U.S. Treasury Department

100 Days Progress Report

April 29, 2009

Overview

From the beginning of this Administration, we have confronted extraordinary challenges: a severe recession here and around the world; a catastrophic loss of trust and confidence in our financial system; unprecedented foreclosure rates; small businesses struggling to stay afloat; millions of Americans worried about losing their jobs and their savings; and a deep uncertainty about what tomorrow holds. The current economic challenges that the United States faces requires bold and comprehensive action. Treasury has responded to these challenges with a number of programs and initiatives to reignite growth, restore our financial system, and strengthen the economy. Historically, the Treasury Department has affected Americans in their daily lives in many different ways - it collects the taxes that build the roads, funds health care programs and protects our security. But under this Administration and during these crucial times, Treasury is helping individuals and families in even more immediate ways. With meaningful tax credits putting money back into hardworking Americans' pockets, strong leadership in the global economic crisis and new comprehensive programs that help stabilize the economy, implementation of financial regulatory reform, and Treasury's work with agencies across the government on issues like mortgage foreclosure prevention – Treasury is acting to address all facets of this complicated economic crisis. While there is still more work to be done, Treasury has accomplished more in these first weeks than many countries accomplish in years, and we will continue to work at an unprecedented pace to restore balance and growth to our economy.

Restoring Balance & Growth To Our Economy

Putting Money Back Into The Pockets Of Hardworking Americans

Treasury has played a critical role in the implementation of key provisions of the American Recovery and Reinvestment Act (Recovery Act). Treasury and the IRS are responsible for implementing more than 30 tax changes that will provide relief to the American taxpayer. Under the Recovery Act, 70% of the tax benefits go to the middle 60% of American workers and an estimated 2 million families will be lifted out of poverty as a result of Recovery Act tax cuts. Furthermore, it is estimated that over 1 million jobs will be saved or created from these tax cuts alone.

SAMPLE FAMILY	TAX CUT UNDER RECOVERY ACT
Married couple with 2 children. Income: $120,000	**$800** ($800 from Making Work Pay Credit)
Married couple eligible for first time Homebuyer's Credit with 2 children Income: $60,000	**$8,800** ($800 from Making Work Pay Credit and $8,000 from Homebuyer's Credit)
Married couple with 3 children, all eligible for the Child Tax Credit and EITC. Income: $30,000	**$2,172** ($800 from Making Work Pay Credit, $1,025 from EITC increase, and $347 from Child Tax Credit increase)
Married Couple with a Child who is a Full Time Student with $4,000 in Education Expenses Income: $90,000	**$1,500** ($800 from Making Work Pay Credit, $700 from increased American Opportunity Tax Credit)

- **Making Work Pay Tax Credit:** The Making Work Pay (MWP) Tax Credit provides a tax credit for more than 95% of working families – over 120 million households - in the United States, providing up to $400 for working individuals and $800 for working couples, and increasing families' net income by more than $65/month. According to ADP, the nation's largest payroll service provider, more than 80% of workers paid through ADP received the MWP tax credit in paychecks dated March 1 or later and essentially all their clients began using the new withholding tables by March 6th. During the recovery period, MWP is expected to put more than $100 billion into the pockets of hard-working Americans.

- **Expansion Of The First-Time Homebuyer Tax Credit:** On February 25, 2009 Treasury announced the expansion of the First-Time Homebuyer Tax Credit which allows eligible taxpayers to receive a tax credit of up to $8,000 on either their 2008 or 2009 tax returns. Unlike with the prior first-time homebuyer credit, individuals do not need to pay this credit back. This credit will contribute to stabilizing the housing market and is estimated that it will help 1.4 million Americans purchase their first home by providing over $6.5 billion in credits. Over $3 billion of credits have already been paid out to first-time homebuyers.

- **The American Opportunity Tax Credit:** The American Opportunity Tax Credit provides up to $2,500 to help offset the cost of tuition and other expenses for individuals seeking a college education. This new credit is available for up to four years of college and is the first college tax benefit to be partially refundable so that it will benefit moderate-income households as well. It is expected to save 4.9 million families $9 billion.

- **Increased Earned Income Tax Credit:** The increased Earned Income Tax Credit raises the maximum credit for families with 3 or more children to $5,657 and reduces the EITC related marriage penalties by increasing the number of families who receive the maximum benefit. Overall, 6.3 million low-income families with 12.7 million children will benefit from these two changes.

- **Increased Refundability Of Child Tax Credit:** The increased refundability of The Child Tax Credit will increase tax refunds for more than 11 million low-income families. This increase in eligibility will put almost $18 billion into the pockets of families most likely to spend the money and stimulate the economy.

- **Build America Bonds:** The Build America Bonds and School Bonds program was introduced to help states and localities pursue needed capital projects, such as infrastructure development and public school construction. Over $8 billion of BABs have been sold. Some have estimated that over the next year to 18 months, between $100 billion and $150 billion will be sold into the market.

- **Subsidy For Cobra Continuation Premiums:** The Recovery Act provides a 65% subsidy for COBRA continuation premiums for up to 9 months. This subsidy is expected to provide approximately $24 billion in benefits to more than 5 million individuals and families that have recently lost jobs that provided them with health benefits.

- **Payment For Retirees:** The Recovery Act provides a one-time payment of $250 to over 64 million retirees and other individuals – providing total assistance of $16 billion.

- **Auto Sales And Excise Tax Deduction:** The Auto Sales and Excise Tax Deduction will save an estimated 7.8 million consumers $1.6 billion throughout the recovery period.

- **Carryback Option For Net Operating Losses:** Under the Recovery Act, small businesses are estimated to receive $3.4 billion this year as part of an optional carryback of net operating losses.

- **Extension Of Bonus Depreciation:** The extension of the bonus depreciation is estimated to help businesses save $34 billion during the recovery period.

- **Millions For CDFI Grants:** An additional $100 million in Community Development Financial Institutions grants are made available through the Recovery Act.

- **Billions For New Market Tax Credits:** An additional $3 billion in New Market Tax Credits which permit taxpayers to receive a tax credit for making qualified equity investments in designated Community Development Entities.

Developing Programs To Help Stabilize The Economy

The Financial Stability Plan (FSP) – and the steps we have taken since – are designed to address the problems created by the financial crisis and to restore balance and growth to our economy. Treasury, working with the Administration, has introduced a series of programs in efforts to provide a comprehensive approach that address all aspects – frozen securitized lending markets, doubts about capital, legacy assets - of this complicated economic crisis. The initial unveiling of the plan and each substantive announcement since then has helped to address the core issues of this financial crisis and get our economy back on track.

"We're doing more in weeks than other countries do in years"
- Secretary Geithner, March 10, 2009

Financial Stability Plan: On February 10, 2009, Treasury announced the Financial Stability Plan designed to attack the credit crisis on all fronts while protecting taxpayers and ensuring that every dollar is directed toward lending and economic revitalization.

- **Making Home Affordable Plan:** On February 18, 2009, Treasury introduced the Making Home Affordable Plan to provide assistance for up to 7 to 9 million homeowners by reducing monthly mortgage payments to sustainably affordable levels, preventing avoidable foreclosures and helping millions of Americans keep homes. The comprehensive plan includes: a Home Affordable Refinance Program, reaching up to 4 to 5 million homeowners, to allow borrowers with loans owned or guaranteed by the GSEs to refinance into lower monthly payments; a $75 billion loan modification program allowing up to 3 to 4 million at-risk homeowners to modify their monthly payment to more affordable levels and support for low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac. Since the introduction of the housing plan, interest rates on 30-year mortgages have dropped to an all-time low of 4.78% and refinancing rates across the nation have surged (Fannie Mae refinanced $77 billion in loans in March, its highest one month volume since 2003). Twelve servicers, including the five largest, have now signed contracts and begun modifications under the program. Between loans covered by these servicers and loans owned or securitized by Fannie Mae or Freddie Mac, more than 75 percent of all loans in the country are now covered by the Making Home Affordable Program. In addition, Treasury, along with Department of Housing and Urban Development, have launched a borrower website, MakingHomeAffordable.gov, to provide information about the housing program and allow borrowers to assess their eligibility for the program using interactive self-assessment tools. Since launch, the site has had over 11.2 page views.

- **Capital Assistance Program:** On February 25th, 2009, Treasury launched the Capital Assistance Program (CAP) to ensure that financial institutions have enough capital to lend even during tougher than expected economic times by requiring that banks maintain a capital buffer. Many banks will not need additional capital, but if an additional buffer is needed, Treasury will make government capital available as a bridge. The results of the stress tests will be announced on May 4th and banks that require an additional capital buffer will be able to apply immediately for capital from the government. Banks will also have the option of delaying government assistance for 6 months if they choose to try and raise additional capital privately.

- **Consumer and Business Lending Initiative:** On March 3, 2009, Treasury introduced the Consumer and Business Lending Initiative (CBLI) which included the Term Asset Backed Securities Loan Facility (TALF) - specifically developed to help improve credit market conditions by addressing the securitization markets. Since its introduction, TALF has been credited for substantially tightening spreads in autos, credit cards, and student loan ABS. From their peak days, spreads have halved and financial institutions have credited TALF with the return of real money investors – the first step to restoring a true market. Spreads are estimated to have narrowed between 175 and 320 basis points. New car loan rates at auto finance companies have dramatically declined from 8.42% in December to the current level of 3.17%. In addition, over the past two months, there has been more issuance - $10 billion - of consumer asset-backed securities than in the previous five months combined.

  - *"The inaugural TALF sale was a success by any measure — more than $8 billion priced, in a total of four ABS transactions. Roughly $8 billion in one week is a very satisfactory number . . . Real money accounted for about 40% of purchases, which is a good sign that a good mix of investors are returning — the first step to restoring a true market. The meaningful presence of real money investors is great news because it demonstrates progress in restoring a genuine ABS market with a diverse investor base. But the true measure of the program's success for us remains the 200 to 300bp of spread tightening that the market underwent in the weeks ahead of the program implementation. Going forward, we expect TALF's loan facility will attract even stronger interest from hedge funds and other leveraged investors."* – April Citi report

  - *"Media coverage would lead one to believe TALF has been a near flop, but a closer look at ABS market conditions and the eight ABS deals (five of which were auto related) done since TALF was launched suggests the program has, in a measured but very clear way, helped improve ABS market conditions and that it is likely to improve conditions further."* – April J.P. Morgan Report

- **Small Business Initiative:** Another part of CBLI focuses on helping small businesses recover and grow. 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. These purchases, combined with higher loan guarantees and reduced fees, will help provide lenders with the confidence that they need to extend credit, knowing they both have a backstop against their risk and a source of liquidity.

- **Public-Private Investment Program:** On March 23, 2009, Treasury introduced the Public-Private Investment Program (PPIP) to address the troubled assets clogging the balance sheets of financial institutions. PPIP ensures that private sector participants invest alongside the taxpayer with the private investors standing to lose their entire investment in a downside scenario and the taxpayer sharing in profitable returns.

  - **Bill Gross, Chairman Of Pimco** called PPIP a "win-win-win policy" and said his firm was "intrigued by the potential double-digit returns"

  - **Laurence D. Fink, Chairman of BlackRock** said his firm would invest in a broad range of mortgages and related securities through the Treasury plan. BlackRock is also exploring ways to set up mutual funds that would allow individual investors to participate.

- **Auto Supplier Support Plan:** On March 19, 2009, Treasury announced the Auto Supplier Support Plan which provides up to $5 billion in financing to ease the credit and liquidity problems faced by automotive suppliers.

- **New Path to Viability for GM & Chrysler:** The Presidential Task Force on the Auto Industry, which Secretary Geithner leads with NEC Director Summers, first convened as a Cabinet-level group on February 20, 2009 to address the issues affecting the American auto industry and the need for fundamental restructuring to achieve long-term viability. Since laying out a new finite path forward for both General Motors and Chrysler on March 30th to restructure and succeed, the Task Force has been working around the clock with both companies and their stakeholders to address the challenges facing the domestic auto industry. Each company has been given a set period of time and an adequate amount of working capital to establish a new strategy for long-term economic viability. In addition, on March 19, 2009, Treasury announced the Auto Supplier Support Plan which provides up to $5 billion in financing to ease the credit and liquidity problems faced by automotive suppliers. Additionally, through the Term Asset-backed Securities Loan Facility (TALF), the Administration has taken steps to unfreeze credit markets. For example, the rates at which auto finance companies are willing to extend loans has dramatically declined from 8.42 percent in December to its current level of under 3.5 percent.

- **Extended Federal Guarantee:** On March 21, 2009, Treasury extended the federal guarantee of money fund assets through September 18, 2009 in order to support ongoing stability in financial markets. As a result of the extension, the temporary guarantee program will continue to provide coverage to shareholders up to the amount held in participating money market funds as of close of business on September 19, 2009.

Implementing Regulatory Reform For Long-Term Economic Security

Treasury and the President's Working Group on Financial Markets are continuing to develop the Administration's four-part regulatory reform strategy: (1) addressing systemic risk; (2) protecting consumers and investors; (3) eliminating gaps in our regulatory structure; and (4) fostering international cooperation.

- On March 26, 2009, Secretary Geithner presented to the House Committee on Financial Services details of the Administration's plan to regulate systemic risk and protect the financial system and broader economy from the potential failure of large complex financial institutions. During his testimony, Secretary Geithner outlined the following necessary steps in order to address the issue of systemic risk:

  - A Single Independent Regulator With Responsibility Over Systemically Important Firms and Critical Payment and Settlement Systems
  - Higher Standards on Capital and Risk Management for Systemically Important Firms
  - Registration of All Hedge Fund Advisers With Assets Under Management Above a Moderate Threshold
  - A Comprehensive Framework of Oversight, Protections and Disclosure for the OTC Derivatives Market
  - New Requirements for Money Market Funds to Reduce the Risk of Rapid Withdrawals

- Treasury called for new legislation granting additional tools to address the failure of systemically significant financial institutions that falls outside the existing FDIC resolution regime. Such legislation would fill a significant void in the current financial services regulatory structure and is one piece of a comprehensive regulatory reform strategy that will mitigate systemic risk, enhance consumer and investor protection, while eliminating gaps in the regulatory structure. More specifically, the legislation would:

  - Grant the US government resolution authority, which would allow the government to put the firm into conservatorship or receivership and then to administer its effective, orderly reorganization or wind-down.

- Enable the government to reduce the need for taxpayer funds. For example, it would enable the federal agency acting as conservator or receiver to sell or transfer the assets or liabilities of the institution in question, to renegotiate or repudiate the institution's contracts (including with its employees), and to address the derivatives portfolio, thus reducing the potential for further disruption

Global Leadership During The Economic Crisis

The Administration has provided global leadership in response to the economic crisis. Treasury has contributed to this success through our work with other countries, International Financial Institutions, Multilateral Institutions, and bilateral relationships. Whether it's reforming the financial systems or increasing demand to jumpstart economies, we have recognized that the health of the U.S. economy depends on the global economy and vice versa, and we've worked non-stop with leading economies across the world to break the back of this global crisis.

❖ At the G-20 Summit in London this March, Treasury secured agreement on a major increase, up to $500 billion, in supplemental resources for the International Monetary Fund for the "New Arrangements To Borrow," to meet the financing needs of emerging markets and developing countries in times of crisis; $250 billion general allocation of "Special Drawing Rights" to provide further liquidity support to emerging markets; and $6 billion in concessional resources for low-income countries. Through Treasury's leadership, the Financial Stability Forum members agreed to expand membership to include all G20 countries that are not currently members, and Spain and the European Commission – demonstrating the greatest international cooperation since World War II.

  - *"We believe it is important for G20 nations to commit to substantial and sustained actions for a period that matches the likely duration of the crisis. . . "There has been a lot of talk of reform. Now is the time for action,"* – Secretary Geithner, March 11, 2009

❖ Treasury developed a G20 agreement to provide $250 billion in trade financing over the next two years. U.S. efforts will focus on increasing working capital for U.S. businesses, increasing financing for exporters, and implementing a liquidity initiative to increase the volumes of private bank financing for exporters. This is a crucial step in restoring U.S. exports to one of the fastest growing sectors in our economy. Since mid 2008, export growth has slowed considerably as demand abroad has weakened. This boost in trade financing is a sign that nations are working together and laying the groundwork for long-term growth and stability in the global economy.

Working With Other Agencies As Part Of A Comprehensive Approach To Economic Recovery

❖ Treasury is working hand-in-hand with HUD to implement key provisions of the *Making Home Affordable* program.

❖ As Chair of the President's Auto Task Force, Secretary Geithner is working closely with other members of the Administration to evaluate and determine a pathway to sustainability for General Motors and Chrysler.

❖ The Treasury, Justice, HUD, and FTC as well as the Illinois Attorney General announced a major coordinated effort to combat foreclosure rescue scams and protect consumers.

❖ Treasury and the Department of Agriculture are cracking down on millionaires who receive farm subsidies by mistake.

❖ Treasury officials have expanded utilization of financial enforcement measures such as the Kingpin Designation act, Specially Designated Narcotics Traffickers, and other tools provided by statute or executive order to combat illicit transactions and cut off the funds of those responsible for the illegal drug trade. On April 16th, 2009, Treasury froze the assets of three "Kingpin" Mexican drug cartels

- Treasury, working in close coordination with the New York County District Attorney's Office, designated one Chinese and six Iranian entities under Executive Order 13382, freezing any assets of the individuals or any of the entities, for their connection to Iran's proliferation network.