative taken verbatim from source documents.

Sources: Treasury, www.treas.gov, accessed on 10/6/2010; Treasury Inspector General, www.treas.gov, accessed on 10/6/2010; Financial Stability Oversight Board, www.treas.gov, accessed on 10/6/2010; SEC, www.sec.gov, accessed on 10/6/2010; GAO, www.gao.gov, accessed on 10/6/2010; COP, www.cop.senate.gov, accessed on 10/6/2010; OMB, www.whitehouse.gov, accessed on 10/6/2010; CBO, www.cbo.gov, accessed on 10/6/2010; Federal Reserve Board, www.federalreserve.gov, accessed on 10/6/2010; FDIC, www.fdic.gov, accessed on 10/6/2010; FDIC OIG, www.fdicoig.gov, accessed on 10/6/2010; SIGTARP, www.sigtarp.gov, accessed on 10/6/2010; FDIC, response to SIGTARP data call, 9/30/2010; GAO, response to SIGTARP data call, 9/29/2010, Treasury, response to SIGTARP data call, 9/22/2010.

CORRESPONDENCE

This appendix provides a copy of the following correspondence:

CORRESPONDENCE			
Date	**From**	**To**	**Regarding**
7/16/2010	Treasury	SIGTARP	SIGTARP Official Draft Audit Report
8/5/2010	Treasury	SIGTARP	Follow-Up on Compliance Recommendations in the SIGTARP Audit Report
8/10/2010	SIGTARP	Treasury	Engagement Memo – Review of the Section 382 Limitation Waiver for Financial Instruments Held by Treasury
8/11/2010	Treasury	SIGTARP	SIGTARP Suggestions on Treasury's Compliance and Internal Controls Program for PPIP
8/19/2010	Treasury	SIGTARP	Follow-up on SIGTARP Report Entitled "Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks"
8/20/2010	SIGTARP	DOJ	Constitutionality of the Special Master Appointment – Legal Counsel Opinion Request
9/27/2010	SIGTARP	Treasury	SIGTARP Recommendation on Treasury's Compliance with the enactment of the Small Business Jobs Act of 2010
10/7/2010	Treasury	SIGTARP	Status Update on Recommendations in the SIGTARP Quarterly Report
10/13/2010	SIGTARP	Treasury	SIGTARP Recommendation for Treasury to Publish Explanation for Changing Methodology for Estimating AIG Loss Estimates
10/14/2010	Treasury	SIGTARP	SIGTARP Disclosure of Individual Securities-Level Positions in the Public-Private Investment Program
10/19/2010	Treasury	SIGTARP	SIGTARP Recommended Disclosure on Loss Estimates for Treasury Investments in AIG
10/22/2010	Treasury	SIGTARP	Response to SIGTARP October 2010 Quarterly Report to Congress

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: SIGTARP Official Draft Audit Report

Dear Mr. Barofsky:

Thank you for providing the U.S. Department of the Treasury (Treasury) with a copy of your official draft audit report regarding the factors affecting the decisions of General Motors and Chrysler to reduce their dealership networks.

While we have conducted only a preliminary review of the report at this time, we strongly disagree with many of your statements, your conclusions, and the lessons learned. In the absence of government assistance, both GM and Chrysler faced almost certain failure and liquidation, which would have resulted in the loss of hundreds of thousands of American jobs across multiple industries. Instead, both companies worked with their stakeholders and underwent fair, open, and successful bankruptcies.

Today, both GM and Chrysler have emerged as stronger global companies. Of course, this process was not easy. It required deep and painful sacrifices from all stakeholders—including workers, retirees, suppliers, dealers, creditors, and the countless communities that rely on a vibrant American auto industry. Nonetheless, the outcome under the restructuring plans is far better than the likely alternatives had the Administration not stood behind the companies. The Administration's actions not only avoided a potentially catastrophic collapse and brought needed stability to the entire auto industry, but they also saved hundreds of thousands of American jobs and gave GM and Chrysler a chance to reemerge as viable, competitive American businesses.

Thank you again for the opportunity to review your report. We will continue to review it in detail and may respond more fully to your findings at a later date.

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

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 5, 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 Compliance Recommendations in the SIGTARP Audit Report

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) has carefully reviewed the audit report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) entitled "Treasury's Monitoring of Compliance with TARP Requirements by Companies Receiving Exceptional Assistance" and the recommendations therein. This letter supplements our initial response letter dated June 29, 2010 regarding your recommendations regarding compliance activities of the Office of Financial Stability (OFS).

We agree with your objective, which is to improve how we monitor compliance with TARP contractual requirements by exceptional assistance recipients, and with some elements of the various recommendations. We disagree, however, with certain statements and conclusions made in the audit report. Insofar as these are the basis for the recommendations, we wish to point out our key concerns. Therefore, before turning to the specific recommendations, we believe it is important to briefly review the status of the companies that have received exceptional assistance and how the compliance issues that are the focus of your report fit into the larger picture of what Treasury is doing to protect the taxpayer and fulfill its responsibilities under the Emergency Economic Stabilization Act of 2008 (EESA). In this regard, we wish to highlight three issues: the overall status of efforts to recover exceptional assistance funds, the substance of the compliance requirements, and how Treasury's compliance efforts relate to other activities with regard to these companies.

First, when the Obama Administration took office, there were seven companies that had received exceptional assistance from the previous Administration: American International Group (AIG), Bank of America, Chrysler Holdings LLC, Chrysler Financial, Citigroup, General Motors and General Motors Acceptance Corporation. Since the Obama Administration took office, no additional companies have received exceptional assistance, and three of the original seven companies -- Bank of America, Chrysler Financial and Citigroup-- have paid back the exceptional assistance. In the case of these three companies, not only have taxpayers been repaid the exceptional assistance amounts, they have also earned a profit on those investments. Today, four companies still have exceptional assistance, and we wish to recover those funds as soon as practicable, in a manner consistent with our responsibilities under EESA.

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Second, the focus of your audit is compliance with the contractual restrictions established by the previous Administration, which pertain to (1) executive compensation, (2) corporate expenditure and lobbying policies and (3) certification requirements as to internal controls. With respect to executive compensation, the contractual provisions were modified substantially by legislative developments, and as a result the focus of our compliance efforts also shifted. Specifically, the original exceptional assistance contracts implemented Section 111 of EESA required Treasury to impose certain standards on recipients of assistance. However, Congress revised the original EESA requirements and replaced them with more comprehensive standards in the American Recovery and Reinvestment Act of 2009 (ARRA), which was signed into law on February 17, 2010. Treasury implemented these requirements through the detailed provisions of the Interim Final Rule which was released in June 2009. The IFR created the Office of the Special Master to implement these requirements with respect to those companies that had received exceptional assistance.

Treasury's compliance effort focused, in large part, on the implementation of these new standards. Shortly after the passing of ARRA, Treasury arranged for the staffing of the Office of the Special Master, which included key staff from the OFS Compliance Department including two senior executive compensation specialists each with more than 20 years of experience and two executive compensation analysts with audit backgrounds. Staff of OFS then worked closely with the Office of the Special Master to execute the requirements imposed on the exceptional assistance companies.

These facts are part of the broader context in which your report should be considered. For example, your report criticizes Treasury for not conducting a "retrospective review" of compliance by companies even after they had repaid exceptional assistance. Treasury believed it was not a wise use of taxpayer dollars to continue such a retrospective review once a company had repaid the funds and was no longer a recipient of exceptional assistance. While compliance with these contractual requirements is important, we believe a central objective in overseeing investments made with taxpayer dollars is to try to recover the funds in a manner consistent with the goal of promoting financial stability. In these cases, that objective was achieved: the exceptional assistance funds were paid back with a gain to the taxpayer.

Similarly, your report criticizes Treasury for the pace with which it initiated compliance reviews of the various companies. While we do not argue with most of the facts as to when particular reviews were implemented, we believe the report fails to put proper emphasis on the efforts Treasury made to implement the executive compensation requirements of ARRA as discussed above. Treasury believed that the critical task was to implement the Congressional intent reflected in these provisions. In this regard, the publication of the IFR provided useful guidance to compliance staff at the companies. Treasury also took steps to insure compliance with the other contractual requirements.

Finally, while the scope of your audit was limited to Treasury's efforts to monitor compliance over specific restrictions contained in the agreements between Treasury and the companies that have received exceptional assistance, these efforts should be considered in light of each company's specific situation and the other actions that are being taken to protect the taxpayer with respect to these investments.

2

For example, Treasury's compliance monitoring with respect to Citigroup was not limited to Citigroup's adherence to the exceptional assistance contractual provisions. Treasury spent significant time and resources evaluating Citigroup's internal controls as part of the Asset Guarantee Program (AGP). Due to its size, structure and potential impact on the financial system as a whole, the AGP was the program to which OFS devoted much of its compliance resources. Other activities performed by OFS Compliance over Citigroup in connection with the AGP included recommending enhancements to the asset verification and management processes, evaluating Citigroup's internal audit process, consulting on compliance and auditing requirements contained in the contractual agreements with Citigroup, and advising Citigroup and other respective Federal Government officials on the scope and approach for Citigroup's required annual attestation. It is also important to note that the AGP was terminated by Citigroup at a profit to the taxpayer. The report largely ignores this interaction.

Additionally, Treasury believes its compliance efforts with respect to these contractual provisions should not be viewed in isolation, but in the context of other efforts to protect the taxpayer with respect to these investments. Treasury personnel spend substantial time monitoring the companies—particularly those that are not subject to extensive federal regulation as is the case with Citigroup and Bank of America—including with respect to their financial health. For example, significant Treasury resources were dedicated to reviewing information provided by General Motors and Chrysler to determine their viability and their organizational structures and leadership through the time the organizations were restructured in June 2009 and in setting upfront requirements that would help ensure viability. Treasury's auto team continues to monitor performance of these entities and to explore how and when the government should divest its ownership. In addition, Treasury and OFS personnel are in continuing dialog with AIG regarding the organization's financial condition, leadership, business objectives, and governance processes. These individuals also monitored compliance with specific reporting requirements under their TARP agreements.

The remainder of this letter responds more fully to the recommendations in your report and provides a detailed description of the measures we are employing to address the underlying concerns that you raised.

Recommendation 1: 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.

We agree with the need to test compliance and will engage in such testing in the future. We wish to clarify how we determine where to engage in such testing so that you understand our compliance priorities.

Our strategy is to conduct testing where we have particular concerns as to risk; we believe this is a better use of resources, and consistent with widely accepted auditing practices, than random testing. (We assume you would agree but because the report was not clear on this issue, we wish to clarify it.) Circumstances that would lead us to conclude that testing is warranted would include but not be limited to the following: (1) if we have concern that, based on our overview, the exceptional assistance recipient did not have an independent and reliable process to assess the effectiveness of internal controls, (2) if OFS Compliance, after review of the recipient's internal control assessments, believed that the scope of such assessments were insufficient or (3) if OFS

Compliance concluded that the scope of the recipient's internal control assessments did not adequately test compliance with TARP requirements in a sufficient manner.

These concerns can arise in the course of conducting our standard compliance procedures. Treasury verifies TARP participants' compliance with contractual requirements by using industry accepted standards for internal controls and governance assessments. For example, we use those promulgated by the Public Company Accounting Oversight Board (PCAOB) and American Institute of Certified Public Accountants (AICPA). OFS Compliance reviews management's evaluation of its controls, including identifying the company officials involved in this process, how often these controls are tested for effectiveness, and the scope and approach of such evaluation. OFS Compliance, through inquiry and walkthrough or review of one or more control effectiveness reports and associated work papers, determines whether (1) the work was performed by an independent party with the appropriate capabilities, (2) the scope and approach was appropriate to evaluate the effectiveness of the controls, as well as (3) the conclusions regarding controls' effectiveness were supported by the work performed and documented. In general, the internal audit function has been the primary evaluator for the effectiveness of these organizations' TARP related controls.

We believe this audit approach to the recipient's controls and adherence to the TARP requirements is a proper way to mitigate risk and a more efficient use of taxpayer resources than a non-strategic approach. Of course, if there are other particular circumstances you believe we should consider, we are happy to entertain those.

Recommendation 2: 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.

Treasury believes it already complies with the spirit of this recommendation but recognizes the value of memorializing its approach and therefore will work on doing so. That is, OFS Compliance communicates the process for evaluating and reporting violations with TARP requirements when engaging with company officials during its government framework assessments. As stated in the report, OFS Compliance has made suggestions to appropriate officials at these organizations for identifying and reporting violations with TARP requirements, which they have since adopted. For example, your report references OFS Compliance's interaction with AIG in this regard.

Treasury recognizes that formally articulating an internal policy could be valuable in ensuring consistency. Treasury will consider developing internal procedures to ensure that OFS Compliance implements a similar approach among institutions for communicating when to report violations to OFS. We are concerned about creating an inflexible regime where different institutions could not be evaluated in the context of their necessarily different environments, and therefore will seek to develop and articulate procedures that address this concern. We will keep your staff informed as we articulate a formal policy that addresses your concerns but also preserves our ability to respond to differing situations.

Recommendation 3: 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.

As previously discussed with your staff, Treasury recognizes the need to continue to hire additional staff in OFS Compliance to fully execute its existing compliance strategy and continues to aggressively recruit. We provided a description of our hiring efforts and challenges to your staff that were not accurately reflected in your report.

Your report is highly critical of our hiring efforts and states that "[T]reasury simply has no legitimate excuses as to why it has still failed to…assembl[e] a robust compliance staff." We believe this is an unfair and inaccurate criticism. OFS Compliance has aggressively recruited candidates; but hiring continues to be challenged because there is a demand for individuals with the required skills and offers can be declined due to salary constraints and the limited employment period for the position. Moreover, as stated in the first part of the letter, OFS's efforts with respect to compliance are broader than the focus of your report.

We share your commitment to internal controls 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

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 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: SIGTARP Suggestions on Treasury's Compliance and Internal Controls Program for PPIP

Dear Mr. Barofsky:

Thank you for your letter of July 8, 2010, which contains suggestions regarding compliance and internal controls for Treasury's Legacy Securities Public-Private Investment Program (PPIP). We are reviewing your suggestions carefully as we finalize our policies and procedures. As we do so, we would like to meet with you to discuss your suggestions and the measures we have implemented or will implement which address your concerns, particularly in the areas of:

- Personal and institutional conflict of interest monitoring;
- Formal compliance reviews that examine fund managers' policies, techniques for portfolio management, valuation processes, reporting, and processes for verifying assets; and
- Real-time monitoring of fund manager's trading activity to identify trade aberrations, when appropriate.

We share SIGTARP's 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

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW, 4TH FLOOR
WASHINGTON, D.C. 20220

AUG 10 2010

MEMORANDUM FOR: Herbert M. Allison, Jr., – Assistant Secretary for Financial Stability, Department of Treasury

Douglas H. Shulman – Commissioner of Internal Revenue

FROM: Neil M. Barofsky, Special Inspector General for the Troubled Asset Relief Program

SUBJECT: Engagement Memo – Review of the Section 382 Limitation Waiver for Financial Instruments Held by Treasury

As part of our continuing oversight of the Troubled Asset Relief Program ("TARP"), and at the request of Representative Dennis Kucinich, we are initiating an evaluation to assess the decision-making process regarding the waiver to Revenue Code Section 382 (IRS Notice 2010-2, hereafter the "Waiver") for institutions, such as Citigroup Inc., whose securities are acquired or disposed of by the Department of the Treasury ("Treasury") under TARP.

Our specific objectives are to determine (1) the rationale behind Treasury's decision to issue the Waiver; (2) whether Treasury was aware of any tax effect that may result from the issuance of the Waiver; (3) determine the principal decision makers involved in issuing the Waiver; and (4) the extent to which Treasury's policy to timely dispose of TARP investments factored into the decision to issue the Waiver.

We plan to start work on this engagement immediately. This work will be conducted under evaluation engagement code 002. We expect to perform audit work at both the Internal Revenue Service and Office of Financial Stability. A member of my staff will contact you shortly to arrange an entrance conference. At that time, we will discuss our scope, methodology, and timeframes in more detail. If you have any questions in the meantime, please contact Mr. Kurt Hyde, Deputy Special Inspector General for Audit, at 202-622-4633.

cc: Timothy Massad, Chief Counsel, Office of Financial Stability
Jennifer Williams, Oversight Liaison, Office of Financial Stability
Michael Phillips, Deputy Inspector General for Audits, Treasury Inspector General for Tax Administration

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 19, 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 your report entitled "*Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks*"

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) appreciates receiving a copy of the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) report entitled "*Factors Affecting the Decisions of General Motors and Chrysler to Reduce their Dealership Networks*" (the Report). This letter supplements our initial response letter dated July 16, 2010 regarding your official draft report.

As we noted previously, Treasury strongly disagrees with many of your statements, as well as the "conclusions and lessons learned" that are presented. Although we communicated previously some of our concerns about the draft report to your audit staff, these were not reflected in the final Report. While SIGTARP did not provide specific recommendations in this report, we would like to provide responses to certain statements in the report which we believe are materially inaccurate or incomplete. These are listed in Appendix A.

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 July 19, 2010 Report

Listed below are areas in which Treasury disagrees with specific statements made in the Report. After each section Treasury's reasons for disagreement and responses are listed.

1. Job Losses – SIGTARP criticizes the Auto Team by contending that job losses at terminated dealerships were not sufficiently considered.

SIGTARP's Report contains the following statements, among others, that overstate one factor of the restructurings and demonstrate a misunderstanding of Treasury's decision-making process:

- Executive Summary and page 29 of the Report: "[J]ob losses at terminated dealerships were apparently not a substantial factor in the Auto Team's consideration of the dealership termination issue. Although there is some controversy over how many jobs will be lost per terminated dealership… it is clear that tens of thousands of dealership jobs were immediately put in jeopardy as a result of the terminations by GM and Chrysler."

- Page 13 of the Report: "The impact of job losses was not a significant factor in the Auto Team's findings that GM's proposed pace would be an obstacle to its viability. Indeed, it was only after the decision was made that the Auto Team considered the impact its decision would have on job losses."

- Page 31 of the Report: "[A]t a time when the country was experiencing the worst economic downturn in generations and the Government was asking its taxpayers to support a $787 billion stimulus package designed primarily to save jobs, Treasury made a series of decisions that may have substantially contributed to the accelerated shuttering of thousands of small businesses and thereby potentially adding tens of thousands of workers to the already lengthy unemployment rolls – all based on a theory and without sufficient consideration of the decisions' broader economic impact."

Treasury's Response

SIGTARP fails to mention that without taking steps to obtain viability, both GM and Chrysler faced almost certain liquidations, which would have resulted in the loss of hundreds of thousands of jobs across multiple industries – including all dealers. Prior to the restructuring, both GM and Chrysler were fundamentally too big to remain viable without shrinking many aspects of their businesses. The GM and Chrysler revised viability plans aggressively restructured multiple aspects of each company in order to become viable. This process required deep and painful sacrifices from all stakeholders – including workers, retirees, suppliers, dealers, creditors, and local communities. However, it avoided a liquidation of each company and saved hundreds of thousands of jobs and helped maintain a vibrant American auto industry.

In the year prior to the bankruptcies, the auto industry as a whole shed 334,000 jobs.[1] It was not Treasury's mandate to study how to best preserve jobs for one group of stakeholders given the enormity of the risk to the industry and the limited time in which a plan had to be implemented. Moreover, SIGTARP has not provided any data to suggest that overall job losses could have been reduced. Assuming that it was Treasury's role to conduct such a review, to perform the types of studies SIGTARP suggests for each group of stakeholders would have required the Administration to continue to fund the companies with billions of taxpayer dollars in the absence of approved viability plans. Given the duties of Treasury to protect taxpayer dollars, the option to fund in the absence of restructuring was not feasible.

Further, SIGTARP fails to note that over the past year since GM and Chrysler emerged from bankruptcy, employment at auto dealers has actually *increased*. Auto dealers have actually added jobs, not lost them. According to the Bureau of Labor Statistics, the last time employment at auto dealers increased year-over-year was in late 2005. Further, since June 2007, employment at auto dealers is down only 18% compared to a 30% decline in auto manufacturing employment, emphasizing that auto dealers actually fared better than the rest of the auto industry with regards to job losses.

2. Treasury Role in Decisions – SIGTARP argues that the decisions of GM and Chrysler to accelerate dealership closures were based entirely on Treasury's written viability plan determination.

The following portions of SIGTARP's report appear to fault Treasury for recommending that GM and Chrysler increase the pace of its dealership closures:

- Executive Summary and Page 28 of the Report: "In response to the Auto Team's rejection of their restructuring plans and in light of their intervening bankruptcies, GM and Chrysler significantly accelerated their dealership termination timetables."

- Page 7 of the Report. "In response to the Auto Team's determination that GM's proposed pace for closing dealerships was too slow and an obstacle to its viability, GM accelerated its dealership closures; Chrysler also accelerated, and at a faster pace."

Treasury's Response

Treasury did not direct the companies to terminate specific dealers, or accelerate dealer closings in particular. Treasury determined that each company's initial viability plans failed to aggressively effectuate the *entire* restructuring across several different criteria. In the case of GM, these were market share, pricing, brands/dealers, product mix, and legacy liabilities. In the case of Chrysler, they were research & development, quality, product mix, manufacturing, and geographic concentration. As you mention in your Report, Treasury did not specify dealer rationalizations as one of the stated specific criteria for Chrysler's revised viability plans. In order for the companies to receive further government support, they both needed to effectuate a complete restructuring (including restructuring debt, labor, brands, nameplates, plants, factories, management, suppliers, and dealers).

[1] In the year since, auto industry employment has increased by 55,000 jobs (Source: BLS).

The companies determined that the only way to restructure their debt obligations was through a bankruptcy proceeding. The bankruptcy process provided an opportunity for an extensive restructuring of other liabilities, including those concerning facilities, suppliers, environmental liabilities, and the dealer network. The restructuring of all liabilities minimized the amount of taxpayer money that had to be injected into each company.

3. Arguments in Favor of Dealership Closings –SIGTARP criticizes the companies and the Auto Team for having "not-universally-accepted" theories on the benefits of dealer terminations and not performing explicit cost savings analyses before recommending acceleration of dealership closings.

The following statements in the SIGTARP Report fail to acknowledge the benefits of early implementation of planned dealer closures:

- Executive Summary and Page 28 of the Report: "The Auto Team's view about the need for GM and Chrysler to reduce their dealership networks and do so rapidly was based on a theory that, with fewer dealerships…the remaining dealerships would be more profitable and thus would permit the dealerships to invest more in their facilities and staff…perhaps only time will tell whether and to what extent the Auto Team's theory proves valid;"

- Page 31 of the Report: "The anticipated benefits to the companies of accelerated terminations were based almost entirely on the not-universally-accepted theory that an immediate decrease in dealerships…would improve the companies' profitability."

- Page 29 of the Report: "It is worth noting that GM's top rival among US automakers, Ford Motor Company, which is also carrying out plans to "aggressively restructure to operate profitably," is closing dealerships at a rate similar to that in GM's original restructuring plan which was rejected by Treasury."

- Page 29 of the Report: "[T]he acceleration of dealership closings was not done with any explicit cost savings to the manufacturers in mind."

- Page 30 of the Report: "The disparity in the companies' cost savings estimates are telling. Chrysler estimated a savings of only $45,500 per dealership. GM, however, estimated cost savings of $1.1 million per terminated dealership. The difference in these estimates alone casts doubt on their credibility."

Treasury's Response

Treasury is disappointed that after a review lasting more than 12 months, SIGTARP chose to downplay the almost unanimous consensus amongst industry experts – nearly a dozen of whom we consulted with and to whom we provided you access – that GM and Chrysler should reduce their dealership networks, while emphasizing the views of one or two experts who disagreed, in part, with that consensus.

Further, as stated in the report, GM and Chrysler had planned dealership closures irrespective of any guidance that Treasury provided about the viability plans. The companies independently believed that closing dealers would contribute to better brand equity, increased throughput and a healthier overall network. However, each company's initial viability plan, which was not predicated on a chapter 11 filing, indicated that significant costs would be incurred to close dealers over a protracted time frame.

After the companies elected to file for bankruptcy to restructure their debt liabilities, it would have been irresponsible of them to not consider restructuring other contractual commitments, and instead to implement dealership closures over a costly and protracted time frame. GM estimated that the benefit to shutting down dealers in the course of its bankruptcy proceeding rather than over a long period of time was worth in excess of $1 billion to GM. This is one cost savings that the manufacturers did have in mind.

SIGTARP implies in the Report that acceleration was not necessary because Ford is also currently closing dealerships but at a rate similar to that in GM's original restructuring plan. The fact is Ford did not pursue dealer closures at the same pace as GM and Chrysler. Ford did not file for bankruptcy, so it was not able to pursue the option that bankruptcy affords to shed excess liabilities at less cost and greater speed.

As to why GM's and Chrysler's cost savings analyses were different, on pages 25-27 of the Report, SIGTARP provides the specific rationale and detailed evidence: they were conducted using different methodologies. Specifically, on page 25 SIGTARP states that "GM's estimate was significantly higher than Chrysler's because it included anticipated savings from reduced incentive payments to dealerships, which Chrysler did not include its estimate." Further, on page 26-27 of the Report, SIGTARP notes after a lengthy and detailed analysis of the cost breakdown that "GM's savings estimate is significantly higher because it includes $2.1 billion in anticipated incentive payment reductions that it currently pays to dealerships….Chrysler did not include incentive savings in its estimate."

4. Arbitration Outcome -- SIGTARP argues that because GM and Chrysler reinstated dealers after mandatory legislation was passed by Congress, the dealer terminations were not critical to either companies' viability.

The following statements in the Report represent a misunderstanding of the situation the companies faced after the mandatory arbitration law was passed:

- Page 29 of the Report: "The fact that, after mandatory arbitration legislation was passed, GM offered to reinstate 666 dealerships and Chrysler offered to reinstate 50 dealerships…suggests, at the very least, that the number and speed of the terminations was not necessarily critical to the manufacturers' viability."

- Page 31 of the Report: "That the automakers have offered reinstatement to hundreds of terminated dealerships in response to Congressional action without any apparent sacrifice to their ongoing viability further demonstrates the possibility that such dramatic and accelerated dealership closings may not have been necessary and underscores the need for Treasury to tread very carefully when considering such decisions in the future."

Treasury's Response

SIGTARP's conclusions about events occurring after a law mandating arbitrations was enacted are perplexing. Congress passed a bill that the President of the United States signed into law in December 2009 that required GM and Chrysler to engage in arbitration proceeding with former dealers that were terminated as part of the bankruptcy process. Of the dealers terminated at both GM and Chrysler, 56% filed for arbitration. Despite the use of criteria far more favorable to dealers than what was used in the bankruptcy, nearly 70% – the overwhelming majority – of the arbitrations ruled in favor of the manufacturers and found that reinstatement was not appropriate.[2]

5. Monitoring -- SIGTARP concludes that Treasury should have done more to monitor the implementation of the dealership closure plans.

The following statements represent a misunderstanding of Treasury's role in monitoring TARP investments:

- Page 32 of the Report: "[Treasury]'s decision not to monitor the process that [the automakers'] employed [regarding closing dealerships] is far more questionable. In the future, to the extent that Treasury takes action with respect to a TARP recipient that has the potential to affect so many jobs in different communities, Treasury should monitor the recipients' actions to ensure that they are carried out in a fair and transparent manner."

- Page 31 of the Report: "…several of the lessons from the process should be considered in the event Treasury once again is compelled to make decisions that directly affect the businesses in which it has invested."

Treasury's Response

The President gave Treasury the clear directive to take a broad commercial approach to these restructurings and refrain from intervening in the day-to-day decisions of the companies. He did this because the long-term viability of these companies and their ability to repay the government's investment would be seriously undermined if the government became involved in individual business decisions. This is consistent with the policy that Treasury has followed in all TARP investments, which is to not participate in day-to-day management of the firms. In these cases, the government's role was to facilitate restructurings of these companies because that was deemed critical to financial stability. The government's role was not to run the companies.

[2] Summary of Automobile Industry Special Binding Arbitration Program (July 15, 2010), American Arbitration Association.

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

August 20, 2010

Honorable David J. Barron,
Acting Assistant Attorney General
Office of Legal Counsel
United States Department of Justice
Washington, DC 20530

Dear Mr. Barron:

The Office of Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") hereby requests a legal opinion from the Office of Legal Counsel ("OLC") concerning whether the appointment of the Special Master for Troubled Asset Relief Program Executive Compensation (the "Special Master") complies with the Appointments Clause of the United States Constitution.

As discussed more fully below, on November 5, 2009, SIGTARP asked the Department of the Treasury ("Treasury") to disclose its legal position concerning this issue. Although Treasury responded to SIGTARP's request by letter dated March 26, 2010, we are concerned that its response did not convincingly demonstrate that the Special Master's activities are subject to the review of the Secretary of the Treasury (the "Secretary") as would be required if, as Treasury suggests, the Special Master is a properly appointed inferior officer consistent with the Appointments Clause. Accordingly, on April 9, 2010, SIGTARP asked Treasury to elaborate upon the Secretary's authority to review the actions of the Special Master. Following the issuance of SIGTARP's request for elaboration, the Supreme Court decided *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 2010 U.S. LEXIS 5524 (June 28, 2010), which amplifies SIGTARP's concerns regarding Treasury's position. By letter dated July 29, 2010, Treasury responded to SIGTARP's supplemental request, but we believe that its response does not resolve the constitutional questions concerning the Special Master.

Background

A. The Creation and Authority of the Special Master

Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA"),[1] as amended, authorizes the Secretary to draft and enforce executive compensation restrictions for participants in Troubled Asset Relief Program ("TARP"). Treasury implemented section 111 by interim final rule at 30 C.F.R. Part 30,[2] and Treasury's regulation at 30 C.F.R. § 30.16

[1] Section 111 is codified at 12 U.S.C. § 5221.

[2] See 74 Fed. Reg. 28394 (June 15, 2009).

established the Special Master to enforce compliance with section 111.[3] In relevant part, section 30.16(a) provides that the Special Master "shall serve at the pleasure of the Secretary, and may be removed by the Secretary without notice, without cause, and prior to naming any successor Special Master." In contrast to this broad removal authority, section 30.16(c)(2) provides that "the final determination of the Special Master shall be final and binding and treated as a determination of the Treasury," and section 30.16 does not otherwise expressly authorize or contemplate any internal approval or review of the Special Master's actions, nor does it provide for any appeal process.

B. The *Edmond* Test for Evaluating the Constitutionality of Inferior Officers

The Appointments Clause[4] states, in pertinent part, that the President:

> by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

The Special Master was not appointed with the advice and consent of the Senate, and, thus, for the position to be in compliance with the Appointments Clause, the Special Master would have to be an "inferior officer." The Supreme Court in *Edmond v. United States*, 520 U.S. 651 (1997), established the standard for evaluating the constitutionality of inferior officers, holding that constitutional inferior officers "are officers whose work is directed and supervised at some level by others who were appointed by presidential nomination with advice and consent of the Senate."[5]

The Court in *Edmond* evaluated the constitutionality of "appointments" of members of the Coast Guard Court of Criminal Appeals ("CGCCA") based upon petitions of service personnel whose convictions the CGCCA had affirmed. The CGCCA is an intermediate court within the military justice system, and its decisions are subject to review by the United States Court of Appeals for the Armed Forces. The Secretary of Transportation appoints CGCCA members without the advice and consent of the Senate,[6] and, thus, the Court considered whether CGCCA members properly qualify as inferior officers.[7]

[3] Among other things, the Special Master is authorized to interpret and administer section 111 of EESA, part 30, and any other requirements applicable to executive compensation; to determine whether the compensation of the 25 highest paid executives of recipients of TARP exceptional assistance is consistent with section 111 and part 30; and to issue advisory opinions concerning the compensation structure of the next 75 highest paid executives of TARP exceptional assistance recipients.

[4] Constitution, Article 2, Section 2.

[5] *Edmond*, 520 U.S. at 663.

[6] Technically, but not relevant to the opinion, the Secretary "re-appointed" members of the CGCCA. See *Edmond*, 520 U.S. at 654. The members were originally appointed by the General Counsel of the Department of Transportation, but in anticipation of *Weiss v. United States*, 510 U.S. 163, 170 (1994) (military trial and appellate

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The Court commenced its consideration noting "[o]ur cases have not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes"[8] and enumerating a series of prior decisions where inferior officers had been considered. Among such decisions the Court included *Morrison v. Olson*, 487 U.S. 654 (1988), where it deemed the independent counsel to be a constitutional inferior officer, based upon four factors: "that the independent counsel was subject to removal by a higher official (the Attorney General), that she performed only limited duties, that her jurisdiction was narrow, and that her tenure was limited."[9] Conceding the petitioners' contention that members of CGCCA do not satisfy two of the *Morrison* factors, the *Edmond* Court stated:

> However, *Morrison* did not purport to set forth a definitive test for whether an office is "inferior" under the Appointments Clause. To the contrary, it explicitly stated: "We need not attempt here to decide exactly where the line falls between the two types of officer, because in our view [the independent counsel] clearly falls on the 'inferior officer' side of the line."[10]

Following its refusal to follow *Morrison* as the applicable test, the Court discussed the nature of inferior officers. The Court determined that significant authority under the laws of the United States is not the hallmark of inferior officers, rather "[g]enerally speaking the term 'inferior officer' connotes a relationship with some higher ranking officer or officers below the President: whether one is an 'inferior' officer depends on whether he has a superior."[11] Further, the Court identified two factors that were highly indicative of an inferior/superior relationship: the power to remove *and* review or oversight authority.[12] Applying these factors, the Court pointed out that CGCCA judges are subject to removal by the Coast Guard Judge Advocate General ("JAG"), who reports to the Secretary of Transportation. With respect to oversight, the JAG prescribes rules of procedure for CGCCA and must meet periodically with CGCCA to formulate policy. Moreover, the Court of Appeals for the Armed Forces reviews every CGCCA decision where the sentence extends to death; where the JAG requests that it review a decision; or where it grants a petition for review. The Court found this review authority to be determinate, irrespective of the ability of the JAG to remove the judges without cause: "[w]hat is significant is that the judges of [CGCCA] have no power to render a final decision on behalf of the United

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judges are officers of the United States and must be appointed pursuant to the Appointments Clause), the CGCCA Chief Judge prevailed upon the Secretary to formally ratify the General Counsel's selections.

[7] See *Edmond*, 520 U.S. at 661.

[8] Id.

[9] Id, citing *Morrison* 487 U.S. at 671 – 672.

[10] *Edmond*, 520 U.S. at 661 – 662, quoting *Morrison*, 487 U.S. at 671.

[11] *Edmond*, 520 U.S. at 662.

[12] See *Edmond*, 520 U.S. at 664 - 665.

States unless permitted to do so by other executive officers."[13] Thus, whereas the Court focused in *Morrison* on the official's authority, the Court in *Edmond* recognized that both principal and inferior officers have authority, and, therefore, the correct analysis must focus on oversight and other controls on an official's authority as opposed to the relative quantum of that authority.

The Court recently reaffirmed the *Edmond* two-factor test for inferior officers. In *Free Enterprise Fund*, the Court held that members of the Public Company Accounting Oversight Board (the "Board") are inferior officers in compliance with the Appointments Clause, as follows:

> Given that the [Securities and Exchange] Commission is properly viewed, under the Constitution, as possessing the power to remove Board members at will, *and given the Commission's other oversight authority*, we have no hesitation in concluding under *Edmond* the Board members are inferior officers, whose appointment Congress may permissibly vest in a "Hea[d] of Departmen[t]."[14] (emphasis supplied)

The Court had no difficulty finding that the Board was subject to meaningful oversight by members of the Securities and Exchange Commission ("Commission") because the Commission has clear authority not only to review decisions of the Board but also to control utterly its activities. Pursuant to 15 U.S.C. § 7217, the Commission must approve the Board's rules before they become effective; may abrogate, delete or add to the Board's rules; may enhance, reduce, or cancel any sanction imposed by the Board; and can censure or impose other limitations on the Board, as well as remove members thereof.[15] On the other hand, the Court determined that the Board was subject to adequate removal authority only after it had nullified a provision of the Board's authorizing statute, which effectively rendered the Board members "at will" employees.[16]

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[13] *Edmond*, 520 U.S. at 665.

[14] *Free Enterprise Fund* at *59.

[15] See *Free Enterprise Fund* at *48.

[16] With respect to removal authority under the Board's authorizing statute, the Court found that there was a dual "for cause" removal environment associated with the Board (i.e., both the Board members and the Commissioners that oversee them were for cause employees). The Court determined that this dual for cause removal state of affairs was unconstitutional because it effectively denied the President the power to control the Board. See *Free Enterprise Fund* at *45 -*55. Concluding that the removal provision related to the Board was unconstitutional, the Court then severed the provision from the Board's authorizing statute, making the Board members removable "at will." See *Free Enterprise Fund* at *57.

Issue

A. There Is a Significant Question as to Whether the Special Master Is Subject to Secretarial Review

Treasury's regulation establishing the position of the Special Master, 30 C.F.R. § 30.16, unambiguously satisfies the first factor of the *Edmond* test, which concerns removal authority. Section 30.16(a) provides expressly that the Special Master "shall serve at the pleasure of the Secretary, and may be removed by the Secretary without notice, without cause, and prior to naming any successor Special Master." The Secretary's authority to remove the Special Master without notice or cause is equivalent or more powerful than the at will employment that the Court created in *Free Enterprise Fund.*

In contrast to his broad removal authority, however, the Secretary appears to be without authority to control the actions of the Special Master in any other meaningful manner. Unlike the Commission's explicit statutory authority to review rules before they become effective in *Free Enterprise Fund*, and the authority of the JAG to compel review by the Court of Appeals for the Armed Forces of CGCCA decisions in *Edmond*, section 30.16 does not expressly authorize any internal approval or review of the Special Master's actions. Indeed, to the contrary, section 30.16(c)(2) emphasizes the Special Master's autonomy, providing that "the final determination of the Special Master shall be final and binding and treated as a determination of the Treasury."

Moreover, regardless of the strength of the Secretary's removal power, removal is both a separate *Edmond* factor and, from a constitutional perspective, not a substitute for supervision. Although the Secretary's removal power is as strong or stronger than that of the JAG in *Edmond* and the Commission in *Free Enterprise Fund*, the Court nonetheless emphasized and then reemphasized that removal alone is not a sufficient test for inferior officers. Removal is the *first*, not the *only*, factor. If the Court had deemed the power to remove to be the *sine qua non* for inferior officers, then it easily could have done that in *Edmond* when it rejected the *Morrison* authority analysis in favor of an examination of oversight. In other words, it could have merely rejected the authority analysis without substitution. Instead, it found that "what is significant is that the judges of the Court of Criminal Appeals have no power to render a final decision on behalf of the United States unless permitted to do so by other executive officers."[17] Section 30.16, however, appears to expressly prohibit any such review by the Secretary with respect to decisions by the Special Master.

B. Treasury's View of the Constitutionality of the Special Master

On November 5, 2009, in the context of the *Edmond* factors and the apparent lack of explicit review authority in section 30.16, SIGTARP requested Treasury's legal position

[17] *Edmond*, 520 U.S. at 665 (characterizing the impact of the appellate review authority of the Court of Appeals for the Armed Forces).

concerning the constitutionality of the Special Master position.[18] Treasury responded to SIGTARP's request on March 26, 2010.[19] Treasury advised that the Special Master is an inferior officer who is not subject to Senate advice and consent under the Constitution. In support of its opinion, Treasury relied upon *Edmond* and argued that the Special Master is an inferior officer because he is subject to removal by the Secretary and "the decisions of the Special Master are subject to review within Treasury."[20] In the latter regard, Treasury's discussion of its authority to review the Special Master's work was limited to reference to the Secretary's general authorities under EESA and 31 U.S.C. § 321(a). Moreover, Treasury's assessment of the impact of language in section 30.16(c)(2)—"the final determination of the Special Master shall be final and binding and treated as a determination of the Treasury"—was limited to a reference to the seemingly inapposite *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. 8 (Jan. 31, 1991). On April 9, 2010, in light of our concerns regarding the support that Treasury cited in favor of the Secretary's review authority and the conflicting plain language of section 30.16, SIGTARP asked that Treasury elaborate on its review authority. By letter dated July 29, 2010, Treasury responded to SIGTARP's request for elaboration, again relying largely on *Secretary of Education Review of Administrative Law Judge Decisions*.[21] Additionally, Treasury asserted that, the Special Master "has consulted regularly with Treasury officials ... with respect to his proposed determinations."

Secretary of Education Review of Administrative Law Judge Decisions, however, does not appear to support Treasury's argument that section 30.16(c)(2) does not preclude Secretarial review of the Special Master's decisions. *Secretary of Education Review of Administrative Law Judge Decisions* pertains to section 22 of the Drug-Free Schools and Communities Act of 1989, which provided that, when the Secretary of Education terminates financial assistance to an educational institution, the institution may appeal to an Administrative Law Judge ("ALJ").[22] Section 22 provided that the decision of the ALJ "shall be considered to be a final agency

[18] SIGTARP's November 5, 2009 request is attached as Exhibit A.

[19] Treasury's March 26, 2010 response is attached as Exhibit B.

[20] Treasury also evaluated the constitutionality of the Special Master position according to factors set forth in *Morrison*. However, the applicability of the *Morrison* factors is questionable. First, in *Edmond*, the Court made clear that the *Morrison* analysis was not controlling: "*Morrison* did not purport to set forth a definitive test for whether an office is 'inferior' under the Appointments Clause." See *Edmond*, 520 U.S. at 661. Second, *Morrison* used a four factor test, as opposed to the *Edmond* review which focused on two-factors, an approach that the Court most recently followed in *Free Enterprise Fund*. See *Free Enterprise Fund* at *58 - *59; see also *Morrison*, 487 U.S. at 671 - 672. Third, *Edmond* essentially ignored the latter three *Morrison* factors, that involved authority (i.e., the factors that did not involve removal), and, in effect, replaced it with a single factor that focuses on oversight. See *Edmond*, 520 U.S. at 661 – 662. *Edmond* recognized that authority is an attribute shared by principal and inferior officers alike, but oversight by another Federal official subordinate to the President applies only to inferior officers. Id. Fourth, regardless of the possible contemporary viability of *Morrison*, questions concerning Treasury's satisfaction of the *Edmond* oversight factor remain germane to the analysis of the constitutionality of the Special Master.

[21] Treasury's supplemental response, dated July 29, 2010, is attached as Exhibit C.

[22] See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *2.

action."[23] In 1990, the Secretary of Education issued a regulation implementing section 22, and the regulation provided for his review of ALJ decisions. Three Congressmen disputed the Secretary's right to review ALJ decisions. The Secretary rejected the Congressmen's objection as being inconsistent with section 22 and a potential violation the Appointments Clause, and sought an opinion from OLC, which subsequently upheld the Secretary's interpretation of the statute.[24] Although Treasury suggests that *Secretary of Education Review of Administrative Law Judge Decisions* is controlling, because it claims that the operative language of the underlying *statute* in that case is similar to that in the Treasury *regulation*, the OLC opinion appears to turn on the difference in the wording of the two provisions. OLC specifically found that section 22 did not preclude Secretarial review because it stated that the ALJ's decision "shall *be considered* to be a final agency action," and not, as with the regulation concerning the Special Master, that it "shall be" final.[25] OLC emphasized, "Congress did not provide that the ALJ's decision 'shall be' final agency action; it provided that it 'shall be considered to be' final agency action."[26]

OLC also noted that if in enacting section 22 Congress had intended to preclude the Secretary of Education's review, it would present "serious constitutional questions relating to the ALJ's appointments and the lack of presidential control over their activities."[27] Of particular relevance, OLC stated "An ALJ whose decision could not be reviewed by the Secretary, however, would appear to be acting as a principal officer of the United States,"[28] which would require Senate advice and consent. Here, unlike the statute at issue in *Secretary of Education Review of Administrative Law Judge Decisions,* section 30.16(c)(2) of EESA appears to be unequivocal and provides that the Special Master's decisions "shall be final and binding." They are not "considered" or "deemed" final; they *are* final and binding.[29]

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[23] Id.

[24] See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *4.

[25] See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *5 (emphasis supplied). OLC also determined that it would conflict with the Secretary's authority to supervise and direct the agency if section 22 established a regime where a decision of the Secretary could be reversed by his subordinate. See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *10. OLC thus added that interpreting section 22 not to prohibit Secretarial review comports with the traditional understanding of the Administrative Procedures Act. See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *10.

[26] *Secretary of Education Review of Administrative Law Judge Decisions*, at *5.

[27] See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *14.

[28] See *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. at *15.

[29] It should be noted that *Secretary of Education Review of Administrative Law Judge Decisions* is also distinguishable because it involved a statute as opposed to a regulation. The question in *Secretary of Education Review of Administrative Law Judge Decisions* involved whether Congress had effectively restrained the Secretary's discretion. See 15 Op. O.L.C. at *5 – *14. By contrast, section 30.16, as a regulation, represents the exercise of the Secretary's discretion. Thus, the circumstances surrounding the Special Master position, including the presumption that where statutory language is ambiguous it should be construed in a manner that presumes its constitutionality, do not raise a question of whether the Secretary could reserve review authority to himself—the question in *Secretary of*

Next, Treasury asserts: "OLC concluded that the decisions of the ALJs were subject to the Secretary's review. As OLC observed, for purposes of administrative law, the term 'final' does not necessarily mean insulated from further review." However, as discussed above, the essence of *Secretary of Education Review of Administrative Law Judge Decisions* is the interpretation of section 22, and in particular the distinction between "shall be considered final" as used in section 22 and "shall be final" as used in section 30.16(c)(2). Moreover, OLC's discussion of the meaning of "final" at *10 - *11 is tied squarely to the use of that term in the Administrative Procedure Act ("APA"), which uses the term in an entirely different context — decisions by ALJs that are expressly governed by an appellate process. Indeed, OLC found that under the APA, a decision must generally be "final" before any appellate process could begin, and that the particular words used in section 22 (which are not used in section 30.16), were part of a "well-developed" lexicon that contemplated subsequent agency review.[30] Further, Treasury suggests that under *Secretary of Education Review of Administrative Law Judge Decisions* we should presume a reading of the regulation that is favorable to its constitutionality. But in that case OLC was contemplating an arguably ambiguous *statute* in which it was seeking to divine legislative intent; at issue here is a seemingly unambiguous regulation that appears intended to insulate the Special Master from any potential influence on his decisions.

Moreover, Treasury's assertion that the Special Master has "consulted" with Treasury officials is largely irrelevant. First, the standard set forth by the *Edmond* and *Free Enterprise Fund* Courts is beyond mere "consultation," it is oversight and review, which the language of section 30.16 appears to prohibit. Indeed, Treasury's *Financial Stability.gov* Website describes the Special Master as having "sole power and authority for" executive compensation determinations under section 30.16. This strongly suggests that irrespective of any potential "consultation," as set forth in the section 30.16, the Special Master's decisions are insulated from internal review.[31] Second, although the Special Master advised SIGTARP that he had consulted with a handful of Treasury officials, had two brief meetings with the Secretary, and was informed SIGTARP that for constitutionality reasons his decisions could not be final, he also informed SIGTARP that no one had to approve his decisions, that authority had been delegated to him, and that the Secretary the Secretary "abdicated any role" to the Special Master. Third, the voluntary abandonment of an unconstitutional practice (i.e., the Special Master voluntarily submitting to Secretarial review) cannot remedy a related constitutional infirmity where the

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Education Review of Administrative Law Judge Decisions. Rather, they raise the question of the impact of his decision to abdicate any review authority that he may have had.

[30] See *Secretary of Education Review of Administrative Law Judge Decisions*, at *7 ("Indeed, the APA expressly provides that an agency action can be 'final' for purposes of the APA, and thus for the purposes of judicial review, even though it is subject to reconsideration or appeal to a higher authority within the agency. 'Final agency action' therefore is a familiar and well-developed term of administrative law referring to the action after which judicial review may be available.").

[31] See http://www.financialstability.gov/about/spcMaster.html, last updated July 23, 2010, and viewed on August 20, 2010.

actors are "free to return to ... [their] old ways."[33] Thus, even assuming that the Special Master were to go beyond the "consultation" described in Treasury's response and submit his decisions for approval and review (which he apparently does not), this would not cure the regulation, if, in fact, it is found to be unconstitutional.

Conclusion

To ensure the integrity of the executive compensation review process, it is imperative that SIGTARP and Treasury obtain a definitive decision concerning whether the Special Master position complies with the Appointments Clause. SIGTARP has secured Treasury's position on the issue, but we have significant concerns regarding its analysis. Moreover, Treasury's position is not binding upon the Executive Branch, and, thus, an OLC legal opinion is required to supplement Treasury's conclusion. Accordingly, we submit this request for a legal opinion concerning whether the Special Master is an inferior officer or otherwise appointed in compliance with the Appointments Clause.

Finally, we note that there may be some urgency in OLC rendering an opinion on this issue. Earlier this week, General Motors ("GM") filed a Form S-1 Registration Statement with the Commission in connection with a planned Initial Public Offering ("IPO") of its stock. In the filing, GM made explicit reference to the rulings of the Special Master, stating that such rulings could "materially adversely affect our business, financial condition, or results of operations" because "there is no assurance that we will continue to be able to hire and retain the employees whose expertise is required to execute our business plan while at the same time developing and producing vehicles that will stimulate demand for our products."[34] As a result, if OLC were to find that the Special Master's appointment is unconstitutional, such a finding may impact the success of the IPO and the return that Treasury realizes on its investment in GM.

[33] See *Gray v. Chairman of the Georgia State Democratic Executive Committee*, 372 U.S. 368, 376 (1963) (finding that the Georgia Democratic Party's decision to conduct the 1962 statewide primary election on a "popular vote" basis did not render moot the question of whether Georgia's generally applicable "county unit system" of counting votes violates the Equal Protection Clause because Georgia could revert to the "county unit system" in subsequent elections) (quoting *United States v. W. T. Grant Co.*, 345 U.S. 629, 632 (1953)).

[34] See http://services.corporateir.net/SEC/Document.Service?id=P3VybD1odHRwOi8vaXIuaW50Lndlc-3RsYXdidXNpbmVzcy5jb20vZG9jdW1lbnQvdjEvMDAwMTE5MzEyNS0xMC0xOTIxOTUvZG9jL0dlbmVyYWxNb3RvcnNDb21wYW55X1MxXzIwMTAwODE4LnBkZiZ0eXBlPTImZm49R2VuZXJhbE1vdG9yc0NvbXBhbnlfUzFfMjAxMDA4MTgucGRm at pp. 15 – 16.

Thank you for your attention to this important matter. Please feel free to contact me at (202) 622-2658, or my Chief Counsel, Bryan Saddler, at (202) 927-8938, if you have any questions or require any additional assistance.

Sincerely,

NEIL M. BAROFSKY
Special Inspector General

Attachments.

ccs: Honorable George W. Madison, General Counsel, Department of the Treasury
Honorable Herbert Allison, Assistant Secretary for Financial Stability
Timothy Massad, Chief Counsel, Office of Financial Stability
Kenneth Feinberg, Special Master for TARP Executive Compensation

Exhibit A

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

November 5, 2009

MEMORANDUM FOR: Timothy Massad, Chief Counsel, OFS

FROM: Bryan Saddler, Chief Counsel, SIGTARP

SUBJECT: Constitutionality of Special Master

The Office of Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") hereby requests an explanation of the Department of Treasury's legal position regarding the constitutionality of the position of the Special Master for TARP Executive Compensation ("Special Master"). Then Appointments Clause of the United States Constitution, Article 2, Section 2, states that the President:

> *. . . by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.*

As you are surely aware, the constitutionality of various "Czar" positions (i.e., high-level Executive Branch positions that are filled without Senate advice and consent) recently has received significant attention. On October 6, 2009, the Senate Judiciary Committee, Subcommittee on the Constitution, convened a hearing, entitled "Time Change--Examining the History and Legality of Executive Branch 'Czars.'" During the hearing, Professor of Law John C. Harrison, University of Virginia, testified that in Buckley v. Valeo, 424 U.S. 1, 125-126 (1976), the Supreme Court "[r]eject[ed] the contention that the [Appointments C]lause was wholly ceremonial . . . [and] concluded that it represents a substantive constitutional principle that only appointees who have received their legal authority in the way set out in the Appointments Clause may exercise 'significant authority pursuant to the laws of the United States.'"

On October 22, 2009, the Special Master, who was appointed without the advice and consent of the Senate, made determinations concerning executive compensation within American International Group, Inc.; Bank of America Corporation; Chrysler Financial; Chrysler Group, LLC; Citigroup, Inc.; General Motors Company; and GMAC. A Treasury press release of the same day quotes Secretary Geithner as stating, "Ken Feinberg has done a commendable job of applying the strong compensation standards of the Congressional legislation to the companies that received exceptional assistance from the government." Another Treasury press release advised, "To break from the pay practices of the past, the Special Master has reduced compensation across the board-both in terms of cash and the total compensation executives will receive." The press release also indicated that on average the Special Master reduced cash compensation by more than 90 percent. Following the issuance of the Special Master's determination, Michael W. McConnell, formerly a judge on the 10th Circuit Court of Appeals, authored an essay entitled "The Pay Czar is Unconstitutional" that was published in the Wall Street Journal on October 29, 2009. In his essay, Judge McConnell concluded that "[b]ecause he is not a properly appointed officer of the United States, Mr. Feinberg's executive compensation decisions were unconstitutional."

The Special Master's authority under 31 C.F.R. Part 30, and his exercise of that authority on October 22nd, raise the question whether he wields "significant authority" under the laws of the United States, as Judge McConnell appears to have determined. Accordingly, SIGTARP requests your legal position on the constitutionality of the Special Master.

Thank you for your cooperation on this matter, and please contact me at (202) 927-8938 if you have any questions or require additional assistance.

Exhibit B

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 26, 2010

Bryan Saddler
Chief Counsel
Special Inspector General for
the Troubled Asset Relief Program
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Saddler:

This letter is in response to your request for the legal opinion of the Department of the Treasury ("Treasury") on the constitutionality of the appointment of the Special Master for TARP Executive Compensation (the "Special Master") pursuant to Treasury's Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the "Rule"). While it is not our custom to provide an internal legal opinion for this purpose, please allow me to share a summary of the relevant facts and our legal views with you in this letter.

In October 2008, Treasury established the Troubled Asset Relief Program ("TARP") under the Emergency Economic Stabilization Act of 2008 ("EESA"). In February 2009, Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA"), amending in its entirety Section 111 of EESA. As amended, Section 111(b)(2) of EESA provides that the Secretary "shall require each TARP recipient to meet appropriate standards for executive compensation and corporate governance," including standards specified by EESA. Section 111(h) of EESA, as amended, requires the Secretary to promulgate regulations to implement Section 111 of EESA.

In June 2009, Treasury promulgated the Rule. In addition to implementing the executive compensation and corporate governance standards specified by EESA, the Secretary promulgated certain additional standards in the Rule under Section 111(b)(2). Among these additional standards was the requirement that each financial institution receiving "exceptional financial assistance" under the TARP submit for approval, by the Special Master, compensation structures for its executive officers and 100 most highly compensated employees.

The Rule provides that the Special Master "shall serve at the pleasure of the Secretary, and may be removed by the Secretary without notice, without cause, and prior to the naming of any successor Special Master." The Rule gives the Special Master "responsibility for interpreting [S]ection 111 of EESA" and the Rule, in order "to determine how the[ir] requirements . . . apply to particular facts and circumstances." In addition, the Rule sets forth the standards and procedures to be used by the Special Master in approving compensation structures at each financial institution receiving "exceptional financial assistance."

The Rule provides that, with respect to a determination a TARP recipient is required to receive, "the final determination of the Special Master shall be final and binding and treated as the determination of the Treasury." The Rule does not expressly address whether the Special Master's determinations are subject to review by any other Treasury official but, as explained below, his decisions remain subject to further review within Treasury.

In June 2009, Treasury announced the appointment of Kenneth R. Feinberg to be Special Master, reporting to Assistant Secretary Herbert Allison in the Office of Financial Stability.[1] In October 2009, Mr. Feinberg issued his initial determinations with respect to compensation structures for the senior executive officers and certain most highly compensated employees of the financial institutions that received "exceptional financial assistance" under the TARP.

As noted in your letter, the Appointments Clause[2] of the Constitution provides that the President:

> shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors . . . and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

The Clause "very clearly divides [constitutional] officers into two classes."[3] Principal officers must be nominated by the President and confirmed by the Senate. However, "Congress may by Law vest the Appointment of . . . inferior officers . . . in the Heads of Departments."

We think it is clear that the Special Master is not a principal officer for Appointments Clause purposes. The Supreme Court most recently addressed the constitutional distinction between principal and inferior officers in *Edmond* v. *United States*.[4] There, the Court considered the status of judges of the Coast Guard Court of Criminal Appeals. Concluding that the judges were inferior rather than principal officers, the Court held that inferior officers are those "whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." The Court held two considerations relevant to the "directed and supervised" analysis: first, that the judges were removable without cause, since the "power to remove . . . is a powerful tool for control"; and second, that their decisions were subject to "limit[ed] review" by other officials.

It is clear under *Edmond* that the Special Master is not a principal officer. First, the Secretary not only has the power to remove the Special Master, but to remove him "without notice, without cause, and prior to the naming of any successor Special Master."[5] Second, the decisions of the Special Master are subject to review within Treasury.[6] Thus, under *Edmond*, the Special Master

[1] *See* Department of the Treasury, *Position Description, Special Master, Executive Compensation, GS-0501-15* (June 5, 2009) ("The subject position . . . reports to the Assistant Secretary, Office of Financial Stability.").

[2] For purposes of this letter, I assume that the Special Master is a constitutional officer subject to the Appointments Clause rather than a mere government employee not subject to the Clause.

[3] *United States* v. *Germaine*, 99 U.S. 508, 509 (1879).

[4] 520 U.S. 651 (1997).

[5] 31 C.F.R. § 30.16(a).

[6] As a general matter, the "duties and powers of officers and employees" of Treasury are vested in the Secretary, 31 U.S.C. § 321(c), including duties delegated to subordinates, *see Secretary of Education Review of Administrative*

is not a "principal" officer who must be nominated by the President and confirmed by the Senate.

This conclusion is also consistent with *Morrison* v. *Olson*,[7] in which the Supreme Court concluded that an independent counsel vested, among other things, with "full power and independent authority to exercise all investigative and prosecutorial functions of the Department of Justice" was an inferior officer. The Court there emphasized four factors in concluding that the independent counsel was an inferior officer: that she could be removed by the Attorney General (albeit only for "good cause"); that the Ethics in Government Act empowered her to perform only limited duties necessary to carry out the purposes of the office; that her jurisdiction was limited to specified officials accused of specified activities; and that she had limited tenure.

Application of those factors makes clear that the Special Master is not a principal officer. First, the Rule gives the Secretary even more latitude to remove the Special Master than the Attorney General had with respect to the independent counsel: the Secretary may remove the Special Master at any time for any reason. Second, the Special Master's duties are generally limited to those necessary to assess compensation packages of a narrow group of individuals. Third, the Special Master's jurisdiction is limited to financial institutions that received TARP assistance, and much of his authority is limited in particular to that small number of institutions receiving "exceptional financial assistance" as defined by the Secretary. His authority is also generally limited to a specified group of executives at those institutions.[8] Finally, the Special Master's authority is limited in time to the period when TARP obligations are outstanding. Thus, a comparison of the authority of the independent counsel deemed an inferior officer in *Morrison* to that of the Special Master indicates that the Special Master is not a principal officer.

If the Special Master is an inferior officer "Congress may by Law vest [his] Appointment . . . in the Head[of a] Department." In EESA, Congress provided the Secretary authority to appoint the Special Master, and thus "by Law" vested the appointment of the Special Master in the head of a Department—as the Appointments Clause expressly permits.

Section 101(c) of EESA provides the Secretary with authority to "take such actions as the Secretary deems necessary to carry out the authorities" in EESA, and expressly states that the "Secretary shall have direct hiring authority with respect to the appointment of employees to administer this Act." The term "employee" is capacious enough to include constitutional officers,[9] and "appointment" is a term of art Congress has "consistently

Law Judge Decisions, 15 Op. O.L.C. 8, 10-13 (1991) (statutory language providing that administrative law judge decisions "shall be considered to be a final agency action" does not preclude review by the Secretary of Education). Moreover, EESA provides that the Secretary shall implement "any program under [TARP] through an Office of Financial Stability," headed by the Assistant Secretary for Financial Stability, and the Secretary has delegated his authority under EESA to the Assistant Secretary, *see* Treasury Order 103-08 (Jan. 16, 2009).

[7] 487 U.S. 654 (1988).

[8] The Special Master also has authority to interpret Section 111 of EESA, "to determine how [its] requirements apply to particular facts and circumstances," 31 C.F.R. § 30.16(a)(1). Like the Special Master's other duties, this authority is limited to financial institutions that received TARP assistance, and is limited in time to the period when TARP obligations are outstanding.

[9] *Cf.* 5 U.S.C. § 2105 (defining the term "employee" to include "officer[s]").

used" to mean appointment authority under the Appointments Clause.[10] Accordingly, EESA Section 101(c) provides the Secretary with authority to appoint the Special Master.

Two other federal statutes provide an additional basis for concluding that Congress has, "by Law," vested the authority to appoint the Special Master in the Secretary. Under 31 U.S.C. § 321(b)(2), the Secretary is empowered to "delegate duties and powers of the Secretary to another officer or employee of the Department of the Treasury," and 5 U.S.C. § 301 authorizes the head of a department to "prescribe regulations for the government of his department, the conduct of its employees, [and] the distribution and performance of its business." Two federal courts of appeals have relied on Section 301, and a statute similar to Section 321(b)(2), in concluding that the Secretary of Labor has authority to create new offices and delegate authority to holders of those offices.[11] These statutes provide an additional basis for concluding that the Secretary's hiring of, and delegation of authority to, the Special Master conform with the Appointments Clause.

I hope that this information has been helpful to you and responsive to your request. Please consult with us if you wish to quote or refer to this letter.

Sincerely,

Timothy G. Massad

Timothy G. Massad
Chief Counsel
Office of Financial Stability

[10] *Edmond*, 520 U.S. at 657.

[11] *Willy* v. *Administrative Review Bd.*, 423 F.3d 483, 491 (5th Cir. 2005) (although "no specific federal statute" created the Department of Labor's Administrative Review Board, language in the *Reorganization Plan No. 6 of 1950* permitting the Secretary of Labor to "authoriz[e] the performance by any other officer, or by any agency or employee, of the Department of Labor of any function of the Secretary" gave the Secretary "ample authority" to create the board and appoint its members); *Varnadore* v. *Sec'y of Labor*, 141 F.3d 625, 631 (6th Cir. 1998) (same); *see also Edmond*, 520 U.S. at 657; *Applicability of the Appointment Provisions of the Anti-Drug Abuse Act of 1988 to Incumbent Officeholders*, 12 Op. O.L.C. 286, 288 n.5 (1988).

Exhibit C

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 29, 2010

Bryan Saddler
Chief Counsel
Special Inspector General for
the Troubled Asset Relief Program
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Saddler:

We provided you a letter dated March 26, 2010, in response to your request regarding an explanation of the constitutionality of the position of the Special Master for TARP Executive Compensation (the "Special Master"). This letter is in response to your request for additional information about the role of the Special Master.

As a matter of administrative law, and consistent with longstanding executive branch views, the decisions of the Special Master are subject to review (*i.e.*, can be reviewed) by other officials within Treasury, notwithstanding the fact that the regulations state that "the final determination of the Special Master shall be final and binding." In *Secretary of Education Review of Administrative Law Judge Decisions*, the Department of Justice's Office of Legal Counsel ("OLC") considered whether the decisions of certain Administrative Law Judges were subject to review by the Secretary of Education, notwithstanding the fact that a statutory provision provided that the decisions of the ALJs "shall be considered to be a final agency action."[1] OLC concluded that the decisions of the ALJs were subject to the Secretary's review. As OLC observed, for purposes of administrative law, the term "final" does not generally mean insulated from further review.[2] OLC also took note of, *inter alia*, a statutory provision (20 U.S.C. § 3411) providing that the Department of Education "shall be administered . . . under the supervision and direction of a Secretary of Education"[3] and the serious constitutional question that would exist if the provision were construed to forbid secretarial review.[4]

[1] 15 Op. O.L.C. 8, 1991 OLC LEXIS 25, at *1-*2 (1991).

[2] *Id.* at *10-*11. Specifically, OLC noted that as a matter of administrative law, "an agency action can be 'final' for purposes of the APA . . . even though it is subject to reconsideration or appeal to a higher authority within the agency." *Id.*

[3] *See id.* at *12; *see also* 20 U.S.C. § 3411.

[4] 15 Op. O.L.C. at 13-14, 1991 OLC LEXIS, at *9-*23. The OLC opinion does not inquire into whether review occurred in particular instances.

The Treasury statute contains a provision similar to 20 U.S.C. § 3411: Under Treasury's organic statute, the "[d]uties and powers of officers and employees of the Department are vested in the Secretary."[5] The same statute also specifies that the Secretary may "delegate duties and powers of the Secretary to another officer or employee of the Department of the Treasury."[6] Specifically, with respect to the Special Master, the Special Master currently reports to the Assistant Secretary for Financial Stability.[7] In addition—and unlike the ALJs at issue in the OLC opinion[8]—the Secretary can remove the Special Master at any time and for any reason. 31 C.F.R. § 30.16(a) (Secretary may remove the Special Master "without notice" and "without cause").[9] *See Free Enterprise Fund v. Public Company Accounting Oversight Board*, S.Ct. No. 08-86, slip op. at 30 (Jun. 28, 2010) ("[t]he power to remove officers at will and without cause is a powerful tool for control of an inferior" (internal quotations omitted)). As a factual matter, moreover, the Special Master has consulted regularly with Treasury officials (including with the Assistant Secretary for Financial Stability), including with respect to his proposed determinations.[10]

I hope this information is helpful to you and responsive to your request. Please consult with us if you wish to quote or refer to this letter. Please let me know if you have any additional questions.

Sincerely,

Timothy G. Massad

Timothy G. Massad
Chief Counsel
Office of Financial Stability

cc: Kevin Puvalowski

[5] 31 U.S.C. § 321(c). For an example from another department, *see, e.g.*, 28 U.S.C. § 509 ("All functions of other officers of the Department of Justice and all functions of agencies and employees of the Department of Justice are vested in the Attorney General . . . .").

[6] 31 U.S.C. § 321(b)(2).

[7] *See* Department of the Treasury, *Position Description, Special Master, Executive Compensation, GS-0501-15* (June 5, 2009) ("The subject position . . . reports to the Assistant Secretary, Office of Financial Stability"). As you requested, we have provided a copy of the *Position Description*, as Appendix A.

[8] The ALJs at issue in *Secretary of Education Review of Administrative Law Judge Decisions* could only be removed for cause. 15 Op. O.L.C. 8, 1991 OLC LEXIS, at *18.

[9] *See also Auer v. Robbins*, 519 U.S. 422, 461 (1997) (agency entitled to substantial deference when interpreting its own regulations).

[10] *See, e.g.*, Letter to Robert Benmosche, American International Group, Inc., Oct. 22, 2009, at A9, *available at* http://www.treas.gov/press/releases/docs/20091022%20AIG%20Letter.pdf ("During this review, the Special Master consulted with officials at the Federal Reserve Bank of New York and officials at Treasury and considered their views."); Letter to Elizabeth Warren, Chair, Congressional Oversight Panel, Feb. 16, 2010, at 11 ("The Special Master has . . . consulted with senior officials of the Treasury Department in connection with his . . . compensation determinations, including with the Assistant Secretary for Financial Stability.").

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

SEP 27 2010

Secretary Timothy Geithner
Office of the Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

I write with respect to the enactment of the Small Business Jobs Act of 2010 earlier today, which included authorization for Treasury to establish the Small Business Lending Fund ("SBLF"). Although the legislation contemplates that SBLF will be outside of the Troubled Asset Relief Program ("TARP") and does not include SIGTARP oversight, it does require you to issue regulations and other guidance "to permit eligible institutions to refinance securities issued to Treasury under" existing TARP programs. In light of the likelihood that a large number of current participants in TARP's Capital Purchase Program ("CPP") will ultimately seek to refinance their CPP capital through SBLF, SIGTARP makes the following recommendations with respect to any such refinancing process.

First, when Treasury considers whether to accept an existing CPP participant into SBLF, because conditions for many of the relevant institutions have changed dramatically since they were approved for CPP, Treasury and the bank regulators should conduct a new analysis of whether the applying institution is sufficiently healthy and viable to warrant participation in SBLF. The fact that a CPP participant was deemed healthy and viable at the time of its CPP application does not mean that the institution remains so now: as you know, more than one hundred CPP banks have, for one reason or another, not made scheduled dividend payments to Treasury, the investments in some have had to be restructured, often at a loss to Treasury, and several have failed altogether. While institutions that have missed "more than one" dividend payment are already prohibited from participating in SBLF, other CPP participants that are not delinquent may nonetheless face changed conditions that warrant exclusion.

Although we of course recognize that taxpayer funds are at risk in both programs, it makes little sense, in our view, to move a struggling bank from TARP — a program characterized by strong oversight provided by multiple oversight bodies, periodic monitoring, and other controls designed to protect the taxpayer's interests such as restrictions on executive compensation and stock repurchases — into a program that will have far fewer protections. Furthermore, it makes little sense to convert a bank into SBLF — a program intended to

Secretary Geithner
September 27, 2010
Page 2

incentivize increased lending — if the institution does not have the necessary capital to support such increased lending. Indeed, the incentives in the SBLF program (which reward increased lending and ultimately punish institutions that maintain the status quo) could result in such struggling institutions making loans that are ill advised or subject them to losses that they, and by extension the taxpayers, could ill afford. In a related vein, you should make clear that the Act's provision that institutions on the FDIC problem bank list may not receive "any capital investment under the Program" also applies to institutions seeking to "refinance securities issued to Treasury" under existing TARP programs.

Second, for similar reasons, when Treasury conducts the new analysis of an institution's health and viability, the existing CPP preferred shares should not be counted as part of the institution's capital base. As you know, in the CPP application process, institutions' health and viability was typically construed without accounting for the anticipated CPP investment; in our view, the analysis should be the same for the anticipated SBLF capital that will be replacing that CPP capital. An institution that would not have an adequate capital base but for the Government's investment likely will not have the necessary capital to support increased lending, and, again, the incentives in SBLF could, for a weaker institution or an institution that is adequately capitalized solely because of its existing government-funded capital, result in a greater risk of loss to the taxpayer. Moreover, as noted above, converting such a struggling institution to a program with less oversight and fewer controls would, in our view, also be contrary to taxpayer interests.

We are of course available to discuss these issues more fully, as well as any other anti-fraud provisions that Treasury may be considering, as it moves forward with its planning and implementation of SBLF.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

cc:
Herbert Allison, Assistant Secretary for the Office of Financial Stability
Timothy Massad, Chief Counsel for the Office of Financial Stability

ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 7, 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 Update on Recommendations in the SIGTARP Quarterly Report

Dear Mr. Barofsky:

This letter describes the actions taken by the U.S. Department of the Treasury (Treasury) in response to the outstanding recommendations contained in the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) *Quarterly Report to Congress*, dated July 21, 2010.

Treasury looks forward to the release of the SIGTARP's eighth quarterly report on the Troubled Asset Relief Program (TARP) in October 2010. We request that you include the enclosed *Status Update on SIGTARP Recommendations* in that 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 recommendations you have made as well as the constructive relationship we have with you and your team. We look forward to continuing to work together as we move forward.

Sincerely,

Timothy G. Massad
Acting Assistant Secretary
Office of Financial Stability

Enclosure

The U.S. Department of the Treasury
Status Update on SIGTARP's Outstanding Recommendations

October 7, 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 June 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, 2, 5, 7 and 8 identified in this summary response should be considered 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: HAMP]: 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.

Recommendation 2 [re: HAMP]: 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 has been working with the Ad Council on a two-part public service advertising (PSA) campaign since fall 2009.

For the first part of this campaign, Treasury partnered with the U.S. Department of Housing and Urban Development (HUD) and NeighborWorks America to refresh an existing foreclosure prevention PSA campaign by changing the focus to the Making Home Affordable Program. The new campaign included a call-to-action for struggling homeowners that directed them to the Homeowner's HOPE Hotline and MakingHomeAffordable.gov to receive free assistance from a

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HUD-approved housing counselor. The campaign included both television and radio PSAs that were distributed to 12,000 media outlets across the country, as well as web banners and outdoor advertising.

The refreshed TV PSAs achieved 2,448 detected airings through June 2010 with airings in all of the Top 10 Designated Market Areas (DMAs), geographic areas defined by Nielsen Media Research Company. This equates to more than 6,143,000 household impressions. The refreshed radio PSAs achieved 7,531 detected airings through July 31, with a majority of airings in the 100 largest DMAs. TV station rights to air the refreshed PSA ended in June but the radio ads will continue to air.

In terms of the second part of the collaboration with the Ad Council, on July 28, 2010, Treasury and HUD, together with the Ad Council, launched a new campaign that featured homeowners who had benefited from the Making Home Affordable Program. The campaign outreach included: a multimedia news release (MNR) distribution via PR Newswire and Treasury and Ad Council media contacts which garnered more than 1.4 million impressions; English and Spanish bites and b-roll (BBR) packages shared with the top 40 markets as well as additional markets with high foreclosure rates; customized Web Packages distributed by Treasury to more than 600 partners; and a pre-packaged news story to English and Spanish newspapers (10,000 news weeklies nationwide).

At the time of launch, Treasury reached out to Fannie Mae, Freddie Mac, NeighborWorks and HOPE Now which shared broadly the campaign news and MakingHomeAffordable.gov PSA page link with their employees, non-profit partners, members, and other contacts. While over one million homeowners have already received assistance from the Making Home Affordable program, the national PSA campaign encourages struggling homeowners who may be eligible for assistance to reach out for the help they need through free resources made available by the Federal Government. The PSAs direct homeowners to visit MakingHomeAffordable.gov or to call 1-888-995-HOPE (4673) to see if they can make their mortgage payments more affordable and to understand options they may have to avoid foreclosure.

The campaign includes English and Spanish television, radio, print, out of home (e.g., billboard and bus shelter advertising) and web advertising. The effort also includes real stories of homeowners featured in the campaign, which are posted on MakingHomeAffordable.gov. The Ad Council distributed the PSAs to more than 33,000 media outlets nationwide. The PSAs air in advertising space donated by the media. On a monthly basis, the Ad Council will provide a media detection report based on monitoring of 18 percent of the television and radio stations across the country. A quarterly report will combine this monthly raw data with station self-reporting which will produce an accurate estimate of final detections and donated media value. During the month of August 2010, in 18 percent of the markets, the Ad Council reports significant and above-average media pickup compared with other Ad Council campaigns. The pickup was immediate and the airings were at least three to four times higher than Treasury saw

with the refresh campaign. Additionally, in August, in terms of out-of-home advertising, the Ad Council reports 240 orders for billboards and bus shelters.

Treasury continues to work with government agencies, GSEs and non-profit partners such as NeighborWorks America to raise awareness about the increasing number of scams, the changing nature of scams and to remind homeowners that there is no charge to apply for the Making Home Affordable Program.

Recommendation 3 [re HAMP]: 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 by receiving Government subsidies without applying them for the benefit of the homeowner.

Treasury's Program Administrator for HAMP, Fannie Mae, has contracted with a vendor to design a fraud detection application and has established associated processes focusing on borrower identity. The application was tested, and a pilot, using IR2 new trial data from two servicers, started at the beginning of September 2010. When borrower identity discrepancies or potential misrepresentations are identified, servicers will be notified through the application and will be required to take appropriate action to resolve the discrepancy prior to any incentive being paid.

Treasury's Compliance Agent for HAMP, Making Home Affordable – Compliance (MHA-C), a separate division of Freddie Mac, has developed procedures to verify that incentives paid to servicers are accurately applied to the respective borrower participating in HAMP during its servicer compliance reviews. MHA-C selects and reviews a sample of mortgage loans serviced by participating servicers. MHA-C then compares the source information from the loan files to IR2 to validate existence. In addition, for loans that have passed the first (to fifth) modification anniversary date, MHA-C assesses the servicers' controls and processes for appropriately applying such borrowers' reduction in principal and, for a selected sample of loans, determining whether the servicers appropriately reduced those borrowers' principal amount of the loans. MHA-C also reviews on a sample basis the investor payments remitted to the servicer to verify that servicers are not retaining these incentives. Additionally, MHA-C will receive reporting from the Fannie Mae surveillance application described above, once the process is implemented across all servicers, and will randomly sample loans to ensure the servicers have appropriately resolved flagged items.

Recommendation 4 [re HAMP]: Treasury should set other performance benchmarks and publicly report against them to measure over time the implementation and success of HAMP.

Since the inception of the program, indicators of performance have been monitored closely, and Treasury has published extensive information about performance. To ensure accountability, Treasury's website, www.FinancialStability.gov, provides transparency for a wide range of programs, including HAMP, with all monthly MHA Public Reports and program fact sheets.

Treasury has also established two additional websites to provide information about MHA – www.hmpadmin.com and www.MakingHomeAffordable.gov. These websites include comprehensive documentation and information about MHA with complete lists of all servicers participating in the program, copies of all contracts signed by servicers, the Supplemental Directives (SDs) that establish additional requirements for MHA, hundreds of frequently asked questions, a white paper describing the Net Present Value (NPV) test methodology, and all borrower application documents.

The Monthly MHA Public Report currently includes a variety of performance metrics including but not limited to, the number of trial and permanent HAMP modifications, modification activity by servicer, how canceled trial modifications are being disposed, mortgage delinquency by state, HAMP activity by State, HAMP eligibility of delinquent loans and compliance review of homeowners not selected for HAMP modifications. Treasury continues to enhance its data collection efforts, as well as its public disclosure of key operational metrics. Treasury's servicer survey has recently been expanded to include timely information on newly implemented programs such as FHA-HAMP, 2MP, HAFA and UP, while the MHA Public Report (www.financialstability.gov/docs/AugustMHAPublic2010.pdf) now includes data on incoming borrower calls, complaint volumes and resolution times for escalated issues. With the additional performance metrics being collected and compiled, Treasury plans to publish servicers' efforts towards these new measures, as well as continuing to publish already established metrics.

Recommendation 5 [re: HAMP]: Treasury should publish for each HAMP program and subprogram the anticipated costs and expected participation in each and that, after each program is launched, it reports monthly as to the programs' performance against these expectations.

Treasury, in its monthly 105a report, publishes the total amount of funds disbursed for the housing programs as well as a breakout of the obligation by the three major programs: HAMP, Help for the Hardest Hit Markets (Hardest Hit Fund) and the FHA Letter of Credit. The 105a report is available on our website www.financialstability.gov. In addition, Treasury provides the cap allocations for HAMP and related programs on www.FinancialStability.gov. We will update these cap allocations quarterly as these programs mature and servicers revise their estimated eligible loan populations. In the case of the Hardest Hit Fund, we have published state allocations of funds and will consider what additional data to provide as these programs ramp up.

With respect to performance goals, we refer you to the TARP Retrospective Report recently published by Treasury which discusses the TARP housing programs in detail, the policy rationales behind them, and the effects of the programs on the markets. The report discusses the establishment of the MHA goal of offering help to 3-4 million people, the various ways of measuring the impact of the program, and the issues that arise in measuring performance against a numerical standard.

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We also refer you to the monthly report Treasury publishes on program performance. This provides 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 MHA program. The information contained in this report is quite detailed as noted above. It includes, among other things, detailed statistics on trial and permanent modifications as well as servicer-specific progress on conversion from trial modifications to permanent modifications, aged trial modifications as well as survey data on how homeowners in canceled HAMP trials are disposed. We have added additional metrics and sections to the report as more data becomes available. Our latest report includes additional information about servicer-specific "second look" compliance reviews and a description of areas of compliance activity emphasis, which we will continue to publish on a quarterly basis.

Finally, we note that insofar as the rationale for SIGTARP's proposal for numerical goals is to promote accountability in the use of taxpayer funds, we believe a key means to achieve such accountability is the "pay for success" design of the program, which insures that funds are disbursed only to the extent that permanent modifications are entered into and sustained.

Recommendation 6 [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 has and continues to develop a robust monitoring program to review the effectiveness of the PPIF managers and to ensure that each manager fulfills its obligations to the program. Since the inception of the program, Treasury professionals have held monthly calls with each PPIP fund manager to review fund performance, their assessment of RMBS and CMBS fundamentals and risks as well as their positioning of the PPIF. Treasury also monitors each PPIF's asset coverage ratio to ensure that Treasury's debt investment is adequately protected. Over time, Treasury will review each PPIF's net internal rate of return to Treasury relative the returns that each fund manager proposed during the pre-closing process and the basis on which each fund manager raised equity capital from their private limited partners.

Treasury cautions that PPIFs are absolute return investment strategies and due to the type of securities eligible for investment and the structure of these funds, it is difficult to specify a benchmark that is directly comparable by which the performance of a PPIF can be measured. Performance will also vary among PPIFs due to different risk/return objectives, leverage ratios and sector allocations, among other reasons. Moreover, PPIFs are still in the early stages of their three-year investment periods and early performance may be disproportionately impacted by structuring and transaction costs and the pace of capital deployment by each PPIF. Because of this, we believe that any performance analysis done on these funds at this stage is of limited value and it would be premature to draw any long-term conclusions about the performance of individual PPIFs or PPIP in general from the data reported to date.

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Over time, as performance data becomes more meaningful, Treasury will begin to review each PPIF's net internal rate of return relative to proposed returns to private limited partners as well as additional analytics and risk metrics. In connection with this, Treasury is working with its fund advisor, Ennis Knupp, to identify a subcontractor to assist with providing these analytics and metrics on the PPIP portfolio, which will include risk assessments, intrinsic valuations (including expected losses) and scenario/sensitivity analyses on each of the PPIFs as well as the PPIP portfolio as a whole. By doing so, Treasury expects to enhance its existing monitoring capabilities regarding the effectiveness of each PPIF and the business risks to the program as a whole. This process is ongoing and a subcontractor is expected to be selected by December 2010.

Treasury's monitoring program and internal controls procedures combined with the analytics support and expertise of a third party subcontractor will help ensure that the PPIP 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. In addition to the asset management monitoring procedures finalized as of June 2010, Treasury has finalized procedures related to Treasury's oversight of the compliance requirements of the PPIP.

Recommendation 7 [re CDCI Program]: 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.

Funding under this program was completed as of September 30, 2010. To implement SIGTARP's recommendation Treasury developed controls to verify the source, amount, and ranking of each private investment made pursuant to the matching capital provisions of the program. These controls included a review of relevant legal documents, a due diligence check on all sources of new matching capital, as well as a validation that the matching capital originated from sources identified. Two CDCI participating institutions received matching capital funds and in each case Treasury performed the due diligence check as described herein.

Recommendation 8 [re Warrant Dispositions]: 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 reviewed its procedures for sharing information with institutions in light of SIGTARP's recommendation. While we believe that sufficient internal controls are in place, such as the warrant committee review and third party valuations, to ensure adequate consistency in the negotiation process itself, we will formalize the manner in which we communicate with issuers that are looking to repurchase their warrants in order to address SIGTARP's concerns.

Treasury will use the following procedures in its communications and information sharing with issuers: (1) Treasury will not discuss any specific valuation or valuation range with an issuer prior to receiving a bid; (2) Treasury will initially only discuss warrant value inputs and its valuation methodologies in attempt to clarify issuer questions; (3) Treasury personnel will only discuss specific valuation ranges (or other information deemed helpful to Treasury's negotiating position) after approval is granted from the warrant committee. Any such additional information shared with an issuer will be recorded in the warrant committee minutes.

As we have previously stated, 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.

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

Secretary Timothy Geithner
Office of the Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

OCT 13 2010

Dear Secretary Geithner:

I write with respect to Treasury's recent publication of loss estimates for Treasury investments in AIG. I am concerned that those estimates may create confusion about the status of the American people's investment in AIG.

As we understand it, previous Treasury loss estimates for AIG under the Troubled Asset Relief Program ("TARP"), including the March 31, 2010, estimate of $45.2 billion, have accounted for a broad range of factors that might affect the value of Treasury holdings. The most recent cost estimate of $5 billion, however, values shares based solely on the recent market closing price of AIG's common stock.[1] Treasury has informed The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") that because, among other things, it was still speculative as to whether all of the recapitalization conditions would be met, whether the recapitalization transactions would occur, and whether the common stock price would stay at its current level, this "new" methodology would not be used in its audited financial statements, in which Treasury intends to continue to use the older methodology. Treasury also informed SIGTARP that the Office of Management and Budget ("OMB") will also be using the older methodology in its assessment of the costs associated with Treasury's support of AIG, for similar reasons. The potential harm from Treasury's failure to prominently disclose the change in its methodology may be magnified by Treasury's repeated comparisons of these "new" projected losses with "old" projections. Without correction, this may render Treasury vulnerable to the charge that it is changing its methodology, without adequate disclosure, in order to create a more favorable impression of AIG's and TARP's projected losses. Accordingly, SIGTARP recommends that Treasury take prompt action to rectify the problem by prominently publishing an explanation of its change in methodology along with a side-by-side comparison of the loss projection under the prior methodology.[2]

[1] In its recent "Two Year Retrospective," Treasury did disclose its new valuation methodology, but it did not disclose that its methodology had changed.

[2] SIGTARP also requests an immediate briefing from Treasury on the different methodologies Treasury has used to calculate loss estimates for AIG.

Secretary Geithner
Page 2

We are of course available to discuss this issue more fully at your convenience.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

cc:
Timothy Massad, Acting Assistant Secretary for Financial Stability

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

October 14, 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 Disclosure of Individual Securities-Level Positions in the Public-Private Investment Program

Dear Mr. Barofsky:

Thank you for sharing your plan to publish additional information regarding the securities held in the Public Private Investment Program (PPIP) as part of your upcoming October 2010 Quarterly Report. As we told your staff on Friday, October 8, 2010, we remain concerned about the level of disclosure contemplated at this time, even with the additional safeguards that you have proposed.

We strongly believe that the proposed public disclosure on PPIP transactions could provide a material economic windfall to sophisticated financial investors, including Wall Street investment banks and broker-dealers, hedge funds and non-PPIP asset managers, allowing them to "piggy back" on the work of our eight PPIF fund managers at the expense of the PPIFs and taxpayers. It could have the added effect of increasing volatility in CMBS and RMBS markets. We believe the additional disclosure may encourage "front running" (specifically, the buying or selling PPIF-held securities by non-PPIP investors in advance of the PPIFs), limiting a PPIF's negotiating leverage in the market and potentially harming taxpayer returns from each PPIF. The disclosure could also reduce the ability of PPIFs to invest additional capital at attractive prices and sell securities at prices that maximize profits to taxpayers. This could restrict the number of market participants willing to trade with the PPIFs, as brokers may be reluctant to participate in transactions with PPIFs if prices at which they offered securities to the PPIFs were disclosed.

Based on our discussions with the PPIP fund managers, we understand that sophisticated investors can easily analyze this proprietary data and develop trading strategies that negatively impact the PPIFs, especially when comparable information is not disclosed publicly by non-PPIP investors. Even with a lag, the PPIFs are predominantly "buy and hold" investment strategies and therefore, may continue to hold a substantial number of the securities reported. Many of these securities are traded infrequently, making the simple disclosure that the security is held by any PPIF damaging to potential future purchases or sales of such a security by the PPIFs. In short, disclosing such information at this time could compromise a number of the program's objectives and harm returns to taxpayers by putting the PPIFs at a competitive disadvantage to other market participants. In our view, public disclosure should continue to focus on program-

level information as opposed to individual securities-level data, at least until such disclosure would not harm the competitive positioning of the PPIFs and returns to taxpayers.

Of course, we also understand and support increased transparency for PPIP. In order to increase public disclosure, but also protect the financial interests of taxpayers, we propose that SIGTARP postpone publishing any detailed information regarding PPIP transactions until all eight PPIFs have drawn ninety percent of their committed capital or June 30, 2011, whichever date is earlier. The additional time period will allow the PPIFs to prepare for the impact that such disclosure may have on their funds and provide them with a reasonable amount of time to ramp-up their investment strategies. At that the end of that period, we would propose that SIGTARP release PPIP transactional information subject to your proposed safeguards as well as additional redactions of purchase price, accrued interest, and factor. Please note that we continue to believe that any public disclosure at any time could allow sophisticated financial investors to profit at the expense of taxpayers. However, we believe that a delayed disclosure will mitigate that concern, and it will balance appropriately the interests of greater transparency and protecting the taxpayers' financial investment in PPIP.

Sincerely,

Timothy G. Massad
Acting Assistant Secretary for Financial Stability

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

October 19, 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 Recommended Disclosure on Loss Estimates for Treasury Investments in AIG

Dear Mr. Barofsky:

Thank you for your recent letter to Secretary Geithner concerning Treasury's loss estimates for its investments in AIG. We share your interest in communicating clearly with the American people about the value of Treasury's investment in AIG. Simply stated, there has not been any change in our established valuation methodology.

Treasury has disclosed its established valuation methodology in various public reports, including the OFS Agency Financial Report for Fiscal Year 2009 (FY 2009 Report) and the "Methodology to Calculate Estimated TARP Cost" released on May 21, 2010 (Methodology Paper). Both the FY 2009 Report and the Methodology Paper clearly state that investments in common stock are valued at the market price of that common stock.

In Treasury's recent two-year TARP retrospective, we value our AIG investment on the assumption that the restructuring transaction—which was announced on September 30, 2010—will close and Treasury's preferred stock will be exchanged for common stock. The report notes that the valuation is based on this assumption. It then applies our established methodology and values Treasury's investment, in part, using the current market value of the common stock that Treasury will receive in the restructuring transaction.

We will provide additional information about the valuation in the OFS Agency Financial Report for Fiscal Year 2010, which will be released in early November. For purposes of the audited financial statements contained in that report, and in accordance with guidance from the Government Accountability Office (GAO), we will not assume that the restructuring transaction has closed, because there are a number of closing conditions yet to be met and the transaction is not scheduled to formally close until the first quarter of 2011. However, we will provide, as GAO has requested, a note that compares the valuation of Treasury's investment both before and after the restructuring has closed.

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Finally, your letter requests a briefing from Treasury. We hope that this letter answers your questions, but please feel free to contact my staff to schedule a briefing if you have any additional concerns.

Sincerely,

Timothy G. Massad
Acting Assistant Secretary for Financial Stability

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

October 22, 2010

Neil M. Barofsky
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: Response to SIGTARP October 2010 Quarterly Report to Congress

Dear Mr. Barofsky:

The Department of the Treasury (Treasury) appreciates the opportunity to review the recommendation section of the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) October 2010 Quarterly Report to Congress (Report), to be issued next week. This letter includes our comments on the recommendations and statements in Section 5 of the upcoming report regarding Treasury's disclosures about the Legacy Securities Public Private Investment Program (PPIP) and Office of Financial Stability's (OFS) processes for monitoring compliance with Troubled Asset Relief Program (TARP) requirements. We also describe our concerns about SIGTARP's proposed disclosures of cost estimates for the Making Home Affordable Program (MHA), its proposed disclosure of detailed information about transactions under the SBA 7(a) program, and its mischaracterization of the Small Business Lending Fund (SBLF) as part of the TARP. Finally, we briefly respond to SIGTARP's recommendations regarding the implementation of SBLF.

PPIP: We respectfully disagree with the statement in the Report that "Treasury has not committed to full transparency to show where public dollars are invested" in the Public Private Investment Funds (PPIFs). Treasury publishes quarterly reports that disclose: (1) capital activity by PPIF; (2) aggregate portfolio holdings of eligible mortgage-backed securities; (3) aggregate portfolio pricing of eligible mortgage-backed securities; and (4) cumulative investment returns to Treasury by PPIF. We also disclose monthly interest, dividend, and principal payments received by Treasury from each PPIF. Collectively, this information provides meaningful program-level information regarding the nature of investments made and returns generated to taxpayers in a manner that can be readily understood by key stakeholders.

The additional disclosure that you have proposed is specific holdings of each fund. We proposed publication of this detailed information be postponed until all eight PPIFs have drawn ninety percent of their committed capital or June 30, 2011, whichever date is earlier. Our concern is that disclosure of specific fund holdings now could enable sophisticated financial investors such as Wall Street brokers and hedge fund managers to "piggy back" on the work of our eight PPIF fund managers or encourage "front running" (specifically, the buying or selling PPIF-held securities by non-PPIP investors in advance of the PPIFs), limiting a PPIF's negotiating leverage in the market and potentially harming taxpayer returns from each PPIF.

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We believe our current level of disclosure is consistent with the legislative requirements in Section 402 of the Helping Families Save Their Homes Act of 2009. Specifically, this legislation requires, among other things, that:

> "[E]ach public-private investment fund to make a quarterly report to the Secretary of the Treasury (in this section referred to as the 'Secretary') that discloses the 10 largest positions of such fund (which reports shall be publicly disclosed *at such time as the Secretary of the Treasury determines that such disclosure will not harm the ongoing business operations of the fund*)." [emphasis added]

This statutory language makes clear that Congress recognized that disclosure of specific holdings could harm the operations of each fund and therefore it gave the Secretary the discretion to determine the timing of such disclosure. We believe that releases of detailed information about PPIP transactions will be appropriate once the PPIFs complete the ramp-up of their investment strategies and the program matures.

OFS Compliance Process: We appreciate SIGTARP's suggestions regarding the OFS compliance process. As described in our letter of August 5, 2010—which responded to recommendations in SIGTARP's audit report entitled *Monitoring Efforts of TARP Requirements over Companies Receiving Exceptional Assistance*—Treasury has designed an oversight process that is multi-faceted and includes due diligence on TARP contractual requirements, compliance reviews of companies' implementation of these requirements, and evaluations of their compliance with executive compensation rules. While we believe it is comprehensive, we are always open to constructive suggestions.

With regard to SIGTARP's recommendation on hiring additional compliance personnel, we will continue to seek qualified applicants. The temporary nature of OFS positions, the high demand in the private sector for employees with similar skills, salary constraints, and the fact that TARP is winding down create challenges. However, compliance is vital and we are committed to maintaining a sufficient staff.

Other Information in the Report: We wish to note the following concerns about some specific proposed disclosures:

> MHA Estimates: We understand SIGTARP intends to disclose a breakdown of the $29 billion allocated for MHA based on estimates by subprogram which we provided. These numbers do not represent budgets or targets for each of the subprograms. They were generated in order to determine the amount of the "cap"—or budget—for each servicer as of September 30, 2010—numbers which we disclose. SIGTARP's proposed presentation may lead readers to think that they are budgets or targets for the various component pieces, however. Note that the actual amount spent for each subprogram will depend on a variety of factors, including interest of homeowners, housing market conditions, availability of alternatives, efficiency of execution by servicers, and general level of activity by each servicer. Note also that the $29 billion allocated for MHA will be reallocated periodically, both (1) among participating servicers, pursuant to a cap reallocation model and (2) across each servicer's various subprograms, including the Home Affordable Modification Program, the Second Lien Program, and Home Affordable Foreclosure Alternative Program. It would be unwise to draw any

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conclusions based upon the September 30, 2010 numbers. Several of the subprograms are in their initial stages and it is difficult to predict usage. Additionally, incentive payments to investors could vary substantially depending on what is needed to reduce homeowners' mortgage payments from 38% to 31% of their income.

Detailed Information on SBA 7a Transactions: We are concerned that disclosure of detailed trading information (CUSIPs and counterparty identities) could cause material economic harm to the taxpayers' SBA 7a investment. Sophisticated investors such as Wall Street investment banks, hedge funds, and broker-dealers could use this information to their advantage, potentially limiting disposition options or portfolio returns by Treasury's financial agents. Therefore, the release of this information could allow sophisticated investors to benefit at the expense of taxpayers. We already provide details for each SBA 7a transaction in our Transaction Reports, including a description of the SBA 7a investment, purchase price and amount, settlement date and investment proceeds. This information is currently available on our website at www.financialstability.gov.

Classification of the SBLF: We previously noted that Section 2.2.3 of the Report—which is entitled "Financial Institution Support Program"—includes the SBLF in a list of TARP programs. As Section 5 of the Report expressly acknowledges, the SBLF is outside of TARP. It is authorized by recent legislation separate from the Emergency Economic Stabilization Act of 2008. Therefore, we believe that Section 2.2.3 is misleading and is likely to confuse the public. We renew our request that SIGTARP remove the SBLF from this list of TARP programs.

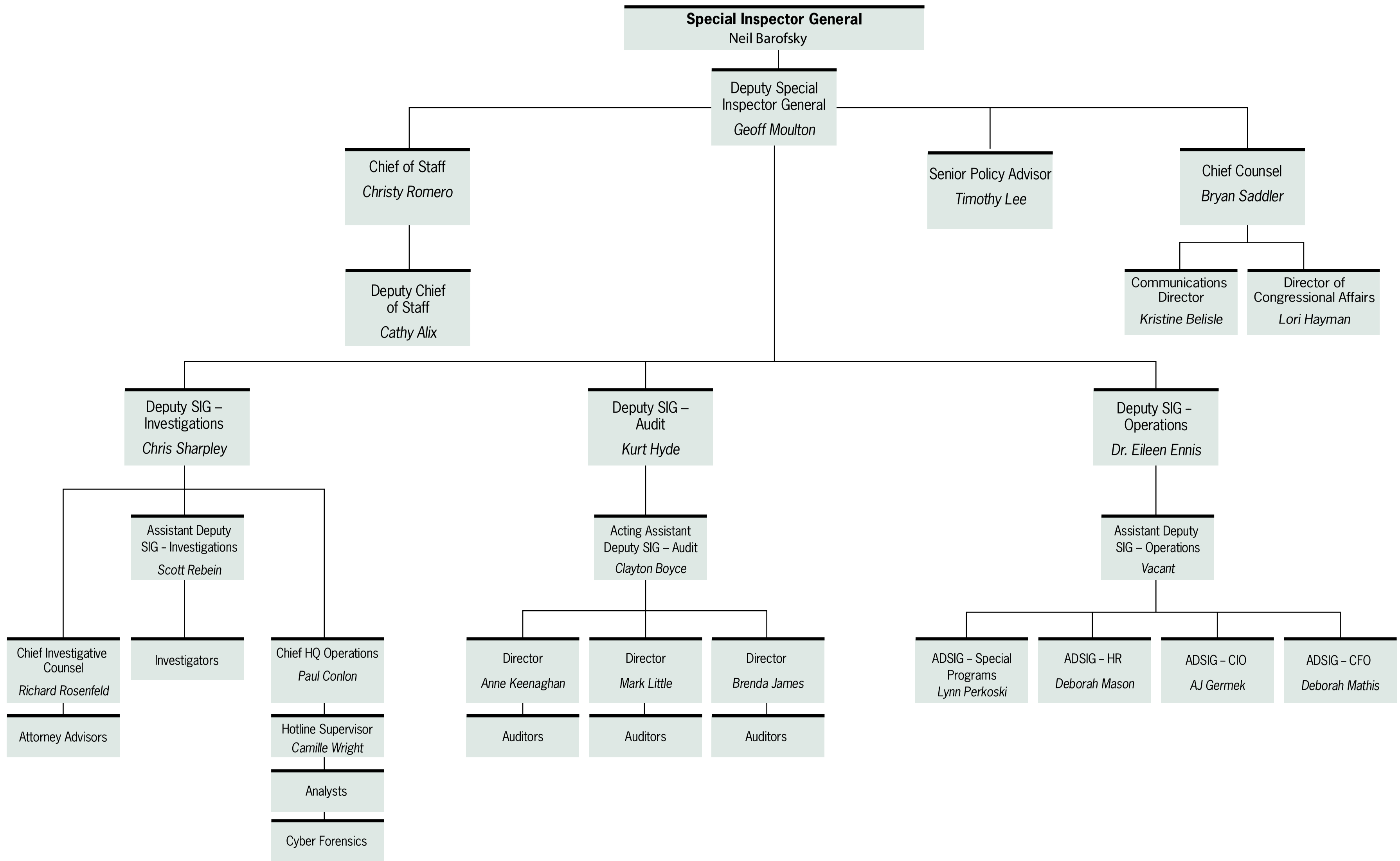
SBLF: In its Report, SIGTARP offers three recommendations regarding Treasury's implementation of the SBLF. Treasury appreciates SIGTARP's interest in these issues. As you know, the SBLF was signed into law very recently, on September 27, 2010. Moreover, as noted above, the SBLF is outside of TARP and therefore will not be implemented by the Office of Financial Stability. Accordingly, we have shared SIGTARP's recommendations with the relevant Treasury personnel, and we expect they will consider these issues as they work to implement the statute.

We appreciate the opportunity to respond to your report. We look forward to continuing to work with you and your team as we move forward.

Sincerely,

Timothy G. Massad
Acting Assistant Secretary for Financial Stability

ORGANIZATIONAL CHART



Note: SIGTARP organizational chart as of 9/30/2010.

SIGTARP

SIG-QR-10-04

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