SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM

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
January 30, 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

Well into its second year of operations, the Troubled Asset Relief Program ("TARP") remains a vitally important part of the Federal Government's response to the economic crisis, and the formal extension of TARP by the Secretary of the U.S. Department of the Treasury ("Treasury") on December 9, 2009, makes it clear that this role will continue well into 2010. The focus of TARP has begun to shift, however, as the early TARP programs that invested huge sums in banks are now closed to further investments and most of the largest bank recipients have repaid their TARP funds. Treasury has stated that, going forward, TARP will focus on foreclosure mitigation efforts, small-business lending, and a continuation of support for the asset-backed securities ("ABS") markets.

This time of transition provides an opportunity to take a step back and examine whether Treasury's efforts in TARP thus far have met the goals of the program. On the positive side, there are clear signs that aspects of the financial system are far more stable than they were at the height of the crisis in the fall of 2008. Many large banks have once again been able to raise funds in the capital markets, and some institutions — including some that appeared to be on the verge of collapse — have recovered sufficiently to repay their TARP investments years earlier than most would have predicted. These repayments and the sales of the warrants associated with them have meant that Treasury (and thus the taxpayer) has turned a profit on some of the individual TARP investments; as a result of these repayments, among other positive developments, it now appears that the ultimate cost of TARP to the American taxpayer, while still substantial, might be significantly less than initially estimated.

Many of TARP's stated goals, however, have simply not been met. Despite the fact that the explicit goal of the Capital Purchase Program ("CPP") was to increase financing to U.S. businesses and consumers, lending continues to *decrease*, month after month, and the TARP program designed specifically to address small-business lending — announced in March 2009 — has still not been implemented by Treasury. Notwithstanding the fact that preserving homeownership and promoting jobs were explicit purposes of the Emergency Economic Stabilization Act of 2008 ("EESA"), the statute that created TARP, nearly 16 months later, home foreclosures remain at record levels, the TARP foreclosure prevention program has only permanently modified a small fraction of eligible mortgages, and unemployment is the highest it has been in a generation. Whether these goals can effectively be met through existing TARP programs is very much an open question at this time. And to the extent that the Government had leverage through its status as a significant preferred shareholder to influence the largest TARP recipients to carry out such policy goals, it was lost with their exit from TARP.

As important as assessing the effectiveness of TARP programs is, in the final analysis, TARP can truly only be a success if TARP is both managed well *and* its

Moral Hazard: A term used in economics and insurance to describe the lack of incentive individuals have to guard against a risk when they are protected against that risk (for example, through an insurance policy). In the context of TARP, it refers to the danger that private-sector executives/investors/lenders may behave more recklessly believing that the Government has insulated them from the risks of their actions.

positive effects are enduring. The substantial costs of TARP — in money, moral hazard effects on the market, and Government credibility — will have been for naught if we do nothing to correct the fundamental problems in our financial system and end up in a similar or even greater crisis in two, or five, or ten years' time. It is hard to see how any of the fundamental problems in the system have been addressed to date.

- To the extent that huge, interconnected, "too big to fail" institutions contributed to the crisis, those institutions are now even larger, in part because of the substantial subsidies provided by TARP and other bailout programs.
- To the extent that institutions were previously incentivized to take reckless risks through a "heads, I win; tails, the Government will bail me out" mentality, the market is more convinced than ever that the Government will step in as necessary to save systemically significant institutions. This perception was reinforced when TARP was extended until October 3, 2010, thus permitting Treasury to maintain a war chest of potential rescue funding at the same time that banks that have shown questionable ability to return to profitability (and in some cases are posting multi-billion-dollar losses) are exiting TARP programs.
- To the extent that large institutions' risky behavior resulted from the desire to justify ever-greater bonuses — and indeed, the race appears to be on for TARP recipients to exit the program in order to avoid its pay restrictions — the current bonus season demonstrates that although there have been some improvements in the form that bonus compensation takes for some executives, there has been little fundamental change in the excessive compensation culture on Wall Street.
- To the extent that the crisis was fueled by a "bubble" in the housing market, the Federal Government's concerted efforts to support home prices — as discussed more fully in Section 3 of this report — risk re-inflating that bubble in light of the Government's effective takeover of the housing market through purchases and guarantees, either direct or implicit, of nearly all of the residential mortgage market.

Stated another way, even if TARP saved our financial system from driving off a cliff back in 2008, absent meaningful reform, we are still driving on the same winding mountain road, but this time in a faster car.

In this report, the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") endeavors to (i) explain the various TARP programs and how Treasury has used those programs through December 31, 2009; (ii) provide a description of the Federal Government support of the residential mortgage market; (iii) describe what SIGTARP has done to oversee the various TARP programs since its Quarterly Report to Congress dated October 21, 2009 (the "October 2009 Quarterly Report"); and (iv) provide updates on past recommendations relating to the operation of TARP.

PROGRAM UPDATES AND FINANCIAL OVERVIEW

TARP consists of 12 announced programs, of which 10 have been implemented. As of December 31, 2009, Treasury had announced programs involving potential spending of $549.4 billion of the $698.8 billion maximum available for the purchase of troubled assets under TARP as authorized by Congress in EESA. Of this amount, Treasury had planned TARP expenditures of approximately $500.1 billion through the 10 implemented programs to provide support for U.S. financial institutions, the automobile industry, the markets in certain types of ABS, and homeowners. As of December 31, 2009, 67 TARP recipients had paid back all or a portion of their principal or repurchased shares for an aggregate total of $165.2 billion of repayments and a $5.0 billion reduction in exposure, leaving $368.8 billion, or 52.8%, of TARP's allocated $698.8 billion available for distribution.

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 December 31, 2009, $12.9 billion in interest, dividends, and other income had been received by the Government, and $4.0 billion in sales proceeds had been received from the sale of warrants and preferred stock received as a result of exercised warrants. At the same time, some TARP participants have missed dividend payments: among CPP participants, 74 have missed dividend payments to the Government, some of which made the payments on a later date. As of December 31, 2009, there was $140.7 million in outstanding unpaid CPP dividends. Finally, three TARP recipients that received a combined $2.6 billion in TARP funds have filed for bankruptcy.

THE ROLE OF THE FEDERAL GOVERNMENT IN THE RESIDENTIAL MORTGAGE MARKET

The residential housing market is a huge part of our national economy, and problems in that market were a significant contributing factor to the current financial crisis. The Federal Government has long played an important role in financing residential housing, and that role has increased dramatically since the outset of the crisis — with the Federal Government and the organizations it backs now guaranteeing or insuring almost all net new borrowings for mortgages and mortgage-backed securities ("MBS"). In other words, the Government has done more than simply support the mortgage market, in many ways it has *become* the mortgage market, with the taxpayer shouldering the risk that had once been borne by the private investor. Housing and mortgage-related issues are critically important to several TARP programs, from the Asset Guarantee Program (which guaranteed a pool of mortgage-related assets), to the Home Affordable Modification Program (which modifies home mortgages), to the Public-Private Investment Program ("PPIP") (in which asset managers buy and manage MBS). Section 3 of this report describes the Federal Government's role in supporting mortgage financing so that the reader can better understand this market and the impact of the market on TARP and on the financial system in general.

Among other things, Section 3 describes the roles of the alphabet soup of Government and Government-backed agencies that support various stages of the residential mortgage market: the primary mortgage market through the insuring of certain mortgages by the Federal Housing Administration, the U.S. Department of Agriculture, and the U.S. Department of Veterans Affairs; and the secondary mortgage market through the guarantee of MBS by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and the Government National Mortgage Association ("Ginnie Mae") and the outright purchases of mortgages by Fannie Mae and Freddie Mac (with the Federal Home Loan Banks providing support by advancing funds on mortgage-related collateral). Section 3 also explains some of the steps that the Federal Government has taken to support home prices during the financial crisis, including: direct purchase of MBS through the Federal Reserve's Mortgage Purchase Program; support of the MBS portfolios of Fannie Mae and Freddie Mac through Treasury's repeated investments in the preferred equity of those companies; purchases of MBS in TARP's PPIP; and through tax subsidies in the form of the First-Time Homebuyer Tax Credit.

OVERSIGHT ACTIVITIES OF SIGTARP

Since the October 2009 Quarterly Report, SIGTARP has been actively engaged in fulfilling its vital audit and investigative functions. In that time, SIGTARP has issued three audit reports.

- **Federal Agencies' Oversight of American International Group, Inc. Executive Compensation**: This audit report, issued on October 14, 2009, examined the extent of the knowledge of and oversight by officials from the Federal Reserve, the Federal Reserve Bank of New York ("FRBNY"), and Treasury over compensation programs at American International Group, Inc. ("AIG"), and, specifically, $168 million in retention award payments made to employees of AIG Financial Products Corp. ("AIGFP") in March 2009. The audit concluded, among other things, that Treasury officials effectively outsourced oversight of AIG's compensation systems to the Federal Reserve, failing to take any independent steps to assess broadly the amount or scope of AIG's compensation obligations despite the $40 billion TARP investment in November 2008. As a result, senior Treasury officials were apparently not aware of the details of the March 2009 AIGFP payments until February 28, 2009. This meant that Treasury invested tens of billions of taxpayer dollars in AIG, designed AIG's contractual executive compensation restrictions, and helped manage the Government's majority stake in AIG for several months, all without having any detailed information about the scope of AIG's very substantial, and very controversial, executive compensation obligations. Treasury's failure in oversight potentially resulted in a missed opportunity to avoid the explosively controversial events surrounding the AIGFP retention payments that followed and created such considerable public and Congressional concern.

- **AIG Counterparty Payments**: On November 10, 2008, the Federal Reserve and Treasury announced the restructuring of the Government's financial support to AIG. As part of this restructuring, a special purpose vehicle, Maiden Lane III, purchased certain assets underlying AIGFP's credit default swap ("CDS") contracts from its counterparties using $24.3 billion of FRBNY financing in combination with a $5.0 billion equity investment from AIG. In exchange for this payment and being permitted to retain $35 billion in collateral payments already made (thus effectively being paid par or face value for the underlying assets), the counterparties agreed to terminate their CDS contracts with AIGFP. SIGTARP's audit, which was issued on November 17, 2009, found, among other things, that the terms of the original FRBNY financing did not result from independent analysis, but were simply an adoption of the term sheet from an aborted private financing discussion, and those terms, which included an onerous effective interest rate of 11%, made modification of the terms and further Government action inevitable. The audit also found that, in structuring Maiden Lane III, FRBNY attempted to obtain concessions, or "haircuts" from the CDS counterparties — and one counterparty was prepared to take a modest haircut — but the FRBNY's negotiating strategy was hampered by a series of policy decisions that severely limited its ability to obtain concessions, including its decision not to accept concessions unless concessions could be obtained from all of the counterparties, its refusal to use its leverage as regulator to some of the institutions involved, and its basic discomfort with interfering with the sanctity of the counterparties' contractual rights. These policy choices led directly to a negotiating strategy with the counterparties that even then-FRBNY President Geithner acknowledged had little likelihood of success. The audit further noted that although Mr. Geithner has denied that his intent was to benefit the counterparties, the overall structure of the AIG bailout resulted in AIG's counterparties receiving tens of billions of dollars they likely would not have otherwise received had AIG gone into bankruptcy.

- **Additional Insights on Use of TARP Funds**: Conducted as a follow-up to SIGTARP's earlier audit on TARP recipients' use of TARP funds, this audit report, issued on December 10, 2009, examined the use of TARP funds by six institutions — two automobile manufacturers (General Motors Corporation and Chrysler Holding LLC), two automobile financing firms (GMAC Inc. and Chrysler Financial Services Americas LLC), and two life insurance companies (The Hartford Financial Services Group, Inc. and Lincoln National Corporation). The six companies were able to provide useful insight on their actual or planned use of TARP funds. As discussed further in Section 5 of this report, in light of this audit and SIGTARP's prior recommendations on use of TARP funds, Treasury has adopted SIGTARP's recommendation that use of TARP funds be tracked, and it will be obtaining and reporting to the public qualitative responses from each TARP recipient on its use of TARP funds, backed by quantitative data obtained from the recipients' regulators and Treasury's own analysis.

Detailed descriptions of SIGTARP's recent audit reports, ongoing audits, and newly announced audits are contained in Section 1 of this report.

SIGTARP's Investigations Division has continued to develop into a sophisticated white-collar investigative agency. Through December 31, 2009, SIGTARP has opened 86 and has 77 ongoing criminal and civil investigations. These investigations include complex issues concerning 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, money laundering, and tax-related investigations. While the majority of SIGTARP's investigative activity remains confidential, developments in several of SIGTARP's investigations have become public over the past quarter as discussed more fully in Section 1 of this report.

A substantial number of SIGTARP's ongoing investigations were developed in whole or in part through tips or leads provided on SIGTARP's Hotline (877-SIG-2009 or accessible at www.SIGTARP.gov). From its inception through December 31, 2009, the SIGTARP Hotline received and analyzed nearly 9,900 contacts, running the gamut from expressions of concern over the economy to serious allegations of fraud.

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. In Section 5 of this report, SIGTARP provides updates on several recommendations and a summary of the implementation of recommendations made in previous reports and in SIGTARP's audits.

In particular, Section 5 provides a discussion of Treasury's adoption of SIGTARP's most fundamental transparency recommendation — that Treasury require TARP recipients to report on their use of TARP funds. Section 5 also provides an update on the issue of imposing conflict-of-interest walls in PPIP, including a discussion of a series of suspect trades that has already occurred within one of the Public-Private Investment Funds ("PPIFs") in which a portfolio manager directed the sale of a security from a non-PPIF fund under his management to a dealer after the security had been downgraded and then, minutes later, purchased from that dealer the same security *at a slightly higher price* for the PPIF. SIGTARP is reviewing these trades. The fact that these kinds of issues could arise in the first instance is the direct result of Treasury's refusal to require information barriers or walls in PPIP, and in an environment in which large portions of the public already view the fairness of Government programs with skepticism, whether fairly or unfairly, the reputational risk associated with this review is a wholly unnecessary cost. Finally, Section 5 contains a summary chart that updates the implementation of all of SIGTARP's past recommendations.

REPORT ORGANIZATION

The report is organized as follows:

- **Section 1** describes the activities of SIGTARP.
- **Section 2** describes how Treasury has spent TARP funds thus far and contains an explanation or update of each program, both implemented and announced.
- **Section 3** discusses the Federal Government's role in supporting the residential mortgage market, and home prices generally, in particular since the onset of the financial crisis.
- **Section 4** describes the operations and administration of the Office of Financial Stability, the office within Treasury that manages TARP.
- **Section 5** lays out 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 December 31, 2009.

The goal is to make this report a ready reference on what TARP is and how it has been used to date. In the interest of making this report as understandable as possible, and thereby furthering general transparency of the program itself, certain technical terms are highlighted in the text and defined in the adjacent margin. In addition, a portion of Section 2 is devoted to a tutorial explaining how taxpayers lose TARP money when participating banks fail.

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 of Government.

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

SIGTARP OVERSIGHT ACTIVITIES SINCE THE OCTOBER 2009 QUARTERLY REPORT

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

SIGTARP Audit Activity

SIGTARP has initiated a total of 18 audits since its inception. Since SIGTARP's October 2009 Quarterly Report to Congress, dated October 21, 2009 (the "October 2009 Quarterly Report"), SIGTARP released three audit reports and announced five new audit projects. In addition, six other previously announced audits are nearing completion, and SIGTARP anticipates releasing reports on those audits over the next several months.

Completed SIGTARP Audits

SIGTARP released three audit reports since the October 2009 Quarterly Report.

Federal Agencies' Oversight of AIG Executive Compensation

This audit report, conducted at the request of Senator Charles Grassley and Representative Elijah Cummings and issued on October 14, 2009, examined the extent of the knowledge of and oversight by officials from the Federal Reserve and the U.S. Department of the Treasury ("Treasury") over compensation programs at American International Group, Inc. ("AIG"), and, specifically, retention award payments made to employees of AIG Financial Products Corp. ("AIGFP") in March 2009.

With the approval of the Federal Reserve, the Federal Reserve Bank of New York ("FRBNY") provided the initial Federal assistance to AIG in the form of an $85 billion secured line of credit in September 2008. In November 2008, Treasury made a TARP investment of $40 billion in AIG; the TARP investment carries with it certain executive compensation restrictions on AIG personnel. Considerable Congressional and public outcry resulted from AIG making $168 million in retention award payments to a group of its AIGFP employees in March 2009.

The audit found that, when FRBNY officials began examining AIG's executive compensation structure in the fall of 2008, they found a complex, decentralized system consisting of more than 630 separate compensation and bonus plans covering more than 50,000 employees and involving expected payments of more than $1.75 billion. FRBNY officials quickly began examining the extent of AIG's compensation obligations. The magnitude of retention awards due to employees of AIGFP — the AIG entity most responsible for AIG's financial problems — was first discussed with an FRBNY official in early October 2008, and a broader group of FRBNY officials learned of the award balances in November 2008. Although they learned of the size of the impending payments and their timing, among other things, it is unclear whether FRBNY officials knew that thousands of dollars in payments would go to non-essential AIGFP support employees, such as kitchen and mailroom assistants.

In contrast to FRBNY, there is nothing to indicate that Treasury took any independent steps to assess broadly the amount or scope of AIG's compensation obligations. Treasury officials were engaged in executive compensation-related discussions with AIG in October and November 2008 to formulate the executive compensation restrictions that would be imposed upon AIG senior management in connection with the $40 billion TARP investment. However, Treasury made no broader assessment of AIG's compensation practices and essentially relied upon what it was told by FRBNY. Moreover, SIGTARP saw little indication that the knowledge being developed by FRBNY about AIG's compensation obligations was being passed along to Treasury in any systematic way. Although Treasury officials had some general knowledge of AIGFP's bonus and deferred compensation payment obligations as early as October 2008, there is no indication that senior Treasury officials were aware of the details of the March 2009 AIGFP payments until February 28, 2009.

In sum, Treasury did not conduct direct oversight of AIG's executive compensation prior to March 19, 2009, but chose instead essentially to defer to FRBNY. This, coupled with Treasury's subsequent limited communications with FRBNY with respect to that issue, meant that Treasury invested tens of billions of taxpayer dollars in AIG, designed AIG's contractual executive compensation restrictions, and helped manage the Government's majority stake in AIG for several months, all without having any detailed information about the scope of AIG's very substantial, and very controversial, executive compensation obligations. Treasury's failure to discover the scope and scale of AIG's executive compensation obligations, in particular at AIGFP, potentially resulted in a missed opportunity to avoid the explosively controversial events surrounding the AIGFP retention payments and the considerable public and Congressional concern that followed. Although SIGTARP saw no indication that Secretary of the Treasury Timothy Geithner (the "Treasury Secretary" or "Secretary Geithner") had personal knowledge of the AIGFP bonuses until shortly before they were paid, this too suggests a failure of communication. In light of the political sensitivities associated with the bailout of AIG, in his role both as then-President of FRBNY and subsequently as Treasury Secretary, it was necessary that Secretary Geithner be informed by his staff, in a timely manner, of such sensitive and significant information so that he could have sufficient time to explore possible solutions.

In light of the audit findings, SIGTARP recommended that:

- the Treasury Secretary direct the Office of the Special Master for TARP Executive Compensation (the "Special Master") to work with FRBNY officials to understand AIG compensation programs and retention challenges before developing future compensation decisions that may affect both Treasury's and FRBNY's ability to get repaid
- Treasury establish policies to guide any similar future decisions whether to take a substantial ownership position in financial institutions that would require an advance review of the obligations and challenges facing such institutions
- Treasury 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
- should Treasury choose to rely on another agency to provide oversight of TARP-related activities, Treasury establish controls to ensure that effective communication takes place so that Treasury can carry out its own oversight role

Treasury and the Federal Reserve concurred with these recommendations.

AIG Counterparty Payments

The Government's assistance to AIG was largely directed at mitigating the effects of one particular type of financial instrument, the credit default swap ("CDS"), on the company. AIGFP had sold CDS contracts to numerous counterparties,

Credit Default Swap ("CDS"): A contract where the seller receives a series of payments from the buyer in return for agreeing to make a payment to the buyer when a particular credit event outlined in the contract occurs (for example, if the credit rating on a particular bond or loan is downgraded or goes into default). It is commonly referred to as an insurance-like product where the seller is providing the buyer insurance-like protection against the failure of a bond. The buyer, however, does not need to own the asset covered by the contract, which means it can serve essentially as a "bet" against the underlying bond.

Collateralized Debt Obligations ("CDOs"): A financial instrument that entitles the purchaser to some portion of the cash flows from a portfolio of assets, which may include bonds, loans, mortgage-backed securities, or other CDOs.

essentially providing an insurance-like contract that protected the counterparty against losses from the underlying securities — generally collateralized debt obligations ("CDOs"). The counterparty would pay AIG regular insurance premiums, and, if the security upon which the CDS contract was written should default, AIG would be obligated to make a payout to the counterparty. In addition, if the value of the securities that AIG was insuring fell or if AIG's credit rating was downgraded, AIG was contractually obligated to produce certain collateral (cash or AAA-rated securities) to its counterparty. In late 2007 and into 2008, the value of the securities underlying the CDS contracts dropped precipitously, prompting a number of collateral calls; eventually, with mounting losses, AIG announced that it would need assistance to meet its mounting collateral call requirements. On September 16, 2008, FRBNY, pursuant to the authorization of the Federal Reserve, provided AIG with an $85 billion loan. On November 10, 2008, the Federal Reserve and Treasury announced the restructuring of the Government's financial support to AIG. As part of this restructuring, the Federal Reserve authorized FRBNY to lend up to $30 billion to a Federal Reserve-backed special purpose vehicle, Maiden Lane III. Pursuant to this authorization, FRBNY lent $24.3 billion to Maiden Lane III, which, in combination with a $5.0 billion equity investment from AIG, was used to purchase certain assets underlying AIGFP's CDS contracts from its counterparties; these assets had a fair market value of approximately $27.1 billion. In exchange for this payment and being permitted to retain $35 billion in collateral payments (effectively being paid par or face value for the underlying assets), the counterparties agreed to terminate their CDS contracts with AIGFP.

In light of the extent of the Federal Government's assistance to AIG, Representative Elijah Cummings and 26 other members of Congress asked SIGTARP to review the counterparty transactions. SIGTARP's audit, which was issued on November 17, 2009, found that, when first confronted with the liquidity crisis at AIG, the Federal Reserve and FRBNY turned to the private sector to arrange and provide funding to stave off AIG's collapse. Confident that a private-sector solution would be forthcoming, FRBNY did not develop a contingency plan; when private financing fell through, FRBNY was left with little time to decide whether to rescue AIG and, if so, on what terms. Having witnessed the dramatic economic consequences of Lehman Brothers' bankruptcy, senior officials at the Federal Reserve and Treasury determined that it was necessary to rescue AIG. Not preparing an alternative to private financing, however, left FRBNY with minimal opportunity to fashion appropriate terms for the support and, with little forethought, it essentially adopted the term sheet that had been the subject of the aborted private financing discussions, including an effective interest rate for AIG's credit line in excess of 11%.

The impact of those terms, however, soon became apparent to FRBNY. Within days, FRBNY officials recognized that, although the $85 billion credit line permitted AIG to meet billions of dollars of collateral calls and thus avoid an immediate bankruptcy, its terms were unworkable. Among other things, the interest rate imposed upon AIG was so onerous that, if unaddressed, the burden of servicing the FRBNY financing greatly increased the likelihood that there would be further credit rating downgrades for AIG, a result that FRBNY officials believed would have "devastating" implications for AIG. For this and other reasons, modification of the original terms thus became inevitable. One example of such modification was Treasury's $40 billion investment in AIG in November 2008 through TARP — which was used to pay down the FRBNY loan in part. Another modification was the termination of a portion of AIG's CDS obligations made possible through the creation of Maiden Lane III.

As previously discussed, a significant cause of AIG's liquidity problems stemmed from its obligations to post collateral in connection with AIGFP's CDS contracts. To avoid the necessity for AIG to continue to post collateral and to reduce the danger of further rating agency downgrades, FRBNY decided in November 2008 to create Maiden Lane III to retire a portion of AIG's CDS portfolio by purchasing the underlying CDOs from the swap counterparties. This action eased pressure on FRBNY's credit line and effectively transferred the issues with these contracts off of AIG's balance sheet and on to the Federal Reserve's balance sheet. When negotiating the amount of payment for the underlying CDOs, FRBNY contacted by telephone eight of AIG's largest counterparties over a two-day period and attempted to obtain concessions, or "haircuts," from the counterparties. Although one counterparty, UBS AG, was willing to make a modest 2% concession if the other counterparties did so, FRBNY's attempts to obtain concessions from the others were unsuccessful. FRBNY decided to pay the counterparties the full market value of the CDOs, which, when combined with the already-posted collateral, meant that the counterparties were effectively paid full face (or par) value of the CDS, an amount far above their market value at the time.

In pursuing these negotiations, FRBNY made several policy decisions that severely limited its ability to obtain concessions from the counterparties: it determined that it would not accept negotiated concessions from some banks if other banks refused to negotiate — a decision with particular import in light of the reaction of the French bank regulator which FRBNY claimed had refused to allow two French bank counterparties to make concessions; it refused to use its considerable leverage as the regulator of several of these institutions to compel haircuts because FRBNY was acting on behalf of AIG (as opposed to in its role as a bank regulator); it was uncomfortable interfering with the sanctity of the counterparties' contractual rights with AIG, which entitled them to full par value; it felt ethically constrained from threatening an AIG bankruptcy because it had no actual plans to carry out such a threat; and it was concerned about the reaction of the credit rating agencies should imposed haircuts be viewed as FRBNY backing away from fully supporting

AIG. Although these were certainly valid concerns, these policy decisions came with a cost — they led directly to a negotiating strategy with the counterparties that even then-FRBNY President Geithner acknowledged had little likelihood of success.

FRBNY's all-or-nothing approach, for example, gave each of the major counterparties (including the French banks) effective veto power over the possibility of a concession from any other party. This left FRBNY with few options, even after one of the counterparties indicated a willingness to negotiate concessions. It also arguably did not account for significant differences among the counterparties, including that some of them had received substantial benefits from FRBNY and other Government agencies through various other bailout programs (including billions of dollars of taxpayer funds through TARP), a benefit not available to some of the other counterparties (including the French banks), and that the securities underlying the portfolios were very different, with differing market values at the time of the Maiden Lane III transactions. It further did not account for the benefits the counterparties received from FRBNY's initial bailout of AIG, without which they would have likely suffered far reduced payments as well as the indirect consequences of a potential systemic collapse.

Similarly, the refusal of FRBNY and the Federal Reserve to use their considerable leverage as the primary regulators for several of the counterparties, including the emphasis that their participation in the negotiations was purely "voluntary," made the possibility of obtaining concessions from those counterparties extremely remote. While there can be no doubt that a regulator's inherent leverage over a regulated entity must be used appropriately, and could in certain circumstances be abused, in other instances in this financial crisis regulators (including the Federal Reserve) have used overtly coercive language to convince financial institutions to take or forgo certain actions. As SIGTARP reported in its audit of the initial Capital Purchase Program ("CPP") investments, for example, Treasury and the Federal Reserve were fully prepared to use their leverage as regulators to compel the nine largest financial institutions (including some of AIG's counterparties) to accept $125 billion of TARP funding and to pressure Bank of America Corporation ("Bank of America") to conclude its merger with Merrill Lynch & Co., Inc. ("Merrill Lynch"). Similarly, it has been widely reported that the Government, while arguably acting on behalf of General Motors Corporation ("GM") and Chrysler Holding LLC ("Chrysler"), took an active role in negotiating substantial concessions from the creditors of those companies.

Contrary to the January 7, 2010, assertion by Treasury that the taxpayer "will be made whole" because the FRBNY loan to Maiden Lane III is on track to being repaid in full, it is clear that any assessment of the costs to the Government and the taxpayer necessarily must look beyond FRBNY's loan to Maiden Lane III to also take into account both the funds that FRBNY previously loaned to AIG and the subsequent TARP investments. All of these infusions to AIG are linked inextricably: more than half the total amounts paid to counterparties in connection with the CDS portfolio retired through Maiden Lane III did not come about through the Maiden Lane III CDO purchases, but rather from AIG's earlier collateral postings that were made possible in part by the original FRBNY loan, which was, in turn, paid down with TARP funds. Because of this linkage, the ultimate costs to the Government and the taxpayer cannot be measured in isolation. Stated another way, regardless of whether FRBNY is made whole on its loan to Maiden Lane III, the ultimate value or cost to the taxpayer cannot be calculated until the likelihood of AIG repaying all of its assistance can be more readily determined. Treasury's recent suggestion to the contrary is, at best, incomplete.

SIGTARP's audit also noted that the now familiar argument from Government officials about the dire consequences of basic transparency, as advocated by the Federal Reserve in connection with Maiden Lane III, once again simply does not withstand scrutiny. Federal Reserve officials initially refused to disclose the identities of the counterparties or the details of the payments, warning that disclosure of the names would undermine AIG's stability, the privacy and business interests of the counterparties, and the stability of the markets. After public and Congressional pressure, AIG disclosed the identities of its counterparties, including its eight largest: Société Générale, Goldman Sachs Group Inc., Merrill Lynch, Deutsche Bank AG, UBS, Calyon Corporate and Investment Banking (a subsidiary of Crèdit Agricole S.A.), Barclays PLC, and Bank of America. Notwithstanding the Federal Reserve's warnings, the sky did not fall; there is no indication that AIG's disclosure undermined the stability of AIG or the market or damaged legitimate interests of the counterparties. The lesson that should be learned — one that has been made apparent time after time in the Government's response to the financial crisis — is that the default position, whenever Government funds are deployed in a crisis to support markets or institutions, should be that the public is entitled to know what is being done with Government funds.

For a detailed discussion of AIG's financial deterioration in the face of CDS-related collateral calls, see SIGTARP's October 2009 Quarterly Report, page 138.

Additional Insights on Use of TARP Funds

Conducted as a follow-up to SIGTARP's earlier audit on TARP recipients' use of TARP funds, this audit report, issued on December 10, 2009, examined the use of TARP funds by six institutions — two automobile manufacturers (GM and Chrysler), two automobile financing firms (GMAC Inc. ("GMAC") and Chrysler Financial Services Americas LLC ("Chrysler Financial")), and two life insurance companies (The Hartford Financial Services Group, Inc. ("Hartford") and Lincoln National Corporation ("Lincoln")). As in SIGTARP's previous report on how banks used TARP funds, the six companies included in this report were able to provide useful insight on their actual or planned use of TARP funds notwithstanding the inherent fungibility of money and regardless of whether they segregated the money from other company funds.

The audit also noted that the CPP investments in two insurance companies highlight an incongruity in the CPP program design. Hartford and Lincoln were able to obtain CPP funds by buying small thrift savings institutions and becoming thrift/savings and loan holding companies, thereby meeting the technical criteria for receipt of CPP funds. The amount of CPP funds provided, however, was then determined by the assets of the holding company (*i.e.*, the parent insurance company), not just the assets of the much smaller qualifying thrifts. In the case of Lincoln, for example, the company was able to obtain $950 million in TARP funds after it acquired a thrift that, on its own, would have been able to obtain at most $350,000 (if it would have qualified for CPP funding at all). Moreover, in using TARP funds, there was no requirement that TARP funding be used in connection with the subsidiary thrifts' activities. As it happened, the insurance companies reported that they used little (in the case of Hartford) or no (in the case of Lincoln) TARP funds in connection with the subsidiary thrifts' activities but rather used the vast bulk of the funds to support their insurance businesses. Stated another way, simply by purchasing comparatively tiny thrifts, Hartford and Lincoln — companies whose primary businesses (unlike other CPP participants) have little to do with lending to consumers and businesses — gained access to more than $4.3 billion in taxpayer funds, an amount that is many multiples of the thrifts' total assets.

From its inception, SIGTARP's most fundamental recommendation with respect to basic transparency in the operation of TARP has been that Treasury require all TARP recipients to report periodically on their use of TARP funds. This audit once again demonstrated that meaningful information supporting basic transparency in the operation of TARP can indeed be generated by requiring TARP recipients to report on what they did with the taxpayers' money. In response to SIGTARP's renewed recommendation on this front, Treasury has stated that it will be obtaining and reporting to the public qualitative responses from each TARP recipient on its use of TARP funds, backed by quantitative data obtained from the recipients' regulators and Treasury's own analysis. For the first time, Treasury will be collecting and publicly reporting this data, and it will be doing so on an institution-by-institution basis.

Audits Underway

SIGTARP has six previously announced ongoing audits and anticipates issuing reports on many of them over the next quarter:

- **CPP Warrant Valuation and Disposition Process:** This audit, which is being conducted in response to requests by Senator Jack Reed and Representative Maurice Hinchey, seeks to determine (i) the extent to which Treasury's warrant dispositions process aligns with legislative requirements, (ii) what processes and procedures Treasury has established to ensure that the Government receives fair market value for the warrants, and (iii) the extent to which Treasury has controls in place to facilitate a transparent and documented decision-making process.

- **Home Affordable Modification Program ("HAMP"):** According to Treasury, approximately three to four million homeowners could benefit from HAMP, part of the broader Making Home Affordable program. SIGTARP has launched an audit examining (i) the status and challenges confronting HAMP and Treasury's plans to address those challenges, (ii) Treasury's marketing and public outreach efforts for HAMP, and (iii) the program's internal controls to ensure sound financial management and accountability of program funds, the availability and public disclosure of reliable data, and the consistent identification and mitigation of organizational and personal conflicts of interest.
- **Governance Issues Where U.S. Holds Large Ownership Interest:** SIGTARP received a request from Senator Max Baucus to undertake a body of audit work examining U.S. Government oversight of, and interaction with, the management of institutions such as AIG, GM, Chrysler, and Citigroup Inc. ("Citigroup"), where the Government has or is approaching majority owner status. The audit, which is being conducted jointly with the Government Accountability Office ("GAO"), will also examine the two mortgage giants, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which are under Government conservatorship.
- **Status of the Government's Asset Guarantee Program with Citigroup:** This review, requested by Representative Alan Grayson, addresses a series of questions about the Government's guarantee of certain Citigroup assets through the Asset Guarantee Program such as (i) the basis on which the decision was made to provide asset guarantees to Citigroup and the process for selecting the loans and securities to be guaranteed; (ii) the characteristics of the assets deemed acceptable for inclusion in the program and how those assets differed from other Citigroup assets; (iii) whether adequate risk management controls were in place to mitigate the risks to the taxpayer; and (iv) what safeguards existed to protect taxpayer interests and what the losses were on the portfolio.
- **Automobile Dealership Closures:** This audit, undertaken at the requests of Senator Jay Rockefeller and Representative David Obey, examines the process used by GM and Chrysler to identify the more than 2,000 automobile dealerships that have or will be terminated in connection with the recent GM and Chrysler bankruptcies. The objectives of the audit are to determine whether GM and Chrysler developed and followed a fair, consistent, and reasonable documented approach; to understand the role of Government in these decisions; and to review to what extent the terminations will lead to cost savings or other benefits to GM and Chrysler.

- **CPP Applications Receiving Conditional Approval:** This audit is examining those CPP applications that received preliminary approval from the Treasury Investment Committee conditioned upon the institutions meeting certain requirements before funds were disbursed. One example was Colonial Bancgroup ("Colonial"), which received CPP approval conditioned on Colonial raising $300 million in private capital. (As discussed later in this section, SIGTARP's Investigations Division undertook a search warrant of Colonial offices in Florida, and Colonial has announced that it is the subject of a criminal investigation.) The audit will assess the basis for the decision to grant such conditional approvals and the bank regulators' role in such decisions; whether and how timeframes are established for meeting such conditions; and whether internal controls are in place to ensure that the conditions are met before funds are disbursed.

New Audits Underway

Over the past quarter, SIGTARP has announced five new audits, on which work has begun, including:

- **Selection of Asset Managers for the Legacy Securities Program:** This audit will examine 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"). This audit will examine the criteria used by Treasury to select Public-Private Investment Fund ("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.
- **Internal Controls for the Legacy Securities Program**: This audit will examine the internal controls in place for both Treasury and each of the nine PPIF managers for the Legacy Securities Program under PPIP. This audit will assess the extent to which Treasury's internal controls mitigate PPIF manager conflicts of interest and ensure overall program compliance, and the extent to which fund managers are complying with internal control requirements.
- **Term Asset-Backed Securities Loan Facility ("TALF") Collateral Monitors' Valuation:** This audit will examine the Federal Reserve's valuation determinations used to issue loans under TALF. This audit will assess how the Federal Reserve made valuation determinations, including the role of the collateral monitor, when making decisions regarding the eligibility of the collateral and the appropriateness of the requested loan amounts.
- **Office of the Special Master Decisions on Executive Compensation:** This audit will examine the Special Master's decisions on executive compensation at firms receiving exceptional assistance from the U.S. Government. As part of

the June 15, 2009, interim final compensation regulations, the Special Master reviewed the proposed compensation structures for the senior executive officers and the 20 next most highly compensated, as well as the proposed compensation structure for the next 75 most highly compensated employees. This audit will assess the criteria used by the Special Master to evaluate executive compensation and whether the criteria were consistently applied to all firms receiving exceptional assistance.

- **CPP Exit Strategy:** This audit will examine the process that the Office of Financial Stability ("OFS") and the Federal banking regulators have established for banks to repay Treasury and exit CPP.

Materials related to SIGTARP's audits, including the engagement letters describing the audits at their outset and the final audit reports themselves, can be found on SIGTARP's website, www.SIGTARP.gov. Specific recommendations from audits released over the last quarter are discussed more fully in Section 5 of this report.

SIGTARP's Investigations Activity

SIGTARP's Investigations Division has developed into a sophisticated white-collar investigative agency. Through December 31, 2009, SIGTARP has opened 86 and has 77 ongoing criminal and civil investigations. These investigations include complex issues concerning 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, money laundering, and tax-related investigations. While the majority of SIGTARP's investigative activity remains confidential, developments in several of SIGTARP's investigations have become public over the past quarter.

Omni National Bank Cases

Omni National Bank ("Omni") was a national bank headquartered in Atlanta with branch offices in Birmingham, Tampa, Chicago, Fayetteville, N.C., Houston, Dallas, and Philadelphia. Omni failed and was taken over by the Federal Deposit Insurance Corporation ("FDIC") on March 27, 2009. Prior to its failure, Omni had applied for but had not been approved for TARP funds under CPP. SIGTARP has participated in several investigations concerning Omni that have led to criminal charges as part of a mortgage fraud task force that includes SIGTARP, the U.S. Attorney's Office for the Northern District of Georgia, the Office of the Inspector General of the Federal Deposit Insurance Corporation ("FDIC OIG"), the Office of the Inspector General of the Department of Housing and Urban Development ("HUD OIG"), the Federal Bureau of Investigation ("FBI"), and the U.S. Postal Inspection Service. The criminal cases in which SIGTARP has participated include charges against Brent Merriell for lying to Omni's regulator and identity theft in connection with a scheme to prompt Omni to forgive $2.2 million in loans; against Dalroy Davy for bank fraud and conspiracy to commit bank fraud in connection with a fraudulent scheme to obtain millions in mortgage loans from Omni; and charges against Jeffrey Levine, Omni's former executive vice president, for making, and causing others to make, materially false entries that overvalued bank assets in the books, reports, and statements of Omni. SIGTARP's involvement in the investigations, including whether the various frauds had an impact on Omni's CPP application, is ongoing.

Bank of America Investigations

SIGTARP continues to play a significant role in the investigations by the Office of the New York Attorney General, the U.S. Attorney's Offices for the Southern District of New York and Western District of North Carolina, the Securities and Exchange Commission ("SEC"), and the FBI into the circumstances of Bank of America's merger with Merrill Lynch and its receipt of additional TARP funds under the Targeted Investment Program.

Colonial Bancgroup/Taylor, Bean & Whitaker Investigation

As previously reported, in August 2009, SIGTARP, along with the FBI, FDIC OIG, and HUD OIG, conducted search warrants at the offices of Colonial and Taylor, Bean & Whitaker ("TBW"). On December 16, 2009, TBW consented to its debarment from participating as an originator of Federal Housing Administration ("FHA")-insured mortgages, which had been proposed on August 4, 2009. HUD also terminated TBW as a Government National Mortgage Association ("Ginnie Mae") issuer of mortgage-backed securities and took control of TBW's $25 billion Ginnie Mae portfolio. In conjunction with the suspensions, HUD also proposed debarments of two officers of TBW. On August 7, 2009, Colonial reported that it is the target of a criminal probe. The investigation is ongoing.

For a description of the FHA and Ginnie Mae programs, see Section 3: "Federal Support of the Residential Mortgage Market" in this report.

SIGTARP Named Member of President's Financial Fraud Enforcement Task Force and Co-Chair of Its Rescue Fraud Working Group

On November 17, 2009, President Obama signed an Executive Order establishing the Financial Fraud Enforcement Task Force (the "FFETF"), which is designed "to investigate and prosecute significant financial crimes and other violations relating to the current financial crisis and economic recovery efforts, recover the proceeds of such crimes and violations, and ensure just and effective punishment of those who perpetrate financial crimes and violations." The FFETF consists of dozens of criminal and civil law enforcement agencies and regulatory bodies. SIGTARP co-chairs the FFETF Rescue Fraud Working Group. The inaugural meeting of the FFETF was chaired by Attorney General Eric Holder on December 15, 2009.

SIGTARP Hotline

One of SIGTARP's primary investigative priorities is to operate the SIGTARP Hotline and thus provide an interface with the American public to facilitate the reporting of concerns, allegations, information, and evidence of violations of criminal and civil laws in connection with TARP. From its inception in February through December 31, 2009, the SIGTARP Hotline has received and analyzed almost 9,900 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 is capable of receiving information anonymously, and the confidentiality of whistleblowers will be provided to the fullest extent possible. SIGTARP honors all applicable whistleblower protections. The American public can provide information by telephone, mail, fax, or online at www.SIGTARP.gov.

Communications with Congress

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

- On October 14, 2009, Special Inspector General Barofsky testified before the House Committee on Oversight and Government Reform, during a hearing entitled "AIG Bonuses: Report of the Special Inspector General." The hearing focused on SIGTARP's audit examining Federal agencies' oversight of AIG executive compensation.
- On October 19, 2009, Deputy Special Inspector General Kevin Puvalowski presented an open briefing for Senate staff. The focus of the briefing was SIGTARP's October 2009 Quarterly Report, which included, in addition to the typical subjects covered, an examination of the impact of credit rating agencies on TARP.
- On October 21, 2009, Special Inspector General Barofsky briefed members of the House Committee on Oversight and Government Reform regarding SIGTARP's October 2009 Quarterly Report.

- On November 17, 2009, Deputy Special Inspector General Puvalowski presented a briefing for staff of 27 Members of Congress who had drafted a letter requesting an audit of why AIG's counterparties on CDS contracts were paid effectively at par value to terminate those contracts. The briefing detailed audit findings included in SIGTARP's audit dated November 17, 2009, entitled "Factors Affecting Efforts to Limit Payments to AIG Counterparties."

Copies of all of the Special Inspector General's 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 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 [of the United Stated Constitution] 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 AIG, Bank of America, Chrysler Financial, Chrysler, Citigroup, GM, 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, "[t]o 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%.

Following the issuance of the Special Master's determination, Michael W. McConnell, formerly a judge on the Circuit Court of Appeals for the Tenth Circuit, 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."

In light of these developments, on November 2, 2009, SIGTARP requested from the Chief Counsel of OFS an explanation of Treasury's legal position regarding the constitutionality of the position of the Special Master. A copy of that request is included in Appendix G: "Correspondence." Treasury has not yet responded to this request.

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, including hiring experienced senior executives who can play multiple roles during the early stages of the organization, leveraging the resources of other agencies, and, where appropriate and cost-effective, obtaining services through SIGTARP's authority to contract. Since the October 2009 Quarterly Report, SIGTARP has continued to make substantial progress in building its operation.

Hiring

Each of SIGTARP's divisions has continued the process of filling out its ranks. As of December 31, 2009, SIGTARP had more than 100 personnel, including detailees from other agencies, with several new hires to begin over the coming weeks.

SIGTARP's employees hail from many Federal agencies, including the Department of Justice, FBI, the Internal Revenue Service Criminal Investigation Division, Air Force Office of Special Investigations, GAO, Department of Transportation, Department of Energy, the SEC, U.S. Secret Service, U.S. Postal Service, U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, Treasury-Office of the Inspector General, Department of Energy-Office of the Inspector General, Department of Transportation-Office of the Inspector General, Department of Homeland Security-Office of the Inspector General, FDIC OIG, Office of the Special Inspector General for Iraq Reconstruction, and HUD OIG. Hiring is actively ongoing, building to SIGTARP's current goal of approximately 160 full-time employees. On December 8, 2009, the U.S. Office of Personnel Management extended and expanded SIGTARP's direct hiring authority through June 18, 2010. The SIGTARP organizational chart, as of January 25, 2010, is included in Appendix H: "Organizational Chart."

SIGTARP Budget

Section 121(j) of EESA as amended provided SIGTARP with $50 million in initial operating funds. When SIGTARP was established and its initial operating resources were allocated, TARP was envisioned as a large but relatively straightforward asset purchase and guarantee program. In the months that followed, however, TARP evolved into 12 separate programs that touch on a substantial part of the U.S. economy, from the banking system, to large insurance conglomerates, to asset support programs, to automobile manufacturers, to the mortgage market, and beyond. SIGTARP estimated in the late spring of 2009 that its initial operating funds would be expended by the second quarter of fiscal year 2010 and that an additional $28.3 million would be needed to fund operations throughout fiscal year 2010. Accordingly, on June 3, 2009, SIGTARP submitted to Treasury — which in turn forwarded the same to the Office of Management and Budget — a request for an amendment of Treasury's fiscal year 2010 budget request in the amount of $23.3 million.[1]

On December 16, 2009, the President signed Public Law No. 111-117, the Consolidated Appropriations Act for 2010. The appropriations act, at Division C, Title 1, provided SIGTARP with the $23.3 million that had been requested. The fiscal year 2011 budget cycle is ongoing.

Physical and Technical SIGTARP Infrastructure

SIGTARP occupies office space at 1801 L Street, NW, in Washington, D.C., the same office building in which most Treasury officials managing TARP are located. SIGTARP is already occupying temporary quarters in that building while its two permanent floors are being renovated. SIGTARP anticipates occupying its permanent space in the spring of 2010. Primarily to facilitate investigative activities in those cities, SIGTARP is also in the process of opening a branch office in New York City and smaller satellite offices in Los Angeles and San Francisco.

SIGTARP has a website, www.SIGTARP.gov, on which it posts all of its reports, testimony, audits, contracts, and more. The website prominently features SIGTARP's Hotline, which can also be accessed by phone at 877-SIG-2009 (877-744-2009).

SECTION 2

TARP OVERVIEW

This section summarizes the activities of the U.S. Department of the Treasury ("Treasury") in its management of the Troubled Asset Relief Program ("TARP"). It includes an update on the extension of TARP, a financial overview discussing the Office of Financial Stability ("OFS") financial statements for fiscal year 2009, and updates on established TARP programs, including the status of TARP executive compensation restrictions.

TARP EXTENSION

The authorities granted to the Secretary of the Treasury ("Treasury Secretary") under the Emergency Economic Stabilization Act of 2008 ("EESA"), including the power to purchase troubled assets, were set to expire on December 31, 2009, unless extended by the Treasury Secretary through the submission of a written certification to Congress. Under EESA, the Treasury Secretary's certification must include "a justification of why the extension is necessary to assist American families and stabilize financial markets, as well as the expected cost to the taxpayers for such an extension."[2]

On December 9, 2009, the Treasury Secretary exercised the powers granted to him under section 120(b) of EESA and extended TARP through October 3, 2010. In the certification, the Treasury Secretary asserted that the extension would, "among other things, enable [Treasury] to continue to implement programs that address housing markets and the needs of small businesses, and to maintain the capacity to respond to unforeseen threats," thereby assisting American families and stabilizing financial markets.[3] Treasury has stated that it does not expect to deploy more than $550 billion of the $699 billion available to TARP under EESA.[4] Additionally, the Treasury Secretary outlined Treasury's plan to wind down its TARP investments, terminate various programs, and limit new commitments of TARP funds to three areas during 2010:[5]

- Foreclosure Mitigation Efforts
- Small Business and Community Lending Initiatives
- Term Asset-Backed Securities Loan Facility ("TALF") Commitments

Furthermore, the Treasury Secretary stated, "Beyond these limited new commitments, we will not use remaining EESA funds unless necessary to respond to an immediate and substantial threat to the economy stemming from financial instability."[6]

On December 17, 2009, Treasury's Assistant Secretary for Financial Stability also addressed Treasury's future plans for TARP in testimony to Congress.[7] Specifically, he discussed Treasury's intentions with respect to TARP investments made in four of the companies designated as "exceptional assistance" recipients at

Exceptional Assistance: In reference to TARP, institutions requiring assistance beyond the assistance of the widely available program, the Capital Purchase Program ("CPP"), are classified as requiring "exceptional assistance." Exceptional assistance programs include the Systemically Significant Failing Institutions ("SSFI") program, the Targeted Investment Program ("TIP"), the Asset Guarantee Program ("AGP"), the Automotive Industry Financing Program ("AIFP"), and any future Treasury program designated by the Treasury Secretary as providing exceptional assistance.

the time: American International Group, Inc. ("AIG"), Citigroup Inc. ("Citigroup"), Chrysler Holding LLC ("Chrysler"), and General Motors Corporation ("GM"). According to Treasury, it will "exit these investments, and return TARP funds to the Treasury, as soon as is practicable, consistent with the objective of avoiding further market and economic disruption."[8]

FINANCIAL OVERVIEW OF TARP

TARP Financial Statements

On December 10, 2009, OFS issued a report entitled "Office of Financial Stability, Agency Financial Report, Fiscal Year 2009" ("TARP Financial Statements") containing its financial statements for TARP for the fiscal year ending September 30, 2009. The financial statements are intended to support Treasury's estimate of a net present value for the TARP investments as of the end of the 2009 fiscal year; that is, how much was spent on investments, loans, and expenses minus how much is expected to be returned through repayments, interest, dividends, and the sale of stock and warrants. The TARP Financial Statements estimate that TARP cost $41.6 billion during the fiscal year ending September 30, 2009, representing amounts expected to be lost and the costs of running the program. This estimate applied only to funds disbursed as of September 30, 2009, and therefore excluded other obligations that have not yet been disbursed, including the $50 billion Home Affordable Modification Program ("HAMP"). As Treasury explained, "the total ultimate cost of the TARP is expected to be higher because additional investments and disbursements have been made or will be made after FY 2009."[9] Treasury estimates the cost of TARP could potentially increase an additional $100 billion due to future disbursements.[10]

Net Present Value: The present value of the estimated future cash inflows minus the present value of the cash outflows.

Treasury estimates that the net cost of operations for fiscal year 2009 was driven by losses it anticipates it will suffer on TARP investments in AIG under the Systemically Significant Failing Institutions ("SSFI") program and additional investments under the Automotive Industry Financing Program ("AIFP"). Collectively, Treasury estimates these investments will cost the taxpayer approximately $60.9 billion, $30.4 billion from Treasury's investment in AIG and $30.5 billion from its investments under AIFP.[11]

Net Cost of Operations: A measure of financial performance — gross cost of a program or organization less any income from that program or organization.

Although the TARP Financial Statements estimate that TARP operated at a net loss in 2009, Treasury estimates, as of September 30, 2009, that certain programs will produce positive potential returns on Treasury's investments. Specifically, Treasury projects that TARP investments under the Capital Purchase Program ("CPP"), Targeted Investment Program ("TIP"), Asset Guarantee Program ("AGP"), and TALF may generate approximately $19.5 billion in aggregate income.[12]

According to Treasury, because these numbers largely reflect projections and estimates, the actual results of TARP investments could significantly differ from the estimates and assumptions Treasury used to report its assets, liabilities, revenues, and costs in its TARP Financial Statements. Specifically, "forecasts of future financial results have inherent uncertainty," and the estimates are "reflective of relatively illiquid, troubled assets whose values are particularly sensitive to future economic conditions and other assumptions."[13] Indeed, the fact that Treasury's estimated losses on TARP in the TARP Financial Statements were hundreds of billions of dollars less than its August 2009 estimates demonstrates the potential volatility in these projections.

Status of TARP Funds

As of December 31, 2009, Treasury had announced programs involving potential spending of $549.4 billion of the $698.8 billion maximum for the purchase of troubled assets under TARP as authorized by Congress in EESA.[14] Of this amount, Treasury had planned TARP expenditures of approximately $500.1 billion (of which $374.4 billion had actually been disbursed) through 10 implemented programs to provide support for U.S. financial institutions, companies, and individual mortgage borrowers.[15] The Administration has announced plans for additional initiatives to stimulate small-business lending and has increased potential TARP funding from $15 billion to $30 billion to support these efforts.[16] As of December 31, 2009, the initiatives have yet to be launched.

As of December 31, 2009, 67 TARP recipients had paid back all or a portion of their principal or repurchased shares for an aggregate total of $165.2 billion of repayments and a $5.0 billion reduction in exposure, leaving $368.8 billion, or 52.8% of TARP's allocated $698.8 billion, available for distribution.[17] Figure 2.1 provides a snapshot of the cumulative planned TARP expenditures, repayments, and reductions in exposure as of December 31, 2009.

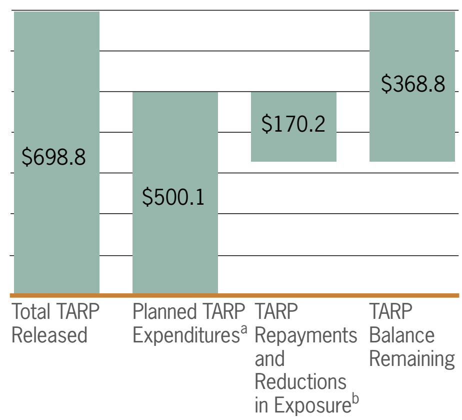
In addition to the principal repayments, Treasury has received interest and dividend payments on its investments, as well as revenue from the sale of its warrants. These payments are deposited into Treasury's general fund for the reduction of public debt and are not available to be re-issued by Treasury.[18] As of December 31, 2009, $12.9 billion in interest, dividends, and other income had been received by the Government, and $4.0 billion in sales proceeds had been received from the sale of warrants and preferred stock received as a result of exercised warrants.[19]

As of December 31, 2009, $329.9 billion of the $500.1 billion planned TARP expenditures were outstanding (*i.e.*, had not been repaid or repurchased).[20] However, Treasury has announced new programs — including assistance for small banks to increase lending and assistance to small businesses — for which Treasury has not yet announced details. These programs are likely to result in additional disbursements. The TARP funds outstanding are largely in the form of equity ownership. For those companies from which Treasury received equity and which have

For more information on Treasury's cost estimates for TARP see the "Office of Financial Stability, Agency Financial Report, Fiscal Year 2009," at www.treas.gov/press/releases/OSF%20AFR%2009.pdf.

FIGURE 2.1

CUMULATIVE PLANNED TARP EXPENDITURES, REPAYMENTS, AND REDUCTIONS IN EXPOSURE AS OF 12/31/2009



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

[a] Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purposes of this figure, $30 billion is included in the "Planned TARP Expenditures" column. Treasury has indicated that this number may change.

[b] Repayments include $121.9 billion for CPP, $40 billion for TIP, $3.3 billion for Auto Programs, and a $5 billion reduction in exposure under AGP.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

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

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

Preferred Stock: Equity ownership that usually pays a fixed dividend, gives the holder a claim on corporate earnings superior to common stock owners, and has no voting rights. Preferred stock is senior to common stock, but junior to debt.

Senior Subordinated Debenture: A loan or security that is junior to other loans or securities with regards to the debt holders' claims on assets or earnings. Senior debt holders get paid in full before subordinated debt holders get paid. There are additional levels of priority among subordinated debt holders. CPP invests in senior subordinated debt.

Systemically Significant: A financial institution whose failure would impose significant losses on creditors and counterparties, call into question the financial strength of other similarly situated financial institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth.

not yet repaid their TARP funds, Treasury, and therefore the American taxpayer, is a shareholder. Treasury's equity ownership came in two forms: common stock and preferred stock. In addition to its equity investment, Treasury also received senior subordinated debentures under various TARP programs.

TARP consists of 12 announced programs, of which 10 have been implemented. Of the 12 total programs, 6 have been closed or are in the process of being closed: CPP, the Capital Assistance Program ("CAP"), TIP, AGP, the Auto Supplier Support Program ("ASSP"), and the Auto Warranty Commitment Program ("AWCP"). The 12 programs can be categorized in 4 general groups depending on the type of support each was designed to provide:

- **Financial Institution Support Programs** — These programs share a common, stated goal of stabilizing the financial market to avoid disruption and provide for a healthy economy.
- **Asset Support Programs** — These programs attempt to support asset values and liquidity in the market by providing funding to certain holders or purchasers of assets.
- **Automotive Industry Support Programs** — These programs were intended to stabilize the American automotive industry, promoting market stability and a vigorous economy.
- **Homeowner Support Program** — This program and its initiatives were designed to help homeowners facing difficulty paying their mortgages by subsidizing loan modifications, loan servicer costs, and potential equity declines in bank holdings.

Figure 2.2 provides a breakdown of how TARP funding is distributed between the four categories of programs.

Financial Institution Support Programs

The primary tool of TARP for assisting financial institutions thus far has been direct investment of capital. Financial institutions, for TARP purposes, include banks, bank holding companies, and, if deemed critical to the financial system, certain systemically significant institutions.

- **Capital Purchase Program ("CPP")**. Under CPP, TARP funds are used to purchase directly preferred stock or subordinated debentures in qualifying financial institutions ("QFIs"). Treasury created CPP 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]."[21] As of December 31, 2009, Treasury had invested $204.9 billion in 707 institutions through CPP, and $121.9 billion had been repaid.[22] In the

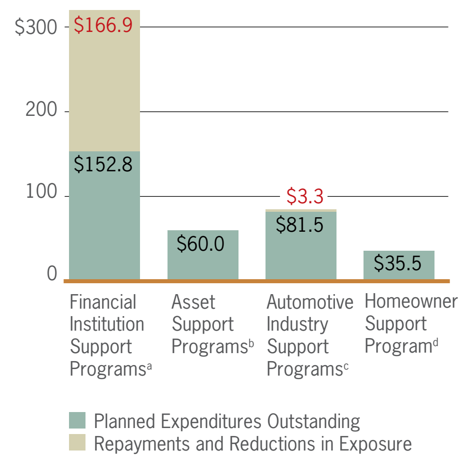
December 9, 2009, letter to Congress extending TARP, the Treasury Secretary noted that CPP "is effectively closed."[23] Although Treasury closed CPP to new applicants, it has indicated that it will launch a similar program of capital investments in small banks as part of an effort to stimulate small-business lending by financial institutions. See the "Capital Purchase Program" discussion in this section for more detailed information.

- **Capital Assistance Program ("CAP")**. Originally intended to complement CPP, Treasury announced that it would provide capital under CAP to bank holding companies that needed to raise additional capital based on the results of Federal Reserve stress tests.[24] On November 9, 2009, Treasury announced that CAP was closed without any investments being made under the program.[25]
- **Systemically Significant Failing Institutions ("SSFI") Program/AIG Investment Program**. Under the stated terms of the SSFI program, Treasury invests in systemically significant institutions to prevent their failure and the market disruption that would follow.[26] As of December 31, 2009, Treasury, through SSFI, had made and is committed to make further investments in one institution — AIG. This support was provided through two transactions — $40 billion for the purchase of preferred stock from AIG to repay a portion of its debt owed to the Federal Reserve and approximately $29.8 billion for an equity capital facility that AIG can draw on as needed.[27] As of December 31, 2009, AIG had drawn down $5.3 billion in equity from the capital facility.[28] 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 could provide funding to financial institutions that were critical to the financial system.[29] Treasury made two expenditures under this program totaling $40 billion — purchasing $20 billion of senior preferred stock from each of Citigroup and Bank of America Corporation ("Bank of America").[30] In addition to the senior preferred stock, Treasury also received warrants of common stock for its investment in these financial institutions. As of December 31, 2009, the program is effectively closed as both Citigroup and Bank of America have repaid the funding received under this program. Treasury still holds the warrants it received from both program recipients. See the "Targeted Investment Program" portion of this section for a detailed discussion on these two transactions.
- **Asset Guarantee Program ("AGP")**. Through AGP, Treasury provided certain insurance-like loss protections on a select pool of mortgage-related or similar assets held by participants whose portfolios of distressed or illiquid assets posed a risk to market confidence.[31] Specifically, Treasury, the Federal Deposit Insurance Corporation ("FDIC"), and the Federal Reserve agreed to provide certain loss protections with respect to $301 billion in troubled assets held by Citigroup.[32]

FIGURE 2.2

PLANNED TARP EXPENDITURES OUTSTANDING, REPAYMENTS, AND REDUCTIONS IN EXPOSURE BY SUPPORT CATEGORY, AS OF 12/31/2009

$ Billions



Notes: Numbers affected by rounding. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program, and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).
[a] Includes CPP, SSFI, TIP, and AGP. Repayments include $121.9 billion for CPP, $40 billion for TIP, and a $5 billion reduction in exposure under AGP.
[b] Includes TALF and PPIP. Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purposes of this figure, $30 billion is considered a planned expenditure. Treasury has indicated that this number may change.
[c] Includes AIFP, ASSP, and AWCP. Repayments include $2.5 billion for AIFP, $140 million for ASSP, and $642 million for AWCP.
[d] Includes MHA.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

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.

On December 23, 2009, as part of Citigroup's repayment plan for its TARP investment, Citigroup and the Government terminated the AGP agreement. No payments were made by the Federal Government under the contract, and the Government retained $5.2 billion of preferred shares as compensation for the protections that had been provided under AGP (approximately $4 billion of which went to Treasury). Subsequently Treasury converted its preferred shares to trust preferred securities on a dollar-for-dollar basis.[33] Treasury agreed to cancel $1.8 billion of its $4.0 billion in trust preferred securities.[34] See the "Asset Guarantee Program" discussion in this section for more information on this program.

Asset Support Programs

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

- **Term Asset-Backed Securities Loan Facility ("TALF").** TALF was originally designed to increase the credit available for consumer and small-business loans through a Federal Reserve loan program backed by TARP funds. TALF provides non-recourse loans to investors secured by certain types of ABS including credit card loans, auto loans, equipment loans, student loans, floorplan loans, insurance-premium finance loans, loans guaranteed by the Small Business Administration ("SBA"), residential mortgage servicing advances, and commercial mortgage-backed securities ("CMBS"). According to Treasury, it will provide up to $30 billion of TARP funds to support this program.[35] Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by the Federal Reserve Bank of New York ("FRBNY"), then Treasury will provide additional TARP funds.[36] As of December 31, 2009, FRBNY had facilitated 10 TALF subscriptions of non-mortgage-related ABS, totaling approximately $52.9 billion, with $39.0 billion of TALF borrowings outstanding.[37] In addition, as of December 31, 2009, FRBNY had conducted 7 CMBS subscriptions totaling $8.8 billion, with $8.5 billion in loans outstanding.[38] An overview of TALF, later in this section, provides more information on these activities.
- **Public-Private Investment Program ("PPIP").** Treasury intended PPIP to restart frozen credit markets through the purchase of legacy assets (*e.g.*, legacy loans, CMBS, and residential mortgage-backed securities ("RMBS")).[39] PPIP was intended to involve investments made through multiple Public-Private Investment Funds ("PPIFs") in two subprograms — one to purchase real

Commercial Mortgage-Backed Securities ("CMBS"): A financial instrument that is backed by a commercial real estate mortgage or a group of commercial real estate mortgages that are packaged together.

Legacy Assets: Also commonly referred to as troubled or toxic assets, legacy assets are real estate-related loans and securities (legacy loans and legacy securities) that remain on banks' balance sheets that have lost value but are difficult to price due to the recent market disruption.

Legacy Loans: Loans that are often underperforming real estate-related loans held by a bank that it wishes to sell, but recent market disruptions have made difficult to price.

estate-related loans ("legacy loans") and the other to purchase real estate-related securities ("legacy securities") from financial institutions. FDIC launched a pilot Legacy Loans Program on July 31, 2009, with assets from the Franklin Bank receivership.[40] FDIC did not use TARP funds for this transaction.[41] In the Legacy Securities Program, Treasury selected nine fund managers to participate in the program. As of December 31, 2009, the nine PPIF managers had closed their initial capital-raising efforts and had received debt and equity financing of $18.6 billion in TARP funds.[42] Treasury has stated that PPIP will utilize up to approximately $30 billion of TARP funds.[43] 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**. Treasury announced in March 2009 that it would begin purchasing up to $15 billion in securities backed by SBA loans under UCSB.[44] Subsequently, two additional initiatives were announced to support small-business lending, and Treasury announced an increase of the TARP funding dedicated to support these efforts to $30 billion. As of December 31, 2009, the details of the initiative under this program had not been announced and no funds had been disbursed. See the discussion of "Unlocking Credit for Small Businesses/Small Business Administration Loan Support" in this section for more information on the program.

Legacy Securities: Troubled real estate-related securities (RMBS, CMBS), and ABS lingering on institutions' balance sheets because their value could not be determined.

Automotive Industry Support Programs

The stated objective of TARP's automotive industry support programs 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."[45]

- **Automotive Industry Financing Program ("AIFP")**. Under this program, Treasury made emergency loans to Chrysler, Chrysler Financial Services Americas LLC ("Chrysler Financial"), and GM. In addition to these investments, Treasury purchased senior preferred stock from GMAC Inc. ("GMAC"). Treasury also provided financing to Chrysler and GM to assist in their restructuring processes. As of December 31, 2009, Treasury had expended or committed $80.7 billion in AIFP investments, of which $2.5 billion had been repaid.[46] Treasury received an 8% *pro forma* equity stake in Chrysler and a 61% equity stake in GM as partial repayment of TARP funds.[47] See the "Automotive Industry Financing Program" discussion later in this section for more information on these companies.
- **Auto Supplier Support Program ("ASSP")**. The stated purpose of ASSP is to provide Government-backed financing to break the adverse credit cycle affecting

Pro Forma: In finance, refers to the presentation of projected financial information assuming that certain transactions or developments will happen.

the auto suppliers and the manufacturers by "providing 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."[48] Treasury's original commitment under this program was $5.0 billion, but, as of December 31, 2009, it had been reduced to $3.5 billion — $1.0 billion for Chrysler and $2.5 billion for GM.[49] After emerging from bankruptcy, the new, non-bankrupt GM and Chrysler assumed the debts associated with ASSP.[50] As of December 31, 2009, $140 million of TARP funds had been repaid under the program.[51] The program is scheduled to terminate in April 2010. See the discussion of "Auto Supplier Support Program" in this section for more information.

- **Auto Warranty Commitment Program ("AWCP")**. AWCP was designed with the intention of bolstering consumer confidence in automobile warranties on Chrysler- and GM-built vehicles. The program was terminated in July 2009 after Chrysler repaid its loan amount in full and GM repaid only the principal of the loan.[52]

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

Homeowner Support Program

The homeowner support program and its initiatives are aimed at assisting troubled homeowners and financial institutions holding the affected housing-related assets.

- **Making Home Affordable ("MHA") Program**. According to Treasury, MHA is a foreclosure mitigation plan intended to "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."[53] Within MHA, there are three major initiatives, only one of which involves TARP funds — HAMP — which provides support to homeowners through mortgage modifications and foreclosure prevention efforts. Under HAMP, Treasury announced that up to $50 billion of TARP funds could be expended in connection with this $75 billion program.[54] As of December 30, 2009, $35.5 billion in TARP funds had been allocated to the program, and $15.4 million had been disbursed to pay out the incentives on 11,574 of the 66,465 permanent modifications.[55] The remaining permanent modifications will receive incentive payments in the next cycle. See the "Making Home Affordable" discussion in this section for more detailed information.

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

- total potential funds subject to SIGTARP oversight as of December 31, 2009 (Table 2.1)
- planned cumulative expenditures over time by program (Figure 2.3)
- planned expenditures outstanding, repayments, and reductions in exposure by program as of December 31, 2009 (Figure 2.4)
- planned expenditure levels by program as of December 31, 2009 (Table 2.2)
- summary of terms of TARP agreements (Table 2.3 and Table 2.4)
- summary of largest warrant positions held by Treasury by program as of December 31, 2009 (Table 2.5)
- summary of dividends, interest payments, and fees received by program as of December 31, 2009 (Table 2.6)

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

TABLE 2.1

TOTAL POTENTIAL FUNDS SUBJECT TO SIGTARP OVERSIGHT, AS OF 12/31/2009 ($ BILLIONS)

Program	Brief Description	Total Potential Funding at Risk ($)	Potential TARP Funding ($)[a]
Capital Purchase Program ("CPP") CLOSED	Investments in 707 banks to date; received $121.9 billion in capital repayments	$204.9 ($121.9)	$204.9 ($121.9)
Automotive Industry Financing Program ("AIFP")	GM, Chrysler, GMAC, Chrysler Financial; received $2.5 billion in loan repayments	80.7 ($2.5)	80.7 ($2.5)
Auto Supplier Support Program ("ASSP")	Government-backed protection for auto parts suppliers; scheduled to close 4/2010	3.5[b] ($0.1)	3.5[b] ($0.1)
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")/ Small Business Administration Loan Support	Purchase of securities backed by SBA loans; other supports for small-business lending	30.0[c]	30.0[c]
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")	FRBNY non-recourse loans for purchase of asset-backed securities	300.0	30.0[d]
Making Home Affordable ("MHA") Program	Modification of mortgage loans and foreclosure prevention efforts	75.0	50.0
Public-Private Investment Program ("PPIP")	Disposition of legacy assets; Legacy Securities Program	40.0	30.0
New Programs, or Funds Remaining for Existing Programs	Capacity to respond if financial conditions worsen and threaten economy	324.4	324.4
Total[e]		**$1,003.8**	**$698.8**

Notes: Numbers affected by rounding.

[a] Potential TARP funding represents Treasury's stated high-water mark of funding for each program. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program, and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).

[b] Treasury's original commitment under ASSP was $5 billion, but it was subsequently reduced to $3.5 billion effective 7/1/2009.

[c] Treasury announced that it would make up to $30 billion in TARP funds available for UCSB/Small Business Administration loan support initiatives.

[d] Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purposes of this table $30 billion is considered a planned expenditure. Treasury has indicated that this number may change.

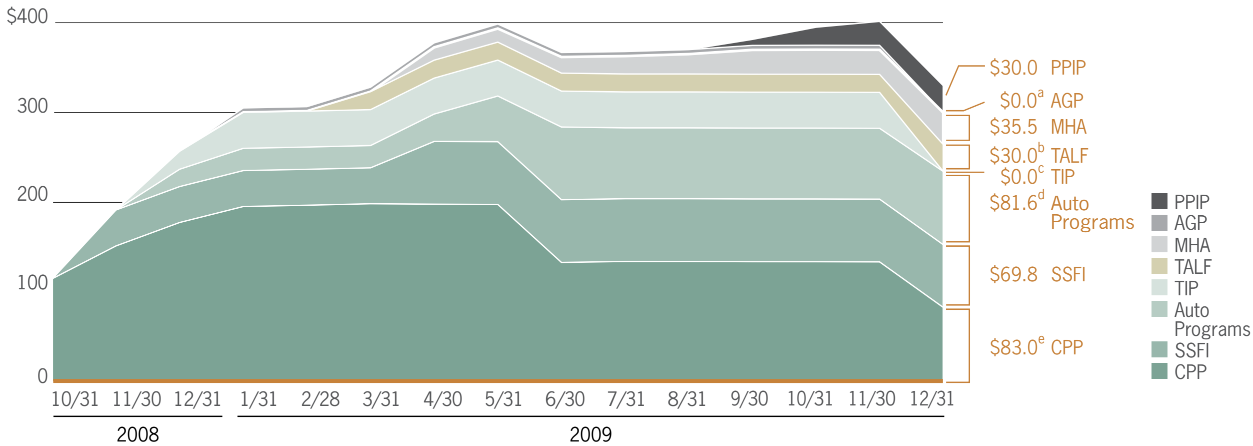
[e] According to Treasury, TARP expenditures are not expected to exceed $549.4 billion.

Sources: Treasury, Office of Financial Stability, Chief of Compliance and CFO, SIGTARP interview, 3/30/2009; Treasury, "Auto Supplier Support Program: Stabilizing the Auto Industry in a Time of Crisis," 3/19/2009, www.treas.gov/press/releases/docs/supplier_support_program_3_18.pdf, accessed 3/19/2009; Treasury, "Unlocking Credit for Small Businesses Fact Sheet," 3/17/2009, www.financialstability.gov/roadtostability/unlockingCreditforSmallBusinesses.html, accessed 6/10/2009; Treasury, "Treasury, Federal Reserve, and FDIC Provide Assistance to Bank of America," 1/16/2009, www.treas.gov/press/releases/hp1356.htm, accessed 1/16/2009; Treasury Press Release, "U.S. Government Finalizes Terms of Citi Guarantee Announced in November," 1/16/2009, www.financialstability.gov/latest/hp1358.html, accessed 6/8/2009; Treasury, "Financial Stability Plan Fact Sheet," 2/10/2009, www.financialstability.gov/docs/fact-sheet.pdf, accessed 6/8/2009; Treasury, "Making Home Affordable: Updated Detailed Program Description," 3/4/2009, www.treas.gov/press/releases/reports/housing_fact_sheet.pdf, accessed 6/10/2009; Treasury, "Public-Private Investment Program," 4/6/2009, www.financialstability.gov/roadtostability/publicprivatefund.html, accessed 6/9/2009; Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

FIGURE 2.3

PLANNED EXPENDITURES OUTSTANDING, BY PROGRAM, CUMULATIVE 10/2008 – 12/2009

$ Billions



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

[a] Treasury committed $5 billion to Citigroup under AGP; however, the funding was conditional based on losses that could potentially be realized and may potentially never be expended. This amount was not an actual outlay of cash. It was never disbursed and the agreement was terminated.

[b] Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purpose of this graphic, $30 billion is considered a planned expenditure. Treasury has indicated that this number may change.

[c] TIP funding of $40 billion had been repaid.

[d] Auto Programs include AIFP, ASSP, and AWCP. The following auto-related funding had been repaid: $2.5 billion for AIFP, $0.6 billion for AWCP, and $140 million for ASSP.

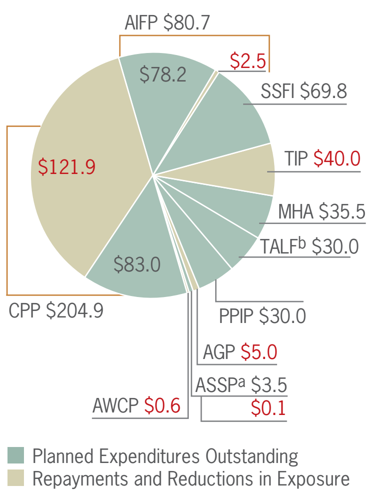
[e] CPP funding of $121.9 billion had been repaid.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury response to SIGTARP data call, 1/5/2010.

FIGURE 2.4

PLANNED EXPENDITURES OUTSTANDING, REPAYMENTS, AND REDUCTIONS IN EXPOSURE BY PROGRAM

$ Billions, % of $500.1 Billion



Notes: Numbers affected by rounding. The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program, and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients). As of 12/31/2009, repayments included $121.9 billion of CPP funding; $3.3 billion of principal payments related to auto program loans (including $2.5 billion in AIFP, $642 million associated with AWCP, and $140 million associated with ASSP); $40 billion in TIP funds, and a $5 billion reduction in exposure under AGP.

[a] Treasury's original commitment under ASSP was $5 billion, but it was subsequently reduced to $3.5 billion effective 7/1/2009. As of 12/31/2009, $140 million of repayments had been received.

[b] Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purposes of this figure, $30 billion is considered a planned expenditure. Treasury has indicated that this number may change.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

TABLE 2.2

PLANNED EXPENDITURE LEVELS BY PROGRAM, AS OF 12/31/2009 ($ BILLIONS)

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

Less: Expenditures by Treasury under TARP[a]	Planned Expenditure	Planned Expenditure as % of Released	Repaid/ Reduced Exposure	Outstanding	Section Reference
Capital Purchase Program ("CPP"):					"Financial Institution Support Programs"
Multiple Investments	$204.9	29.3%			
CPP Total Gross	**$204.9**	**29.3%**	**($121.9)**	**$83.0**	
Systemically Significant Failing Institutions ("SSFI") Program/ AIG Investment Program					"Financial Institution Support Programs"
American International Group, Inc. ("AIG")	$69.8	10.0%			
SSFI Total	**$69.8**	**10.0%**	**$—**	**$69.8**	
Targeted Investment Program ("TIP"):					"Financial Institution Support Programs"
Bank of America Corporation	$20.0	2.9%			
Citigroup, Inc.	20.0	2.9%			
TIP Total	**$40.0**	**5.7%**	**($40.0)**	**$—**	
Asset Guarantee Program ("AGP"):					"Financial Institution Support Programs"
Citigroup, Inc.[b]	$5.0	0.7%			
AGP Total	**$5.0**	**0.7%**	**($5.0)**	**$—**	
Term Asset-Backed Securities Loan Facility ("TALF"):					"Asset Support Programs"
TALF LLC[c]	$30.0	4.3%			
TALF Total	**$30.0**	**4.3%**	**$—**	**$30.0**	
Automotive Industry Financing Program ("AIFP"):					"Automotive Industry Support Programs"
General Motors Corporation	$49.5	7.1%			
GMAC Inc.	17.2	2.5%			
Chrysler Holding LLC	12.5	1.8%			
Chrysler Financial LLC[d]	1.5	0.2%			
AIFP Total	**$80.7**	**11.6%**	**($2.5)**	**$78.2**	
Automotive Supplier Support Program ("ASSP"):					"Automotive Industry Support Programs"
GM Suppliers Receivables LLC[e]	$2.5	0.4%			
Chrysler Holding LLC[e]	1.0	0.1%			
ASSP Total	**$3.5**	**0.5%**	**($0.1)**	**$3.4**	
Automotive Warranty Commitment Program ("AWCP"):					"Automotive Industry Support Programs"
General Motors Corporation	$0.4	0.1%			
Chrysler Holding LLC	0.3	0.0%			
AWCP Total	**$0.6**	**0.1%**	**($0.6)**	**$—**	

PLANNED EXPENDITURE LEVELS BY PROGRAM, AS OF 12/31/2009 ($ BILLIONS)

	Planned Expenditure	Planned Expenditure as % of Released	Repaid/ Reduced Exposure	Outstanding	Section Reference
Legacy Securities Public-Private Investment Program ("PPIP")					
AG GECC PPIF Master Fund, L.P.	$3.3	0.5%			"Asset Support Programs"
AllianceBernstein Legacy Securities Master Fund, L.P.	3.3	0.5%			
BlackRock PPIF, L.P.	3.3	0.5%			
Invesco Legacy Securities Master Fund, L.P.	3.3	0.5%			
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	3.3	0.5%			
Oaktree PPIP Fund, L.P.	3.3	0.5%			
RLJ Western Asset Public/Private Master Fund, L.P.	3.3	0.5%			
UST/TCW Senior Mortgage Securities Fund, L.P.[f]	3.3	0.5%			
Wellington Management Legacy Securities PPIF Master Fund, L.P.	3.3	0.5%			
PPIP Total	**$30.0**	**4.3%**	**$—**	**$30.0**	
Making Home Affordable ("MHA"):					
Countrywide Home Loans Servicing LP	$6.8	1.0%			"Homeowner Support Programs"
J.P. Morgan Chase Bank, NA	3.9	0.6%			
Wells Fargo Bank, NA	3.7	0.5%			
OneWest Bank	2.2	0.3%			
Wachovia Mortgage, FSB	2.1	0.3%			
CitiMortgage, Inc.	2.0	0.3%			
GMAC Mortgage Services, Inc.	1.9	0.3%			
American Home Mortgage Servicing, Inc.	1.5	0.2%			
Litton Loan Servicing LP	1.4	0.2%			
Other Financial Institutions	10.3	1.5%			
MHA Total	**$35.5**	**5.1%**	**$—**	**$35.5**	
TARP Expenditures Subtotal	**$500.1**	**71.6%**			
TARP Repayments/Reductions in Exposure Subtotal			**($170.2)**		
TARP Outstanding Subtotal				**$330.0**	
Balance Remaining of Total Funds Made Available as of 12/31/2009				**$368.8**	

Notes: Numbers affected by rounding.
[a] The "planned expenditures" referenced throughout this report represent the funds Treasury currently plans to expend for each program, and a majority of those are committed funds (*e.g.*, signed agreements with TARP fund recipients).
[b] Treasury committed $5 billion to Citigroup under AGP; however, the funding was conditional based on losses that could potentially be realized and may potentially never be expended. This amount was not an actual outlay of cash. It was never disbursed and the agreement was terminated.
[c] Treasury has told SIGTARP that it will provide up to $30 billion of TARP funds to support TALF. Treasury's current TALF commitment is $20 billion, but should TALF exceed a total of $200 billion in loans extended by FRBNY, then Treasury will provide additional TARP funds. For the purposes of this table $30 billion is considered a planned expenditure. Treasury has indicated that this number may change.
[d] 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.
[e] 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 it was subsequently reduced to $3.5 billion effective 7/1/2009.
[f] According to Treasury, TCW is no longer a PPIF manager. Its holdings will be liquidated and re-allocated to other fund managers.

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*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

TABLE 2.3

EQUITY AGREEMENTS

TARP Program	Company	Date of Agreement	Cost Assigned	Description of Investment
CPP – Public	286 QFIs	"10/14/2008[a] and later"	$200.1 billion	Senior Preferred Equity Common Stock Purchase Warrants
CPP – Private	368 QFIs	"11/17/2008[b] and later"	$4 billion	Preferred Equity "Preferred Stock Purchase Warrants that are exercised immediately"
SSFI	AIG	4/17/2009	$41.6 billion[c]	Non-Cumulative Preferred Equity Common Stock Purchase Warrants
SSFI	AIG	4/17/2009	$29.8 billion[d]	Non-Cumulative Preferred Equity Common Stock Purchase Warrants
TIP	Citigroup	12/31/2008	$20.0 billion[e]	Trust Preferred Securities Warrants
TIP	Bank of America	1/16/2009[f]	$20.0 billion	Senior Preferred Equity Warrants
AIFP	GMAC	12/29/2008	$5.0 billion	Mandatorily Convertible Preferred Stock[g] Preferred Stock Purchase Warrants that are exercised immediately
AIFP	GMAC	5/21/2009	$7.5 billion	Mandatorily Convertible Preferred Stock[h] Preferred Stock Purchase Warrants that are exercised immediately Common Equity Interest[h]
AIFP	GMAC	5/29/2009	$0.9 billion	Common Equity Interest
AIFP	GMAC	12/30/2009	$2.5 billion	Trust Preferred Securities Trust Preferred purchase warrants that are exercised immediately
AIFP	GMAC	12/30/2009	$1.3 billion	Mandatorily Convertible Preferred Stock Preferred Stock Purchase Warrants that are exercised immediately
AGP	Citigroup	12/23/2009	$2.2 billion	Trust Preferred Securities with warrants
PPIP	All PPIF Managers	"9/30/2009 and later[i]"	$10.0 billion	Membership interest in a partnership

Notes: Numbers affected by rounding.
[a] Announcement date of CPP Public Term Sheet.
[b] Announcement date of CPP Private Term Sheet.
[c] AIG exchanged Treasury's $40 billion investment in cumulative preferred stock (obtained on 11/25/2008) for non-cumulative preferred stock, effectively cancelling the original $40 billion investment.
[d] The Equity Capital Facility was announced as a $30 billion commitment, but Treasury reduced this amount by the value of the AIGFP Retention Payment amount of $165 million.
[e] Citigroup exchanged its $20 billion senior preferred equity (obtained on 12/31/2008) for trust preferred securities.
[f] Date from Treasury's 1/27/2009 *Transactions Report*. The Security Purchase Agreement has a date of 1/15/2009.
[g] On December 30, 2009, Treasury exchanged $5.25 billion of preferred stock, which it acquired on December 29, 2009, into mandatory convertible preferred stock ("MCP").
[h] On December 30, 2009, Treasury converted $3.0 billion of its existing MCP, which was invested in May 2009, into common equity. Treasury's equity ownership of GMAC increased from 35% to 56% due to this conversion.
[i] Agreements signed by fund managers on various dates. First agreement signed on 9/30/2009.

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*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

Investment Information	Dividends	Term of Agreement
1-3% of risk-weighted assets, not to exceed $25 billion for each QFI	"5% for first 5 years, 9% thereafter"	Perpetual
15% of senior preferred amount	—	Up to 10 years
1-3% of risk-weighted assets, not to exceed $25 billion for each QFI	"5% for first 5 years, 9% thereafter"	Perpetual
5% of preferred amount	9%	Perpetual
$41.6 billion aggregate liquidation preference	10%	Perpetual
2% of issued and outstanding common stock on investment date of 11/25/2008; the warrant was originally for 53,798,766 shares and had a $2.50 exercise price, but after the 6/30/2009 split, it is for 2,689,938.30 shares and has an exercise price of $50.	—	Up to 10 years
Up to $29.8 billion aggregate liquidation preference. As of 9/30/2009, the aggregate liquidation preference was $3.2 billion.	10%	Perpetual (life of the facility is 5 years)
150 common stock warrants outstanding; $0.00002 exercise price	—	Up to 10 years
$20 billion	8%	Perpetual
10% of total preferred stock issued; $10.61 exercise price	—	Up to 10 years
$20 billion	8%	Perpetual
10% of total preferred stock issued; $13.30 exercise price	—	Up to 10 years
$5 billion	9%	Converts to common equity interest after 7 years
5% of original preferred amount	9%	Converts to common equity interest after 7 years
$4.5 billion	9%	Converts to common equity interest after 7 years
5% of original preferred amount	9%	Converts to common equity interest after 7 years
$3.0 billion	—	Perpetual
This equity interest was obtained by exchanging a prior debt obligation with GM. See "Debt Agreements" table for more information.	—	Perpetual
$2.5 billion	8%	Redeemable upon the repayment of the debenture
5% of trust preferred amount		
$1.3 billion	9%	Converts to common equity interest after 7 years
5% of preferred amount		
Each of the membership interests will be funded upon demand from the fund manager.	—	8 years with the possibility of extension for 2 additional years.

TABLE 2.4

DEBT AGREEMENTS

TARP Program	Company	Date of Agreement	Cost Assigned	Description of Investment
CPP — S-Corps	53 QFIs	1/14/2009[a]	$0.5 billion	Senior Subordinated Securities
				Senior Subordinated Security Warrants that are exercised immediately
AIFP	GM	12/31/2008	$19.8 billion[b]	Debt Obligation with Warrants and Additional Note
AIFP	GM	1/16/2009	$0.9 billion	Debt Obligation
AIFP	Chrysler	1/2/2009[c]	$4.8 billion[b]	Debt Obligation with Additional Note
AIFP	Chrysler Financial	1/16/2009	$1.5 billion	Debt Obligation with Additional Note
AIFP	Chrysler	5/1/2009	$3.8 billion	Debt Obligation with Additional Note
AIFP	Chrysler	5/27/2009	$6.6 billion	Debt Obligation with Additional Note, Equity Interest
AIFP	GM	6/3/2009, amended 7/10/2009	$30.1 billion	Debt Obligation with Additional Note
ASSP	GM Supplier Receivables LLC	4/9/2009	$2.5 billion	Debt Obligation with Additional Note
ASSP	Chrsyler Receivables SPV LLC	4/9/2009	$1.0 billion	Debt Obligation with Additional Note
PPIP	All PPIF Managers	"9/30/2009 and later"[d]	$20.0 billion	Debt obligation with contingent interest promissory note

Notes: Numbers affected by rounding.
[a] Announcement date of CPP S-Corporation Term Sheet.
[b] Amount includes AWCP commitments.
[c] Date from Treasury's 1/27/2009 *Transactions Report*. The Security Purchase Agreement has a date of 12/31/2008.
[d] Agreements signed by fund managers on various dates. First agreement signed on 9/30/2009.

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*, 1/4/2010; Treasury, response to SIGTARP data call, 1/5/2010.

Investment Information	Interest / Dividends	Term of Agreement
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.	7.7% for first 5 years; 13.8% thereafter	30 years
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
This loan was funded incrementally; $4 billion funded on 12/31/2008, $5.4 billion funded on 1/21/2009, $4 billion funded on 2/17/2009. Subsequently, this loan was then amended; $2 billion on 4/22/2009 and $4 billion on 5/20/2009 (General Advances). In addition, on 5/27/2009, $361 million was set aside in an SPV for the AWCP (Warranty Advances).	For General Advances - (i) the greater of (a) 3-Month LIBOR or (b) 2% plus (ii) 3%; For Warrant Advances (i) the greater of (a) 3-Month LIBOR for the related Interest Period or (b) 2% plus (ii) 3.5%	12/29/2011
This loan was exchanged for a portion of GM's common equity interest in GMAC LLC on 5/29/2009. See "Equity Agreement" table for more information.	3-Month LIBOR + 3%	1/16/2012
Loan of $4 billion; Additional note of $267 million (6.67% of the maximum loan amount). Subsequently, this loan was then amended; $500 million on 4/29/2009, this amount was never drawn and subsequentlly de-obligated (General Advances). In addition, on 4/29/2009, $280 million was set aside in an SPV for the AWCP, this advance was repaid (Warrant Advances).	For General Advances - (i) the greater of (a) 3-Month LIBOR or (b) 2% plus (ii) 3%; For Warrant Advances (i) the greater of (a) 3-Month LIBOR for the related Interest Period or (b) 2% plus (ii) 3.5%	1/2/2012
Loan was funded incrementally at $100 million per week until it reached the maximum amount of $1.5 billion on 4/9/2009. Additional note is $75 million (5% of total loan size), which vests 20% on closing and 20% on each anniversary of closing.	LIBOR + 1% for first year LIBOR + 1.5% for remaining years	1/16/2014
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
Commitment to New CarCo Acquisition LLC (renamed Chrysler Group LLC on or about 6/10/2009) of up to $6.642 billion. The total loan amount is up to $7.142 billion including $500 million of debt assumed from Treasury's 1/2/2009 credit agreement with Chrysler Holding LLC. The debt obligations are secured by a first priority lien on the assets of New CarCo Acquisition LLC (the company that purchased Chrysler LLC's assets in a sale pursuant to section 363 of the Bankruptcy Code).	For $2 billion: (i) The 3-Month Eurodollar Rate, plus (ii) (a) 5% or, on loans extended past the original maturity date, (b) 6.5%. For $5.142 billion note: (i) The 3-Month Eurodollar Rate plus 7.91% and (ii) an additional $17 million in PIK interest per quarter. For other notes: 3-Month Eurodollar Rate plus 7.91%.	For $2 billion note: 12/10/2011; provided that issuer may extend maturity for up to $400 million of principal to 6/10/2017. For other notes: 6/10/2017.
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 or (b) 2% plus (ii) 3.0%. For amounts assumed by New GM, the interest rates became (i) the greater of (a) 3-Month Eurodollar or (b) 2% plus (ii) 5%	Originally 10/31/2009, For amounts assumed by New GM, June 10, 2015, subject to acceleration
The original amount was $3.5 billion, but it was decreased permanently to $2.5 billion effective 7/1/2009.	(i) the greater of (a) LIBOR for the related interest period or (b) two percent (2%) plus (ii) three and five-tenths percent (3.5%)	4/9/2010
The original amount was $1.5 billion, but it was decreased permanently to $1.0 billion effective 7/1/2009.	(i) the greater of (a) LIBOR for the related interest period or (b) two percent (2%) plus (ii) three and five-tenths percent (3.5%)	4/9/2010
Each of the loans will be funded incrementally, upon demand by the fund manager.	LIBOR + 1%	The debt obligation for each fund matures at the earlier of the dissolution of the fund or 10 years.

TABLE 2.5

LARGEST POSITIONS IN WARRANTS HELD BY TREASURY, BY PROGRAM, AS OF 12/31/2009

Participant	Transaction Date	Current Number of Warrants Outstanding	Current Strike Price	Stock Price as of 12/31/2009	In or Out of the Money?	Amount "In the Money" or "Out of the Money" as of 12/31/2009
Capital Purchase Program ("CPP"):						
Bank of America Corporation	10/28/2008	73,075,674	$30.79	$15.06	OUT	($15.73)
Bank of America Corporation	1/9/2009	48,717,116	$30.79	$15.06	OUT	($15.73)
Citigroup Inc.	10/28/2008	210,084,034	$17.85	$3.31	N/A	N/A
Wells Fargo & Company	10/28/2008	110,261,688	$34.01	$26.99	OUT	($7.02)
Systemically Significant Failing Institutions ("SSFI") Program/AIG Investment Program:						
AIG[a]	11/25/2008	2,689,938	$50.00	$29.98	OUT	($20.02)
AIG[a]	4/17/2009	150	$0.00	$29.98	IN	$29.98
Targeted Investment Program ("TIP"):						
Citigroup Inc.	12/31/2008	188,501,414	$10.61	$3.31	OUT	($7.30)
Bank of America Corporation	1/16/2009	150,375,940	$13.30	$15.06	IN	$1.76
Asset Guarantee Program ("AGP"):						
Citigroup Inc.	1/16/2009	66,531,728	$10.61	$3.31	OUT	($7.30)

Notes: Numbers affected by rounding.
[a] All warrant and stock data for AIG are based on the 6/30/2009 reverse stock split of 1 for 20.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, responses to SIGTARP data call, 1/5/2010 and 10/7/2009; Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com.

TABLE 2.6

DIVIDENDS, INTEREST PAYMENTS, AND FEES BY PROGRAM ($ MILLIONS)

Program	Dividends	Interest	Fees[a]	Total
CPP	$8,283.1	$17.6	$13.3	$8,314.0
SSFI	—	—	—	—
TIP	3,004.4	—	—	3,004.4
AGP	276.7	—	—	276.7
AIFP[b]	936.1	343.0	—	1,279.1
ASSP	—	11.3	—	11.3
PPIP	—	1.7	—	1.7
Total	**$12,500.3**	**$373.6**	**$13.3**	**$12,887.3**

Notes: Numbers affected by rounding. Data as of 12/31/2009.
[a] There were $13 million in fees received as part of the Banco Popular exchange and $300,000 in fees from the public auction of warrants.
[b] Includes AWCP.

Sources: Treasury, response to SIGTARP data call, 1/5/2010; Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com.

FINANCIAL INSTITUTION SUPPORT PROGRAMS

Treasury created five TARP programs that involve investment of capital or guarantee of assets in return for equity in financial institutions. Two investment programs, the Capital Purchase Program ("CPP") and the Capital Assistance Program ("CAP"), were open to all qualifying financial institutions ("QFIs"). The other three programs, the Systemically Significant Failing Institutions ("SSFI") program, Targeted Investment Program ("TIP"), and Asset Guarantee Program ("AGP"), were made available on a case-by-case basis to specific institutions needing exceptional assistance above that of CPP. Treasury has indicated that it does not expect to make any additional investments through these previously announced programs, although it is contemplating new programs to support small-business lending that may mirror CPP.[56]

On November 9, 2009, Treasury announced that CAP will close with no investments having been made. CAP was originally set up to "provide a mechanism for additional taxpayer support in financial institutions subject to the Supervisory Capital Assessment Program ("SCAP")" — the evaluation of capital adequacy of the 19 largest bank holding companies ("BHCs") commonly referred to as the "stress test."[57] According to the Federal Reserve, 9 of the 10 bank holding companies that needed to raise additional capital as a result of SCAP have successfully done so in the private markets. The exception, GMAC, has received $3.8 billion[58] from Treasury through the Automotive Industry Financing Program ("AIFP") to meet its remaining capital needs.[59] For more information on GMAC, see the "Automotive Industry Support Programs" discussion in this section.

For more information on CPP, CAP, and SCAP, see SIGTARP's July 2009 Quarterly Report and SIGTARP's October 2009 Quarterly Report, pages 45 and 55, respectively.

Capital Purchase Program

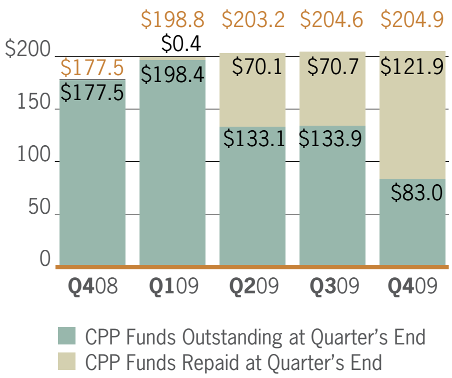
According to Treasury, the purpose of CPP was to invest in healthy, viable banks to promote financial stability, maintain confidence in the financial system, and permit institutions to meet the credit needs of American consumers and businesses.[60] Treasury has invested a total of $204.9 billion of TARP funds in QFIs under CPP.[61]

CPP was amended to provide additional funding for small banks in May 2009; on November 21, 2009, Treasury closed the last application window for CPP for Small Banks.[62] According to SIGTARP analysis, as of December 31, 2009, 64 banks had been funded under CPP for Small Banks for a total of $382.3 million.[63] Although small banks may no longer apply to CPP for assistance, Treasury has indicated that it intends to launch a similar program, investing capital in small banks in an effort to stimulate small-business lending.[64]

In the Treasury Secretary's December 9, 2009, announcement of Treasury's plans to wind down its TARP investments, he commented that CPP "through which the majority of TARP investments in banks have been made, is effectively closed."[65] As of December 31, 2009, through CPP, Treasury has received payments

FIGURE 2.5

SNAPSHOT OF CPP FUNDS OUTSTANDING AND REPAID, BY QUARTER
$ Billions



Notes: Numbers affected by rounding. Data as of 12/31/2009 and reflected in calendar quarters.

Source: Treasury, *Transactions Report*, 1/4/2010.

of approximately $17.6 million in interest, $8.3 billion in dividends, and $4.0 billion through the sale of warrants.[66] For a summary of CPP funds outstanding and associated repayments, see Figure 2.5.

Status of Funds

As of December 31, 2009, Treasury had purchased $204.9 billion in preferred stock and subordinated debentures from 707 different QFIs in 48 states, the District of Columbia, and Puerto Rico. See Figure 2.6 for the geographical distribution of all the QFIs that have received funding. Although the eight largest investments accounted for $134.2 billion of the program, CPP also had many more modest investments: 331 of 707 recipients received $10 million or less. Table 2.7 and Table 2.8 show the distribution of the investments by size.

TABLE 2.7

CPP INVESTMENT SUMMARY BY TRANSACTION

	Original[a]	**Current[b]**
Total Investment	$204.9 Billion	$83 Billion
Largest Capital Investment	$25 Billion	$25 Billion
Smallest Capital Investment	$301,000	$301,000
Average Capital Investment	$277.6 Million	$122.9 Million
Median Capital Investment	$10.3 Million	$9.9 Million

Notes: Numbers affected by rounding. Data as of 12/31/2009.
[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 and is based on total investments outstanding.

Source: Treasury, *Transactions Report*, 1/4/2010.

TABLE 2.8

CPP INVESTMENT SIZE BY INSTITUTION

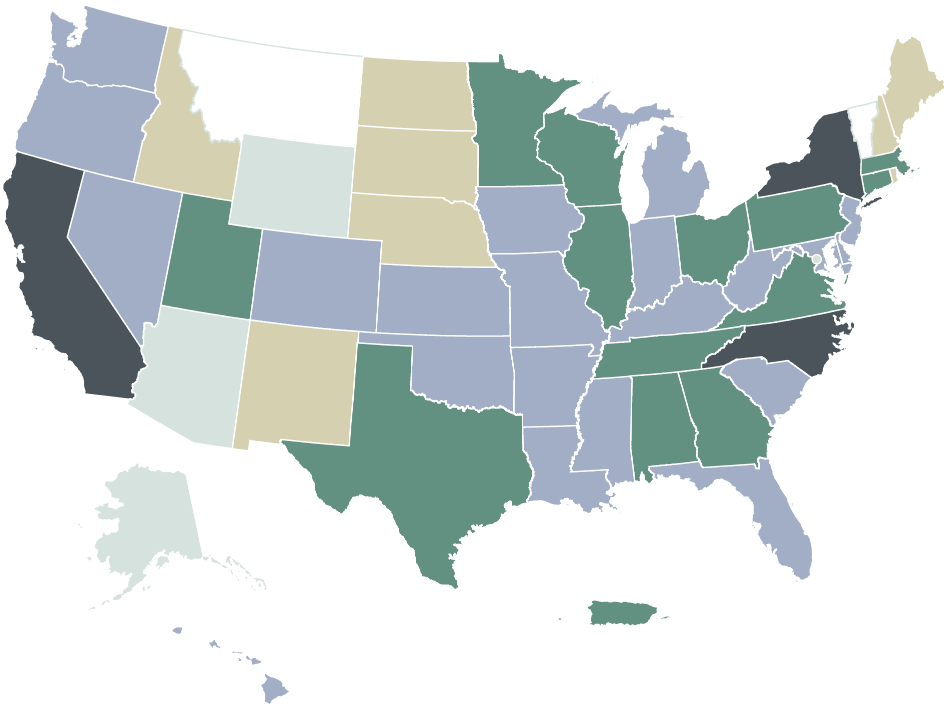
	Original[a]	**Current[b]**
$10 Billion or More	6	1
$1 Billion to $10 Billion	19	12
$100 Million to $1 Billion	57	45
Less than $100 Million	625	591
Total	**707**	**649**

Notes: Numbers affected by rounding. Data as of 12/31/2009. Data is based on the institutions' total CPP investments. There are more than 30 institutions that have received multiple transactions through CPP.
[a] These numbers are based on total Treasury CPP investment since 10/28/2008.
[b] Current amount does not include those investments that have already been repaid and is based on total investments outstanding.

Source: Treasury, *Transactions Report*, 1/4/2010.

FIGURE 2.6

TRACKING CAPITAL PURCHASE PROGRAM INVESTMENTS ACROSS THE COUNTRY



- $10 Billion or More
- $1 Billion to $10 Billion
- $100 Million to $1 Billion
- $10 Million to $100 Million
- Less than $10 Million
- $0

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

Source: Treasury, "Local Impact of the Capital Purchase Program," 12/9/2009, www.financialstability.gov, accessed 1/7/2010.

Although CPP was meant for investments in healthy and viable banks, some CPP recipients have filed for bankruptcy protection. As of December 31, 2009, three CPP participants have sought bankruptcy protection:

- **UCBH Holdings, Inc. ("UCBH")** declared bankruptcy on November 24, 2009, after its main banking subsidiary, United Commercial Bank ("UCB"), was closed by the FDIC on November 6, 2009.[67] Treasury invested $298.7 million in UCBH through CPP on November 14, 2008.[68]
- **Pacific Coast National Bancorp** declared bankruptcy on December 17, 2009, after its main banking subsidiary, Pacific Coast National Bank, was closed by the FDIC on November 13, 2009.[69] Treasury invested $4.1 million in Pacific Coast National Bancorp through CPP on January 16, 2009.[70]
- **CIT Group Inc. ("CIT")** filed for bankruptcy protection on November 1, 2009.[71] Treasury invested $2.3 billion in CIT through CPP on December 31, 2008.[72]

Net Asset Value: The value of all of the assets minus any estimated costs associated with those assets.

According to Treasury, "it is unlikely that Treasury will receive any significant recovery on these investments." In addition, in its TARP Financial Statements dated September 30, 2009, Treasury estimates the net asset value of its investment in CIT at zero.[73] For a more detailed discussion of these failures and the effect they have on TARP funds, see "TARP Tutorial: How Taxpayers Lose TARP Money When Banks Fail" in this section.

Repayment of Funds

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

As of December 31, 2009, 64 banks had repurchased some or all of their shares from Treasury, with Treasury receiving $121.9 billion in principal repayments, leaving an outstanding CPP balance of approximately $83.0 billion. Table 2.9 shows the 12 CPP share repurchases greater than $1 billion completed as of December 31, 2009. For a full listing of CPP share repurchases, see Appendix D: "Transaction Detail."

As of December 31, 2009, six out of the eight institutions that received the largest CPP investments had repurchased their preferred shares including Bank of America, which is discussed in greater detail in the next section. Although Citigroup did not repay its CPP funds, it did repay its TIP investment and terminated its AGP agreement.[74] See the "Targeted Investment Program and Asset Guarantee Program" discussion in this section for details.

TABLE 2.9

CPP SHARE REPURCHASES GREATER THAN $1 BILLION, AS OF 12/31/2009 ($ BILLIONS)

Repurchase Date	Institution	Amount of Repurchase
6/17/2009	JPMorgan Chase & Co.	$25.0
12/23/2009	Wells Fargo & Company	25.0
12/09/2009	Bank of America Corporation	25.0
6/17/2009	Morgan Stanley	10.0
6/17/2009	The Goldman Sachs Group, Inc.	10.0
6/17/2009	U.S. Bancorp	6.6
6/17/2009	Capital One Financial Corporation	3.6
6/17/2009	American Express Company	3.4
6/17/2009	BB&T Corp.	3.1
6/17/2009	The Bank of New York Mellon Corporation	3.0
6/17/2009	State Street Corporation	2.0
6/17/2009	Northern Trust Corporation	1.6
Total		**$118.3**

Note: Numbers affected by rounding.

Source: Treasury, *Transactions Report*, 1/4/2010.

Bank of America Repayment

On December 9, 2009, Bank of America repaid $45 billion in TARP funds ($25 billion from CPP and $20 billion from TIP) making it the largest single TARP repayment to date. In addition to the $45 billion to repurchase its preferred shares held by Treasury, Bank of America also paid an additional $190 million of accrued dividends owed to Treasury.[75] As of December 31, 2009, Treasury still held Bank of America's warrants that it had received in connection with CPP and TIP. As a result of its repayment, Bank of America is no longer considered an "exceptional assistance" institution and is no longer subject to TARP executive compensation restrictions going forward.[76] For more information on Treasury's investments with Bank of America, see SIGTARP's Quarterly Report to Congress dated April 21, 2009 (the "April 2009 Quarterly Report") and SIGTARP's Quarterly Report to Congress dated July 21, 2009 (the "July 2009 Quarterly Report") on pages 76 and 69, respectively.

Under the terms of the authorization from the Federal Reserve and Treasury, Bank of America repurchased its preferred shares using $19.3 billion in capital raised during a recent securities offering, in addition to excess cash on hand generated through normal business operations. In the securities offering, Bank of America sold 1.29 billion securities equivalent to common equity for $15.00 each.[77] Additionally, Bank of America agreed to increase equity by $3 billion through asset sales by June 30, 2010, subject to approval by the Federal Reserve.[78] Bank of America will also issue restricted common stock in lieu of cash compensation to employees of approximately $1.7 billion. Taken together, these three actions brought the total increase in common shareholders' equity associated with TARP redemption to $24 billion. As reported in SIGTARP's Quarterly Report to Congress dated October 21, 2009 (the "October 2009 Quarterly Report"), Bank of America had previously agreed to pay $425 million to Treasury, the FDIC, and the Federal Reserve to terminate the AGP term sheet. According to Treasury, this fee compensates the Government for the value Bank of America received from the announcement of the possible Government guarantee and loss sharing agreement.[79]

Dividend and Interest Payments

As of December 31, 2009, Treasury had received $8.3 billion from both dividends and interest from its CPP investments. Among CPP recipients, 74 QFIs have missed CPP dividend payments to Treasury; some of these institutions made the payments on a later date. As of December 31, 2009, this has resulted in $140.7 million in missed CPP dividend payments.[80]

If a QFI misses six quarterly dividend payments, Treasury obtains the right to elect two directors to sit on the QFI's board.[81] As of December 31, 2009, no participants were yet subject to this penalty (the program has been in existence for less than five quarters). Out of the 74 QFIs that have missed dividend payments, 15 have since paid their outstanding dividends, and one has not paid any dividends to the Government for the last four quarters. Table 2.10 lists the banks that have one or more missed dividend payment as of December 31, 2009. For a complete listing of CPP recipients and the institutions that have paid dividends or interest, see Appendix D: "Transaction Detail."

TABLE 2.10

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 12/31/2009

Institution	Cumulative/ Non-Cumulative	Number of Consecutive Missed Dividend Payments	Value of Missed Dividends ($ Thousands)
CIT Group Inc.	Cumulative	2	$58,250.0
Popular, Inc.	Cumulative	1	11,687.5
First BanCorp	Cumulative	2	10,000.0
First Banks, Inc.	Cumulative	2	8,049.7
Sterling Financial Corporation/Sterling Savings Bank	Cumulative	2	7,575.0
UCBH Holdings, Inc.	Cumulative	2	7,468.4
Pacific Capital Bancorp	Cumulative	3	6,773.8
Anchor BanCorp Wisconsin, Inc.	Cumulative	3	4,354.2
Dickinson Financial Corporation II	Cumulative	2	3,980.0
Central Pacific Financial Corp.	Cumulative	2	3,375.0
Midwest Banc Holdings, Inc.	Cumulative	3	3,179.4
Seacoast Banking Corporation of Florida/Seacoast National Bank	Cumulative	3	1,875.0
Integra Bank Corporation	Cumulative	1	1,044.8
Hampton Roads Bankshares, Inc.	Cumulative	1	1,004.3
Independent Bank Corporation	Cumulative	1	900.0
Centrue Financial Corporation	Cumulative	2	816.7
Blue Valley Ban Corp	Cumulative	3	815.6
Royal Bancshares of Pennsylvania, Inc.	Cumulative	2	760.2
PremierWest Bancorp	Cumulative	1	517.5
Heritage Commerce Corp.	Cumulative	1	500.0
Cascade Financial Corporation	Cumulative	1	487.1
TIB Financial Corp/TIB Bank	Cumulative	1	462.5
One United Bank	Non-Cumulative	3	452.4
Pacific City Financial Corporation/Pacific City Bank	Cumulative	2	441.5
United American Bank	Non-Cumulative	3	349.0
Rogers Bancshares, Inc.	Cumulative	1	340.6
Commonwealth Business Bank	Non-Cumulative	3	314.8
TriState Capital Holdings, Inc.	Cumulative	1	313.4
FC Holdings, Inc. (First Community Bank, National Association)	Cumulative	1	286.7
Citizens Bancorp	Cumulative	2	283.4

Continued on next page.

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 12/31/2009 (CONTINUED)

Institution	Cumulative/ Non-Cumulative	Number of Consecutive Missed Dividend Payments	Value of Missed Dividends ($ Thousands)
Peninsula Bank Holding Co.	Cumulative	3	237.5
Northern States Financial Corporation / Norstates Bank	Cumulative	1	215.1
Idaho Bancorp	Cumulative	2	188.0
The Connecticut Bank and Trust Company	Non-Cumulative	3	178.6
Pacific Coast National Bancorp	Cumulative	3	168.4
Pacific International Bancorp Inc	Cumulative	2	162.5
Premier Service Bank	Non-Cumulative	3	160.5
One Georgia Bank	Non-Cumulative	2	155.7
Commerce National Bank	Non-Cumulative	3	150.0
Farmers & Merchants Bancshares, Inc.*	Cumulative	1	149.9
Ridgestone Financial Services, Inc./Ridgestone Bank	Cumulative	1	148.5
Regent Bancorp, Inc*	Cumulative	1	136.0
Georgia Primary Bank	Non-Cumulative	2	132.2
Lone Star Bank	Non-Cumulative	3	129.8
OSB Financial Services, Inc.	Cumulative	1	127.9
Syringa Bancorp	Cumulative	1	109.0
Patterson Bancshares, Inc	Cumulative	2	100.6
Pierce County Bancorp	Cumulative	1	92.7
Pacific Commerce Bank**	Non-Cumulative	2	87.3
Citizens Commerce Bancshares, Inc.	Cumulative	1	85.8
US Metro Bank*	Non-Cumulative	2	81.9
Beach Business Bank	Non-Cumulative	1	81.8
Rising Sun Bancorp	Cumulative	1	81.5
Grand Mountain Bancshares, Inc.	Cumulative	2	77.3
Saigon National Bank	Non-Cumulative	4	75.5
Midtown Bank & Trust Company*	Non-Cumulative	1	71.1
Citizens Bank & Trust Company	Non-Cumulative	2	65.4
Northeast Bancorp*	Cumulative	1	52.8
Redwood Capital Bancorp*	Cumulative	1	51.8
Pathway Bancorp	Cumulative	1	50.8
Community Bank of the Bay	Non-Cumulative	3	50.7
IA Bancorp, Inc/Indus American Bank*	Cumulative	1	49.9
Community First Bank	Non-Cumulative	2	50.0
Congaree Bancshares, Inc.*	Cumulative	1	44.8
Omega Capital Corp./Front Range Bank	Cumulative	1	38.4
Goldwater Bank, N.A.*	Non-Cumulative	1	35.0
Tri-State Bank of Memphis*	Non-Cumulative	1	34.9
Fresno First Bank	Non-Cumulative	2	33.4

Continued on next page.

CPP-RELATED MISSED DIVIDEND PAYMENTS, AS OF 12/31/2009 (CONTINUED)

Institution	Cumulative/ Non-Cumulative	Number of Consecutive Missed Dividend Payments	Value of Missed Dividends ($ Thousands)
Green Circle Investments, Inc./Peoples Trust & Savings Bank*	Cumulative	1	32.7
Maryland Financial Bank	Non-Cumulative	1	23.2
Seacoast Commerce*	Non-Cumulative	1	14.2
Bern Bancshares, Inc.*	Cumulative	1	13.4
Corning Savings and Loan Association*	Non-Cumulative	1	8.7
The Freeport State Bank	Non-Cumulative	1	4.1
Total			**$140,693.3**

Notes: Numbers affected by rounding. Approximately $2.7 million of the $140.7 million in missed CPP dividend payments are non-cumulative and Treasury has no legal right to missed dividends that are non-cumulative.
*CPP recipients that have since fully paid missed dividends.
**CPP recipients that have partially paid missed dividends.

Source: Treasury, response to SIGTARP data call, 1/12/2010.

Warrant Disposition

To facilitate a return to the taxpayer, EESA mandated that Treasury receive warrants when it invests in troubled assets. The warrants provide Treasury the right to purchase shares of common stock for publicly traded institutions, or preferred stock or debt in the case of non-publicly traded institutions, at a fixed price.[82] CPP warrants expire 10 years from the date of the CPP investment. As of December 31, 2009, Treasury had not exercised its right under the warrants to purchase common shares in any of the public institutions.[83] For non-public institutions, warrants are immediately exercised upon closing of the initial investment.[84]

According to Treasury-issued guidance, after a CPP recipient repays its TARP funds, there are three means through which Treasury may dispose of the recipient's warrants or preferred shares from exercised warrants:[85]

- A publicly traded TARP recipient may repurchase its warrants at fair market value through negotiations with Treasury, as set forth in the CPP agreements. Thirty-one publicly traded institutions have repurchased their warrants in this manner.
- A non-publicly traded TARP recipient may repurchase its Treasury-held preferred shares that resulted from the exercise of its warrants. There have been 6 non-publicly traded institutions that have repurchased their preferred shares.
- If a publicly traded TARP recipient does not repurchase the warrants directly from Treasury, then Treasury will sell the warrants on the open market through an auction. As of December 31, 2009, Treasury had auctioned its warrants in three institutions: JPMorgan Chase & Co. ("JPMorgan"), Capital One Financial Corporation ("Capital One"), and TCF Financial Corporation ("TCF Financial").

Repurchase of Warrants by Financial Institutions

As of December 31, 2009, 31 public institutions had repurchased their warrants for a total of $2.9 billion, and 6 private institutions whose warrants were immediately exercised into preferred shares repurchased those shares for a total of

$2.6 million. For a list of the top 10 public institutions that had repaid their TARP funds and repurchased their warrants as of December 31, 2009, see Table 2.11. For a list of private institutions that had repaid their TARP funds and repurchased their preferred share as of December 31, 2009, see Table 2.12. For a full listing of all warrant repurchases, see Appendix D: "Transaction Detail."

TABLE 2.11

TOP 10 CPP WARRANT REPURCHASES (PUBLIC), AS OF 12/31/2009

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Millions)
07/22/2009	The Goldman Sachs Group, Inc.	12,205,045	$1,100.0
08/12/2009	Morgan Stanley	65,245,759	950.0
07/29/2009	American Express Company	24,264,129	340.0
07/15/2009	U.S. Bancorp	32,679,102	139.0
08/05/2009	The Bank of New York Mellon Corporation	14,516,129	136.0
08/26/2009	Northern Trust Corporation	3,824,624	87.0
07/22/2009	BB&T Corp.	13,902,573	67.0
07/08/2009	State Street Corporation[a]	2,788,104	60.0
12/30/2009	Trustmark Corporation	1,647,931	10.0
05/27/2009	FirstMerit Corporation	952,260	5.0
Total		**172,025,656**	**$2,894.0**

Notes: Numbers affected by rounding. This table represents warrants for common stock issued to Treasury by publicly traded TARP recipients.
[a] State Street Corporation reduced its original amount of warrants issued through a qualified equity offering.

Source: Treasury, *Transactions Report,* 1/4/2010.

TABLE 2.12

CPP REPURCHASES OF PREFERRED SHARES RESULTING FROM IMMEDIATE EXERCISE OF WARRANTS (PRIVATE), AS OF 12/31/2009

Repurchase Date	Institution	Number of Warrants Repurchased	Amount of Repurchase ($ Thousands)
4/15/2009	Centra Financial Holdings, Inc.	750	$750.0
04/22/2009	First ULB Corp.	245	245.0
5/27/2009	First Manitowoc Bancorp, Inc.	600	600.0
11/10/2009	Midwest Regional Bancorp, Inc.	35	35.0
11/18/2009	1st United Bancorp, Inc.	500	500.0
12/23/2009	Midland States Bancorp, Inc.	509	509.0
Total		**2,639**	**$2,639.0**

Notes: Numbers affected by rounding. This table represents the preferred shares held by Treasury as a result of the exercise of warrants issued by non-publicly traded TARP recipients. These warrants were exercised immediately upon the transaction date.

Source: Treasury, *Transactions Report,* 1/4/2010.

Dutch Auction: For Treasury's warrant auctions (which have 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. In 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 Bidder 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: A firm (such as an investment bank) that buys an issuance of securities from one institution and resells the securities to another investor or multiple investors. Also called an "underwriter."

Prospectus: Documents which disclose and describe a securities offering to the public and private investors, containing information required under Federal and state securities laws as applicable.

Network Broker: An intermediary between a buyer and seller of a security. In the auction of Treasury warrants, there is a set group of brokers that will be allowed to accept and submit bids to Deutsche Bank, the auction agent.

Treasury Auction

In those instances in which a CPP recipient cannot agree with Treasury on a negotiated price for its warrants, the warrants are sold through an auction process. Treasury uses a modified Dutch auction that allows investors to submit bids to the auction agent (Deutsche Bank), at specified increments above a minimum price that is set for each auction.[86] Deutsche Bank receives bids from the bidders and determines the final price of the warrants. It then allocates the warrants to the winning bidders.[87] On June 8, 2009, SIGTARP announced an audit of Treasury's process for the disposition of warrants. This audit is expected to be released over the upcoming months.

According to the prospectus issued by the participating TARP recipient, bidding begins at 8:00 a.m. on a specific date that is set by Deutsche Bank. Bidders have until 6:30 p.m. on the same day to place their bids. For all auctions, there is a minimum bid price, a minimum size (*i.e.*, number of warrants), and set bidding increments that are all determined by Deutsche Bank and Treasury. TARP recipients may choose to bid on their own warrants but are under no obligation to participate. In order to place a bid, a bidder must have an account with either Deutsche Bank or a network broker.

Once the submission deadline has passed, bids that have not been withdrawn are considered final and cannot be revoked or changed — meaning bidders that have successfully bid on the warrants will be obligated to purchase the amount that is allocated to them by Deutsche Bank at the final price.[88]

Warrant Auctions for Capital One, JPMorgan Chase, and TCF Financial

On November 19, 2009, Treasury announced its intent to sell the warrant positions it holds in JPMorgan, Capital One, and TCF Financial through an auction process. Each of these institutions repaid its TARP funds and chose not to repurchase its warrants directly from Treasury, allowing Treasury to auction off the warrants in the public market.[89] Treasury completed all three auctions, raising approximately $1.1 billion.[90] Final closing information for all auctions is found in Table 2.13.

TABLE 2.13

TREASURY AUCTIONS, AS OF 12/31/2009			
	Capital One	**JPMorgan**	**TCF Financial**
Date of Auction	12/3/2009	12/10/2009	12/15/2009
# of Warrants Offered	12,657,960	88,401,697	3,199,988
Minimum Bid Price	$7.50	$8.00	$1.50
Minimum Bid Size	100 warrants	100 warrants	100 warrants
Clearing Price	$11.75	$10.75	$3.00
Proceeds to Treasury	$146.5 Million	$936.1 Million	$9.5 Million

Note: Numbers affected by rounding.

Sources: Capital One Financial, "Prospectus Supplement," 12/3/2009, www.sec.gov/Archives/edgar/data/927628/000119312509247252/d424b5.htm, accessed 12/4/2009; JPMorgan, "Prospectus Supplement," 12/11/2009, www.sec.gov/Archives/edgar/data/19617/000119312509251466/d424b5.htm, accessed 12/29/2009; TCF Financial, "Prospectus Supplement," 12/16/2009, www.sec.gov/Archives/edgar/data/814184/000104746909010786/a2195869z424b5.htm, accessed 12/29/2009.

Use of Funds

From SIGTARP's inception, it has been recommending that Treasury require all TARP recipients to report periodically on their use of TARP funds. As reported in the SIGTARP audit, "Additional Insight on Use of Troubled Asset Relief Program Funds," dated December 10, 2009, Treasury has recently agreed to survey and report upon recipients' use of TARP funds. Treasury will be obtaining and reporting to the public qualitative responses from each TARP recipient on its use of TARP funds, backed by quantitative data obtained from the recipients' regulators and Treasury's own analysis. Treasury will be collecting and publicly reporting this data on an institution-by-institution basis, and will publish the names of any institutions that do not respond. SIGTARP believes that this reporting will provide meaningful information to the public and to policy makers on whether TARP programs have met their goals.

TARP TUTORIAL: HOW TAXPAYERS LOSE TARP MONEY WHEN BANKS FAIL

Problem List: A list of banks that the FDIC considers to be weak in terms of safety and soundness. See the discussion "The Mechanics of Closing a Bank" for more information.

"Run" on the Bank: A situation in which large numbers of depositors suddenly and simultaneously demand to withdraw their deposits from a bank. This may be caused by a decline in depositor confidence or fear that the bank will be closed by the chartering agency. Banks keep only a small fraction of their deposits in cash reserves, and thus, large numbers of withdrawals in a short period of time can cause even a healthy bank to have a severe liquidity crisis that could cause the bank to be unable to meet its obligations and fail.

TABLE 2.14

NUMBER OF U.S. BANK FAILURES, 2000 – 2009

Year	Number of Failed Banks
2000	7
2001	4
2002	11
2003	3
2004	4
2005	0
2006	0
2007	3
2008	25
2009	140

Source: FDIC, "Failures and Assistance Transactions, Number of Institutions, United States and DC, 1934-2009," www2.fdic.gov/hsob/HSOBSummaryRpt.asp?BegYear=2009&EndYear=1934&State=2, accessed 1/6/2010.

Introduction

The creation of TARP elevated the taxpayers' exposure to bank failures by making them direct investors in more than 700 institutions — generally as preferred shareholders. The recent bankruptcies of CIT, UCBH, and Pacific Coast National Bancorp, all TARP recipients through CPP, are tangible examples of the risk that failing CPP banks pose to the U.S. taxpayer. This tutorial provides a briefing on the mechanics of a bank closing in which a TARP investment is involved and describes possible outcomes for distressed financial institutions and the resulting impact on their investors, including U.S. taxpayers.

Bank failures are on the rise — a common occurrence after a financial crisis or major recession. Table 2.14 shows the number of bank failures in the United States from 2000 – 2009, including the period that marks the current credit crisis.

It is impossible to predict how many additional banks will succumb over the next several years. According to the FDIC website, however, the number of institutions on its "Problem List" is at a 16-year high. As of September 30, 2009, there were 552 insured institutions on the list, the largest number of problem institutions since the fallout from the savings and loan ("S&L") crisis resulted in 575 institutions being placed on the list by December 31, 1993.[91] The FDIC does not publish the names of problem banks on its website for fear that disclosing such information would cause a "run" on the bank's deposits.

As the current credit crisis continues to evolve, more bank failures are likely in the near future. The FDIC has predicted that the additional bank failures expected to occur over the next several years will cost the agency approximately $100 billion to resolve.[92]

Federal Agencies with Financial Institution Supervisory and Regulatory Authority

U.S. depository institutions report to at least one of five different Federal agencies as their "primary Federal regulator." Although some banks are state-chartered, they too are subject to Federal regulation through their dealings with the FDIC or the Federal Reserve. Depository institutions can be classified as banks, thrifts, or credit unions; for purposes of this section, the term "bank" will refer to all types of depository institutions.

The various financial Federal regulatory agencies and the institution types regulated by each are described in Table 2.15. As seen in Figure 2.7, the largest group of institutions by asset size is the commercial banking community with $14 trillion in assets under management.

TABLE 2.15

BANKING SUPERVISORY AND REGULATORY AGENCIES

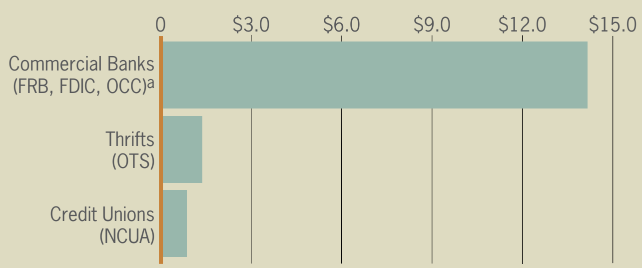
Federal Agency	**Institutions Supervised as "Primary Regulator"**
Board of Governors of the Federal Reserve System ("FRB")	Bank holding companies (including financial holding companies), state-chartered Federal Reserve member commercial banks
Federal Deposit Insurance Corporation ("FDIC")	State-chartered Federal Reserve nonmember commercial banks, state-chartered savings banks
National Credit Union Administration ("NCUA")	Credit unions
Office of the Comptroller of the Currency ("OCC")	National chartered commercial banks
Office of Thrift Supervision ("OTS")	State or Federal charter savings and loans (thrift) associations

Sources: Federal Financial Institutions Examination Council, "Enforcement Actions and Orders," 11/23/2009, www.ffiec.gov/enforcement.htm, accessed 12/9/2009; FDIC, "Historical Statistics on Banking, Introduction," www2.fdic.gov/hsob/help.asp#DEFINITIONS, accessed 12/10/2009; FRB, "The Federal Reserve System, Purposes & Functions, Section 5: Supervision and Regulation," www.federalreserve.gov/pf/pdf/pf_5.pdf, accessed 12/10/2009.

FIGURE 2.7

FINANCIAL ASSETS OWNED BY INSTITUTION TYPE AND FEDERAL REGULATOR, AS OF 9/30/2009

$ Trillions



Note: Numbers affected by rounding.

[a] Commercial banks include U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in U.S.-affiliated areas.

Source: Federal Reserve, *Flow of Funds Accounts of the United States, Report Z.1*, 12/10/2009, www.federalreserve.gov/releases/Z1/current/Z1.pdf, accessed 12/14/2009.

Charter: The legal authorization to conduct business granted to a financial institution by the Federal or state government.

Banks: Institutions that accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others, and that are engaged in the business of making commercial loans. Banks also take other types of deposits and make residential, consumer, and other types of loans. Generally, commercial banks specialize in providing short-term business credit.

Thrifts: Organizations that, like banks, accept savings account deposits, but which specialize in providing real estate lending, such as loans for single-family homes and other residential properties. Savings banks and savings and loan associations are examples of thrifts.

Credit Unions: Non-profit financial cooperative organizations composed of individuals with a common affiliation (such as place of employment). These individuals pool their funds to form the institution's deposit base and typically the group owns and controls the institution together. Credit unions also accept savings account deposits and provide loans.

What is the FDIC? The FDIC was created in 1933 in response to the thousands of bank failures following the Great Depression.[93] The agency has three functions:[94]

1. insuring consumer's deposits at banks
2. examining and supervising financial institutions
3. resolving banks that are deemed "insolvent" or "failed" and therefore placed into FDIC "receivership"

The FDIC's basic insurance amount, which is set by statute, is currently $250,000 per depositor, per insured bank. The FDIC provides separate coverage for deposits held in different account ownership categories. This means that depositors may qualify for more coverage if they have funds in different ownership categories.[95] For example, a depositor who holds a single account in her name at a banking institution and who also holds a joint account with someone else at that same banking institution would be entitled to a maximum coverage of $500,000. The FDIC is funded by premiums that banks pay for deposit insurance coverage and from earnings the FDIC makes on its investments.[96] The FDIC's Deposit Insurance Fund also has a line of credit with Treasury, which was permanently increased from $30 billion to $100 billion on May 20, 2009, as part of the Helping Families Save Their Homes Act. This line of credit may also be increased to $500 billion through the end of 2010 if certain conditions are met.[97]

Although the Federal Reserve, FDIC, OCC, OTS, and state banking regulators perform primary supervisory and regulatory functions over banks within their charter authority, when regulators decide that a bank is in trouble and should be closed, the FDIC is the agency responsible for resolving the bank's financial structuring problems and acting as the bank's receiver.[98] NCUA performs a similar function for credit unions.

The Mechanics of Closing a Bank

The FDIC defines a bank failure as the closing of a bank by a Federal or state banking regulatory agency. A bank is typically closed when it becomes severely undercapitalized or is unable to meet its obligations.[99] Upon closing, the Federal or state banking regulatory agency typically appoints the FDIC as receiver for the failed bank.

According to the FDIC, the FDIC, as receiver, assumes the task of managing or disposing of the failed bank's assets in a manner that attempts to maximize value and minimize cost and settling the failed bank's debts. The FDIC generally proceeds one of two ways:[100]

- The FDIC transfers the deposit liabilities and sells the assets to a healthy bank ("sell the bank").
- The FDIC pays the depositors and liquidates the assets.

The FDIC historically has preferred to sell the bank. This method involves selling the deposits and loans of the failed institution to another institution.[101] Loans and other assets

Insolvent: A condition where a financial institution has liabilities that exceed its assets. By definition, shareholders' equity in such a situation will be negative.

Receiver: In bankruptcy, an independent and impartial third party appointed by the court to assume the responsibility for efficiently recovering the maximum amount possible from the disposition of the bankrupt entity's assets in order to satisfy its obligations to creditors. In banking, receivership typically translates into the bank's operations and assets being assumed by the FDIC, which as the appointed receiver, may proceed to liquidate the insolvent institution or transfer some or all of its assets to another institution. Unlike in bankruptcy law, the FDIC is not subject to court supervision in administering the assets and liabilities of a failed institution. The FDIC is appointed by the failed bank's chartering authority.

that are not sold in the initial sale to the assuming institution will be packaged and sold on the broader financial market. The FDIC will service the loans of the closed bank until such time that it is able to sell them.[102]

When the FDIC is preparing for the sale of a failing bank or thrift (which often occurs before action is taken against the failing bank), it solicits potential bidders, or potential "assuming institutions" that may be interested in acquiring the failed entity's deposit franchise and/or the institution's assets. The bidding process is confidential. The FDIC will set up a due diligence website with estimated valuations and estimated shutdown costs for potential assuming banks to analyze. Interested banks will bid on the failed bank's deposits.

After bids are received, the FDIC selects the option that will cost the FDIC the least to protect the failed bank's insured depositors.[103] Once an assuming bank is identified, the FDIC will draft a purchase and assumption ("P&A") transaction agreement identifying the assets and liabilities to be assumed by the healthy bank, and, if applicable, it will draft a loss sharing agreement detailing the manner in which the FDIC and the assuming bank will share in any potential losses and recoveries on certain assets of the failed bank. These agreements may also provide for additional payments to the FDIC if the acquiring institution's stock price increases after the transaction.[104] Such provisions are known as "equity appreciation instruments" and may be used more frequently by the FDIC in P&A transactions in 2010.[105]

The FDIC will hold any assets that the assuming bank does not acquire until such assets can be sold. The FDIC may use structured loan sales transactions to dispose of the failed banks' remaining loan portfolio. According to the FDIC, these types of transactions involve the sale of loans through the use of private/public partnerships. The benefit of these relationships is that they leverage the asset management expertise of the private

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

Loan Servicing: Collecting and processing the payments made on a loan during the life of the loan including billing the borrower; collecting principal, interest, and payments into an escrow account; disbursing funds from the escrow account to pay taxes and insurance premiums; and forwarding funds to an investor if the loan has been sold in the secondary market.

Purchase and Assumption ("P&A"): A P&A is a method used by the FDIC to resolve a failing bank. In a P&A, a healthy financial institution purchases certain assets of a failed bank or thrift and assumes certain liabilities, including all insured deposits.

Loss Sharing Agreement: An agreement within a P&A in which the FDIC agrees to share in both the future losses and recoveries on certain assets of a failed bank with the assuming institution. In the standard loss sharing agreement, the FDIC will reimburse the assuming institution for 80% of any losses incurred on the acquired assets. The assuming institution will absorb the remaining 20%.

Equity Appreciation Instrument: An agreement entered into by the FDIC and an acquiring institution as part of the P&A agreement in which the FDIC receives additional cash payments or stock from the acquiring institution if its stock price increases after the transaction.

Structured Loan Sales: Loans acquired by the FDIC from failed financial institutions are generally sold in pools through auctions. Typically, sales contain loans that have similar characteristics and are refined into pools according to specific criteria.

sector while providing the FDIC with a financial interest in all future cash flows generated by the assets over time.[106]

In general, when the FDIC becomes the receiver of a failed bank it will pay off bank creditors in the following priority:[107]

1. insured and uninsured depositors
2. general unsecured creditors
3. subordinated debt holders
4. shareholders

Shareholders are the last in line to receive their payment. This priority of claims is similar to the order in which creditors are paid off when a company declares bankruptcy. This situation is discussed in more detail in the following section.

Effect of a Bank Failure on a TARP Investment

For more details on TARP's CPP investments, see the "Capital Purchase Program" discussion in this section.

Since the inception of CPP in October 2008, Treasury has invested $204.9 billion in more than 700 financial institutions.[108] In exchange for the funds invested through CPP, Treasury received preferred shares and warrants and, in some cases, subordinated debt, from TARP recipients. Should a TARP recipient fail, it is the nature of Treasury's investment that will determine whether taxpayers receive any payments in the bankruptcy or closing process.

Preferred shares differ from common shares in that preferred shares typically have a fixed rate of return, or dividend, which is paid over a set amount of time. Preferred shares typically have fewer voting rights than common shares. Preferred shares also have a higher claim on the assets and earnings of a corporation than common stock.

When a company declares bankruptcy, it can reorganize its debts or wind down and liquidate assets; in either scenario, its assets may be sold to pay off debts and other creditors according to the priorities as set forth in the U.S. Bankruptcy Code. Bankruptcy law determines the order of payment in the event a company declares bankruptcy.

Typically, the order of payment is as follows:[109]

1. secured creditors — creditors with a lien on a specific asset
2. unsecured creditors — creditors owed a debt not secured by a specific asset
3. shareholders — holders of equity in the company, including both preferred and common shareholders

If there is any money left after paying off all debt holders and other creditors, any remaining assets are returned to the company's shareholders with preferred shareholders receiving payment before common shareholders. Shareholders thus take on the greatest amount of risk when they invest in a company. As preferred shareholders, U.S. taxpayers fall in the category of shareholder in many of the Government's TARP investments. If the institutions fail, the taxpayers, like the other shareholders, will typically lose their investment if there are no remaining funds after creditors have been paid.

When a bank is placed into receivership, shareholders will typically fare no better in terms of recouping their investment than shareholders of a bankrupt company. This is because after depositors are paid off, the FDIC pays off remaining creditors' claims according to a similar priority as that dictated by U.S. bankruptcy law, which places shareholders at the bottom of the list as discussed previously.[110]

For more information about bankruptcy and the hierarchy of claims, see SIGTARP's July 2009 Quarterly Report, "TARP Tutorial: Bankruptcy," page 97.

Recent TARP Losses: Financial Institutions in Trouble

According to the CPP application guidelines, TARP funds may be invested in bank holding companies ("BHCs"), financial holding companies, insured depository institutions, and S&L holding companies that engage solely or predominately in activities that are permissible for financial holding companies under relevant law.[111] In this section, we examine two cases in which TARP funds were invested in bank holding companies that went into bankruptcy.

Although Treasury has projected an overall profit from CPP, any such profit will be diminished by billions of dollars in losses in certain CPP investments in which the banks have closed or reorganized. Three TARP recipients — CIT, UCBH, and Pacific Coast National Bancorp — have declared bankruptcy. Although there were two different paths to

Bank Holding Company ("BHC"): A company that controls a bank. Typically, a company controls a bank through the ownership of 25% or more of its voting securities. The Federal Reserve defines a bank holding company as any company that directly or indirectly owns, controls, or has the power to vote 25% or more of any class of the voting shares of a bank; controls in any manner the election of a majority of the directors or trustees of a bank; or is found to exercise a controlling influence over the management or policies of a bank.

the organizations' bankruptcies, the result for taxpayers appears to be the same — total or near-total loss of their investment. CIT and UCBH illustrate these two possible paths for failing banks.

CIT — How TARP Funds Are Lost When a Financial Institution Files for Bankruptcy Protection

On December 31, 2008, Treasury invested $2 billion of CPP funds in CIT, a bank holding company with various commercial finance businesses including lending to small and mid-size businesses.[112] CIT, which was founded in 1908, is a major lender to small businesses, with more than $60 billion in finance and leasing assets supporting more than one million borrowers.[113] The current credit crisis left CIT with numerous bad loans, and the company experienced severe liquidity problems.

On November 1, 2009, CIT filed Chapter 11 Bankruptcy.[114] Its depository institution, CIT Bank, however, did not file bankruptcy. As part of the company's plan of reorganization, CIT expected to reduce the total debt of its holding company by approximately $10 billion, which would significantly reduce its liquidity needs over the next three years.[115] None of CIT's operating subsidiaries, including CIT Bank, a Utah state bank, were part of the bankruptcy filing, and those subsidiaries were expected to continue to operate as usual.[116]

The company's plan of reorganization was approved by the bankruptcy court on December 8, 2009.[117] Upon exiting bankruptcy, all of CIT's existing common and preferred stock was deemed to no longer have any value and was cancelled.[118] For its CPP investment in CIT, the Government initially received preferred shares and warrants. Upon the effectiveness of the plan of reorganization, on December 10, 2009, CIT's shares and warrants were extinguished, and former holders of preferred shares received contingent value rights ("CVRs"). The CVRs were first introduced on October 16, 2009, as part of CIT's attempt to work with creditors to formulate its plan of reorganization in anticipation of voluntarily filing Chapter 11 bankruptcy.[119]

Theoretically, CVRs place Treasury in a position to recoup part of its investment in CIT. If, in the future, the senior and junior debt holders are paid back 100%, then any residuals would go to the CVR holders. At this time, it is unlikely that there will be any residual to

Chapter 11 Bankruptcy: A form of bankruptcy in which a company typically reorganizes itself.

Plan of Reorganization: A proposal prepared by a company in Chapter 11 bankruptcy. The plan, often prepared with the cooperation of creditors, details the necessary steps the company must take in order to emerge from bankruptcy as a viable entity.

Contingent Value Rights ("CVRs"): A type of right given to stockholders of a company undergoing a reorganization that ensures the stockholders will receive additional benefit if a specified event occurs.

pay Treasury for its preferred stock investment; in its TARP Financial Statements, Treasury listed the value of its CIT investment as zero.[120]

UCBH — How TARP Funds Are Lost When a Financial Institution Is Closed

On November 14, 2008, Treasury invested $298.7 million in UCBH through TARP's CPP.[121] Less than one year later, on November 6, 2009, UCB, the main banking subsidiary of UCBH, was closed and sold to East West Bank.[122]

According to the FDIC announcement of UCB's closing, as of October 23, 2009, UCB had total assets of $11.2 billion and total deposits of approximately $7.5 billion. East West Bank paid the FDIC a premium of 1.1% for the right to assume all of UCB's deposits. East West Bank also agreed to purchase approximately $10.2 billion in UCB's assets.[123]

According to the FDIC, all shares of UCB were owned by its holding company, UCBH.[124] UCBH's main asset was its ownership of UCB bank stock. When UCB was placed into receivership, that bank's stock became worthless, and, as a direct result, UCBH was forced into bankruptcy. On November 24, 2009, UCBH filed a Chapter 7 (liquidating) bankruptcy.[125]

UCBH's stock was delisted from the NASDAQ stock exchange on November 9, 2009, due to NASDAQ concerns that there would be no residual interest remaining for shareholders once the liquidation of the company's assets takes place.[126] In cases such as this, it is rare for equity investors (such as Treasury through its CPP investment) to recoup any of their investment because UCBH's liabilities exceed its assets and, therefore, no remaining value will likely be allocated to its equity investors.

Comparison of Reopening vs. Liquidation

The two previous examples — CIT and UCB — represent the two most likely results for a failed financial institution. Either the company emerges from the process intact under its original name (and possibly management) as in the case of CIT, or it is broken up and the assets sold off, as in the case of UCB. In either case, U.S. taxpayers, as preferred shareholders, will likely lose 100% of their investment.

Chapter 7 Bankruptcy: A form of bankruptcy in which the company ceases all operations and liquidates its assets.

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."[127] As of December 31, 2009, $69.8 billion had been allocated through the SSFI program to American International Group, Inc. ("AIG"), the sole participant.[128] In its TARP Financial Statements, Treasury projected that, as of September 30, 2009, the present value of its investment in AIG would result in a loss of $30.4 billion.[129]

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

Non-cumulative Preferred Stock: Unpaid dividends do not accrue on shares of stock when a company does not make a dividend payment.

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

Status of SSFI Funds

On November 2, 2008, Treasury made its initial investment in AIG with the purchase of $40 billion of Series D cumulative preferred AIG stock and common stock warrants. On April 17, 2009, AIG and Treasury signed a securities exchange agreement in which Treasury exchanged the Series D cumulative preferred stock for Series E non-cumulative preferred stock. In addition to the exchange agreement, on April 17, 2009, Treasury committed to fund an equity capital facility for AIG under which $29.8 billion may be drawn down in exchange for more preferred stock and additional common stock warrants. As of December 31, 2009, AIG had drawn down $5.3 billion from the equity capital facility.[130]

For more information on AIG's preferred stock purchase, the AIG exchange, or its equity capital facility, see SIGTARP's July 2009 Quarterly Report, page 60.

AIG Update

Subsequent to SIGTARP's October 2009 Quarterly Report, AIG continued to restructure its business. On November 6, 2009, AIG reported a net income of $455 million for the quarter ending September 30, 2009 — its second straight quarterly profit—in contrast to the net loss of $24.5 billion posted in third-quarter 2008.[131]

Dividend Payments

On November 2, 2009, AIG failed to pay its fourth consecutive dividend payment to Treasury.[132] As a result, under the documents governing Treasury's preferred shares in AIG, Treasury has the right to elect the greater of (a) two members of the AIG board of directors or (b) 20% of the entire board. This right will be retained by Treasury until dividends are paid on Treasury's preferred stock for four quarters (need not be consecutive).[133]

According to Treasury, it has the right to select up to 3 of the 11 AIG directors. Treasury is coordinating with AIG and has hired the executive search firm Korn/Ferry International to assist in the selection of the directors.[134] As of December 31, 2009, no directors had been selected by Treasury. The selection is expected to be completed by mid-February.

Credit Facility Reduction

As discussed in SIGTARP's April 2009 Quarterly Report, FRBNY announced plans to modify its September 2008 Revolving Credit Facility (a Federal Reserve facility not involving TARP funds) established with AIG. On December 1, 2009, AIG announced that it closed two transactions with FRBNY in which FRBNY accepted $25 billion in preferred equity interests in two of AIG's insurance special purpose vehicles ("SPVs") as satisfaction for $25 billion owed by AIG under the Revolving Credit Facility. As a result of the transactions, AIG's outstanding principal balance on the credit facility decreased from $42 billion to $17 billion, and its total borrowing capacity under the facility was reduced from $60 billion to $35 billion.[135]

Sale of Business and Assets

During the ten-month period ended October 31, 2009, AIG entered into agreements to sell or completed the sale of assets expected to generate $5.6 billion in after-tax proceeds.[136] These dispositions included agreements to sell Nan Shan Life Insurance Company, Ltd. for $2.15 billion[137] and portions of its investment advisory and asset management business for $300 million.[138] Consistent with the terms of the Revolving Credit Facility, AIG announced plans to use proceeds from the sale and disposition of its assets and operations to pay down its credit facility with FRBNY.[139] Treasury will receive no reimbursement from AIG unless and until the FRBNY line of credit is repaid.[140]

Use of Funds Report

As part of AIG's equity capital facility agreement with Treasury, it must submit a use of funds report describing the expected use of the proceeds received from the facility.[141] As of December 31, 2009, the funds drawn down on the equity capital facility had been used to meet capital solvency requirements resulting from declines in the value of investments and to purchase shares of United Guaranty Corporation ("UGC"), an AIG subsidiary. In addition, funds have been used to provide capital support to UGC and settle payments for UGC.[142]

Targeted Investment Program and Asset Guarantee Program

As of December 31, 2009, Treasury had invested and received repayment for $40 billion of TARP funds in Citigroup and Bank of America through the Targeted Investment Program ("TIP").[143]

The $40 billion investment occurred as a result of a $20 billion investment in Citigroup on December 31, 2008, and an investment in Bank of America of $20 billion on January 16, 2009.[144] Although the Government still holds Citigroup and Bank of America warrants from its TIP investments, the program is effectively closed.

AIG is also the subject of at least three SIGTARP audits. The first audit, dated October 14, 2009, examines the large bonus payments made to employees in AIG Financial Products Corp. ("AIGFP") in March 2009. The second audit, dated November 17, 2009, examines the payments made to AIG's counterparties by FBRNY. The third yet-to-be-released audit will examine Treasury's governance of financial institutions in which it has acquired ownership interests, including AIG. To view these audit reports, visit www.SIGTARP.gov. For more information on the audit entitled "Factors Affecting Efforts to Limit Payments to AIG Counterparties," see Section 1 of this report.

On January 15, 2009, Treasury pledged $5 billion in loss protection for approximately $301 billion of Citigroup assets under the Asset Guarantee Program ("AGP").[145] Although this was not a direct investment of cash, taxpayers faced up to $5 billion in TARP exposure through the Government's guarantee of the assets. In return for the loss protection agreement, Treasury received approximately $4 billion in Citigroup preferred stock.[146] The AGP agreement was terminated on December 23, 2009.

Citigroup, Inc.

Treasury has not made any additional investments in Citigroup since January 2009; however, Treasury's initial investments have been modified through a series of securities offerings. Through private, public, and Treasury CPP exchanges, Citigroup exchanged a total of approximately $58 billion of preferred and trust preferred securities into common stock. Additionally, on July 30, 2009, Treasury exchanged its TIP and AGP preferred shares for trust preferred shares. As a result of the exchanges, Treasury controlled approximately $24 billion in Citigroup trust preferred securities and approximately $25 billion (33.6%) of Citigroup's outstanding common stock.[147] Table 2.16 shows Treasury's initial investment in Citigroup and its remaining investment.

Exchanges: In reference to the Citigroup agreement, taking one type of stock (*i.e.*, preferred) and converting it at a specific rate to another type of stock (*i.e.*, common).

For more information on the Citigroup exchange offering and a timeline of key events, see SIGTARP's October 2009 Quarterly Report, pages 68 and 69.

Status of Citigroup TARP Investments

As of December 31, 2009, Citigroup had repurchased the $20 billion in trust preferred securities issued to Treasury under TIP and terminated the loss sharing agreement under AGP. In addition, Treasury has announced plans to sell its common equity position in Citigroup over the next 6 – 12 months.[148] Citigroup is no longer considered an "exceptional assistance" institution and is therefore not subject to the oversight of the Special Master for TARP Executive Compensation (the "Special Master").[149] However, Citigroup is subject to the executive compensation restrictions that apply to all TARP recipients.

TABLE 2.16

TREASURY'S INVESTMENT IN CITIGROUP ($ BILLIONS)

Program	Date	Original Investment / Commitment	Current Investment / Commitment, as of 12/31/2009
CPP	10/28/2008	$25.0	$25.0
TIP	12/31/2008	20.0	—
AGP	1/15/2009	5.0	—
Total		**$50.0**	**$25.0**

Note: Numbers affected by rounding.

Source: Treasury, *Transactions Report*, 1/4/2010.

Repurchase of TIP Trust Preferred Shares

Citigroup's agreement with Treasury regarding the repurchase of $20 billion of trust preferred securities called for Citigroup to issue $20.5 billion of new debt and equity. On December 22, 2009, Citigroup announced that it had completed the sale of $17 billion of new common stock and $3.5 billion of other debt and equity for a total of $20.5 billion of new debt and equity securities.[150] Citigroup also committed to issue $1.7 billion of common stock in lieu of compensation to employees. This included a commitment to issue that much additional common stock to the market if the employee issuance does not occur.[151] The proceeds from this sale were then used on December 22, 2009, to repurchase Treasury's $20 billion of trust preferred securities that Treasury had received from its TIP investment.[152] As a result of Citigroup's common stock offering, Treasury's share of Citigroup's common stock was diluted from 33.6% to approximately 27.4%.[153]

Termination of AGP

On December 23, 2009, Treasury and Citigroup finalized the termination of their loss sharing agreement made under AGP. The termination agreement included the following terms:[154]

- Treasury's guarantee commitment was terminated.
- In light of the early termination of the guarantee, Treasury agreed to cancel $1.8 billion of the $4.0 billion trust preferred securities issued by Citigroup as part of the AGP agreement.
- The 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.

Because Treasury never made a payment to Citigroup under AGP, the taxpayer should recognize a positive return from the program when Treasury liquidates the trust preferred securities and warrants it still holds.[155] As of December 31, 2009, Treasury had not announced plans to sell these interests.

Citigroup and CPP Common Shares

On December 14, 2009, Treasury announced that it would begin liquidating its common stock position in Citigroup. Treasury initially intended to sell $5 billion of its CPP common equity ownership in Citigroup through a secondary offering concurrent with Citigroup's own equity offering; the purpose of Citigroup's offering was to raise capital in order to repurchase its TIP shares in an effort to meet Government regulatory requirements.[156] However, Treasury did not participate after tepid demand in the marketplace reduced Citigroup's offering price below the

Lockout Period: As it pertains to Treasury's Citigroup holdings, refers to a period of time during which Treasury may not try to sell any of its shares in Citigroup. This reassures potential buyers of Citigroup stock that the market will not be further flooded with other shares, which might cause downward pressure on Citigroup's stock price.

Deferred Tax Asset: An asset (such as a tax loss) that a company can use to reduce its future taxes.

$3.25 per-share price that Treasury had paid for its shares.[157] In addition, Treasury had to agree to a lockout period of 90 days in order to encourage investors in the marketplace to participate in Citigroup's equity offering.[158] In return, Citigroup agreed to pay all costs associated with Treasury's future sales of Citigroup common stock.[159] Treasury has stated that it hopes to sell its stake in Citigroup over the next 6 – 12 months.[160]

IRS Deferred Tax Asset Change—Notice 2010-2

On December 11, 2009, the Internal Revenue Service ("IRS") issued Notice 2010-2, which provides guidance pertaining to Internal Revenue Code section 382 and TARP recipients.[161] Generally, section 382 limits the ability of a corporation to use its losses (*i.e.*, net operating losses and certain built-in losses) as deferred tax assets to offset future taxable income if there has been an ownership change. An ownership change occurs when a shareholder owning 5% or more of the company (a "5% shareholder") increases its interest by more than 50 percentage points over a measuring period (generally three years). In certain situations small shareholders are aggregated and treated as one 5% shareholder.[162]

In Notice 2008-100, the IRS stated that neither the acquisition of stock by Treasury pursuant to its TARP authority nor the subsequent redemption of that stock would count for purposes of determining whether an ownership change has occurred.[163] Notice 2010-2 provides that if Treasury sells its TARP-related stock to small (less than 5%) shareholders, and those shareholders are aggregated and treated as a single 5% shareholder, then the small shareholders' ownership in the corporation shall not be considered to have increased solely as a result of such a sale.[164]

Pursuant to Notice 2010-2, a sale by Treasury of Citigroup stock acquired through TARP to a small shareholder will not contribute to the creation of an ownership change under section 382.[165] This new guidance could cost American taxpayers billions of dollars of tax revenue if Citigroup returns to profitability. On the other hand, the retained deferred tax assets will increase Citigroup's value and therefore increase the price of Citigroup's common stock, of which Treasury owns approximately 27.4%.[166]

Bank of America

As of December 31, 2009, Bank of America had received and repaid a total of $45 billion of TARP funds. Treasury invested $45 billion in Bank of America through three separate cash infusions under TIP and CPP.[167]

For more on the Bank of America repayment, see the "Capital Purchase Program" discussion in this section.

ASSET SUPPORT PROGRAMS

Treasury, either on its own or in conjunction with the Federal Reserve, announced several programs intended to support demand in financial markets for hard-to-value assets and to restart the credit markets: the Term Asset-Backed Securities Loan Facility ("TALF"), the Public-Private Investment Program ("PPIP"), and the Unlocking Credit for Small Businesses ("UCSB")/Small Business Administration ("SBA") loan support initiatives. In the December 9, 2009, letter sent to Congress certifying extension of TARP until October 3, 2010, the Treasury Secretary indicated that additional TARP funding could be released to support small business and community lending initiatives and TALF.[168]

The Federal Reserve's TALF program had been announced to provide funding to institutions pledging asset-backed securities ("ABS") as collateral.[169] According to Treasury, it will provide up to $30 billion of TARP funds to support this program. Treasury's current TALF commitment is $20 billion to support the $200 billion in TALF lending currently authorized by the Federal Reserve, but it subsequently indicated that it is prepared to provide up to $30 billion should the Federal Reserve and Treasury need to expand the program.[170] TALF is scheduled to terminate in March 2010 for non-mortgage-backed ABS and legacy commercial mortgage-backed securities ("CMBS") and in June 2010 for newly issued CMBS.[171] Through December 31, 2009, the Federal Reserve had facilitated 17 TALF subscriptions for a total of $61.7 billion in TALF loans: 10 subscriptions related to non-mortgage-backed ABS totaling $52.9 billion in TALF loans, and 7 CMBS subscriptions resulting in $8.8 billion in TALF loans. As of December 31, 2009, $39 billion of ABS TALF loans and $8.5 billion of CMBS TALF loans remained outstanding.[172] According to the Federal Reserve, "the aggregated amount outstanding can vary from the aggregate amount requested or funded at subscription for reasons including prepayments and principal pay downs."[173]

In addition to the expansion of TALF, PPIP, as announced, included two subprograms, the Legacy Loans Program and the Legacy Securities Program. The Legacy Loans Program was intended to utilize equity provided by Treasury and debt guarantees provided by the FDIC to facilitate purchases of legacy mortgage loans held by banks. On July 31, 2009, the FDIC launched a pilot sale of assets as a proposed funding mechanism for the Legacy Loans Program. No TARP funds were used in the sale and Treasury has budgeted no funding for this program going forward.[174] The Legacy Securities Program, on the other hand, utilizes equity and debt financing provided by Treasury through TARP to facilitate purchases of legacy mortgage-backed securities ("MBS") held by various financial institutions.

Through the UCSB/SBA loan support initiatives, Treasury has indicated funding of up to $30 billion for a number of programs designed to stimulate small-business lending.

Commercial Mortgage-Backed Securities ("CMBS"): A financial instrument that is backed by a commercial real estate mortgage or a group of commercial real estate mortgages that are packaged together.

Legacy CMBS: CMBS issued before January 1, 2009.

Term Asset-Backed Securities Loan Facility

In November 2008, the Federal Reserve and Treasury announced TALF, under which FRBNY would issue up to $200 billion in loans to make credit available to consumers and small businesses; up to $20 billion in TARP funds would be used to purchase surrendered collateral of TALF loans.[175] Subsequently, Treasury indicated that it would increase its commitment to TALF up to $30 billion should the Federal Reserve and Treasury need to expand the program.[176] As of December 31, 2009, there had been no surrender of collateral.[177] TALF has been divided into two parts:

- **lending program** — originates loans to eligible borrowers
- **asset disposition facility** (**"TALF LLC"**) — an SPV used by FRBNY to purchase and manage any collateral surrendered by borrowers from the TALF lending program

FRBNY manages both the lending program and TALF LLC. The funding for the lending program comes in the form of loans issued by FRBNY; the loans are issued on a non-recourse basis. According to Treasury, the funding for TALF LLC will first come from a portion of interest payments made by borrowers from the lending program, then from Treasury's use of up to $30 billion in TARP funds to purchase subordinated debt from TALF LLC, and finally, from FRBNY. Because TALF loans are non-recourse, borrowers may, except in the event of a breach of representation, warranties, or covenants by the borrower, walk away from the loans, surrender the collateral to FRBNY, and have no further obligation to repay the loan.

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

Securities eligible to be considered as collateral for TALF loans include:

- **Non-mortgage-backed ABS.** Certain ABS backed by collateral other than commercial or residential real estate loans. Eligibility criteria are discussed in detail in the October 2009 Quarterly Report, pages 75-76.
- **Newly issued CMBS.** CMBS issued after January 1, 2009.
- **Legacy CMBS.** CMBS issued before January 1, 2009.

As of December 31, 2009, FRBNY had no immediate plans to expand the types of eligible collateral.[178] On August 17, 2009, the Federal Reserve and Treasury announced the extension of TALF beyond the originally contemplated termination date of December 31, 2009. For TALF loans collateralized by newly issued ABS and legacy CMBS, availability has been extended by FRBNY through March 2010 due to the continuing impairment of the markets. Additionally, TALF loans collateralized by newly issued CMBS will be made by FRBNY through June 2010 in order to provide the market enough time to arrange newly issued CMBS transactions.[179]

Program Updates

Subsequent to SIGTARP's October 2009 Quarterly Report, a number of TALF program updates have been announced. The following program-related developments occurred and are discussed in greater detail in this section:

- FRBNY hired CWCapital Investments LLC ("CWCapital") to provide underwriting advisory services on newly issued CMBS.
- First sale of newly issued CMBS under TALF was completed.
- FRBNY announces that all proposed collateral will be subject to a formal risk assessment.
- FRBNY announced the rejection of 11 legacy CMBS CUSIPs during the quarter.
- The Federal Reserve issued the final rule amending Federal Reserve Regulation A on determining the eligibility of nationally recognized statistical rating organizations ("NRSROs") to provide credit ratings for non-mortgage-backed ABS in TALF.
- FRBNY changed the date for monthly distributions of principal and interest.

Hiring of CWCapital Investments LLC for Underwriting Advisory Services

FRBNY has engaged CWCapital to provide credit underwriting advisory services for commercial mortgage loans backing newly issued CMBS. CWCapital will review credit files for completeness and prudent lending standards, interview brokers in the areas where the collateral backing CMBS is located, and visit the property site of the underlying collateral as directed by FRBNY.

During the term of the agreement with FRBNY, CWCapital is prohibited from providing advisory or other services to any Government agencies under PPIP without the express prior written consent of FRBNY. The company must also establish an "ethical wall" to make sure TALF confidential information is only available to those employees with authorized access.

CWCapital must maintain a list of its employees and independent contractors assigned to provide services to FRBNY in connection with TALF, known as "Restricted Persons" under the contract. Restricted Persons are generally prohibited from providing analytical, reporting, valuation, or advisory services related to proposed, newly issued CMBS to anyone other than FRBNY. Restricted Persons cannot share TALF confidential information with anyone except another Restricted Person or FRBNY and its designated representatives and contractors, no matter how that information was obtained. They may not discuss non-confidential information regarding TALF with anyone other than another Restricted Person or FRBNY without prior consultation with CWCapital's compliance department. They are further prohibited from trading proposed CMBS, either personally or on behalf of CWCapital clients.

CUSIP: Unique identifying number assigned to all registered securities in the United States and Canada.

Credit Underwriting: The process used by a financial institution to determine the risks involved in providing credit to a borrower and to measure those risks against standards established by the financial institution's board of directors.

Federal Open Market Committee ("FOMC"): A committee made up of the members of the Board of Governors of the Federal Reserve, the president of FRBNY, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC oversees open market operations, which is the main tool used by the Federal Reserve to influence overall monetary and credit conditions in the United States. For a detailed description of the FOMC, see SIGTARP's July 2009 Quarterly Report, page 131.

For more information on the TALF risk assessment process, see SIGTARP's October 2009 Quarterly Report, page 78.

In addition, Restricted Persons who are also management-level employees of CWCapital may not trade in any CMBS or any stock or debt securities of any bank, bank holding company, insurance company, or any other financial institution that is a recipient of funds under an economic stabilization program adopted by Treasury or the Federal Reserve.

FRBNY or its designated representatives have the right to examine any records CWCapital creates or obtains in connection with providing these services and to audit CWCapital's performance under the contract to determine its compliance with the requirements of the contract. Audits and *ad hoc* reviews may also be conducted by the Federal Reserve or the Federal Open Market Committee ("FOMC").[180]

Newly Issued CMBS Subscription

The first sale of newly issued CMBS under TALF was settled on November 25, 2009. This offering was the first new CMBS issuance in the market since June 2008. The issue, underwritten by The Goldman Sachs Group, Inc. ("Goldman Sachs"), provided financing in the form of $323 million in TALF-eligible bonds for Developers Diversified Realty, a U.S. retail mall operator; $72 million of the issue was financed through TALF.[181] According to a Federal Reserve official, "investor demand for the new issuance was high, in part because of the improved investor protections put in place so that securities would be eligible collateral for TALF loans. In the end, non-TALF investors purchased almost 80 percent of the TALF-eligible securities."[182]

Risk Assessment Process

According to FRBNY, it now conducts a risk assessment on ABS and CMBS proposed as collateral for TALF loans. Among other considerations, the risk assessment conducted on legacy CMBS seeks to determine if the value of the collateral when stressed under adverse economic conditions will exceed the requested loan amount.[183] The collateral for ABS is evaluated for credit quality, transparency, and simplicity of structure.[184]

For legacy CMBS, the loan amount will be based on the lesser of the dollar purchase price on the trade date, the market price as of the subscription date, or a value based on FRBNY's risk assessment. For other types of securities, FRBNY will value the collateral based on the market price.[185] Once collateral values for the various classes of securities are determined, loan amounts are calculated by taking a haircut from the collateral value. See SIGTARP's April 2009 Quarterly Report, pages 96-98, for a description of TALF mechanics and haircut amounts.

FRBNY provides to the sponsor or issuer a "good faith" indication of whether a proposed transaction is likely to satisfy the risk assessment process within two weeks of receiving the required information. Issuers will have the opportunity to provide clarification to FRBNY during the assessment process.[186]

Legacy CMBS Acceptances and Rejections

Each security potentially pledged as collateral for a TALF loan can be identified by its unique CUSIP number. As of December 31, 2009, FRBNY had accepted 373 legacy CMBS CUSIPs and rejected 15 legacy CMBS CUSIPs; of the rejected CUSIPS, 11 were rejected during this quarter.[187] According to FRBNY, it reserves the right to reject any legacy CMBS as collateral based on the terms and conditions of TALF.[188] According to FRBNY, the rejection of those 15 legacy CMBS was based on either a failure to meet the terms and conditions of TALF or FRBNY's risk assessment, including an assessment of whether the stressed value of the legacy CMBS exceeded the requested loan amount. This risk assessment assists FRBNY in the determination of whether the total amount of money lent to the borrower would exceed the total value of the legacy CMBS should the market deteriorate, which could result in a loss to FRBNY.[189]

According to FRBNY, the list of rejected legacy CMBS CUSIPs does not include legacy CMBS identified in a loan request that may have been rejected "due to the failure to properly complete a TALF loan request form, the failure to provide a sales confirmation that meets the requirements of the [Master Loan and Security Agreement], borrower ineligibility, or the FRBNY's assessment of the reasonableness of the secondary market transaction price."[190] FRBNY does not publish a list of rejected ABS or newly issued CMBS CUSIPs. Legacy CMBS were created before the existence of TALF so borrowers cannot know the eligibility of an issuance without a determination by FRBNY. TALF-eligible ABS and newly issued CMBS, on the other hand, are structured specifically to meet TALF requirements, eliminating the need for rejection; potential investors can review the prospectuses of those securities for TALF eligibility.[191]

Revised Rule for Evaluating Nationally Recognized Statistical Rating Organizations

At the inception of TALF, collateral was limited to ABS that had received the highest credit rating from at least two of the three largest nationally recognized statistical rating organizations ("NRSROs"): Moody's Investor Services ("Moody's"), Standard & Poor's ("S&P"), and Fitch Ratings ("Fitch"). With the addition of CMBS as eligible collateral in May 2009, FRBNY expanded beyond the three largest NRSROs to accept credit ratings for CMBS-backed loans from two additional NRSROs with substantial experience rating CMBS: DBRS Ltd. and Realpoint LLC. On December 9, 2009, the Federal Reserve published in the *Federal Register* a final rule amending Federal Reserve Regulation A (the "Final Rule") which determines the eligibility of NRSROs to provide credit ratings for ABS in TALF; the Final Rule does not apply to CMBS. Similar to the expansion of TALF-eligible credit rating agencies for CMBS, the Federal Reserve anticipates that the Final Rule will likely increase the number of TALF-eligible credit rating agencies from

Nationally Recognized Statistical Rating Organization ("NRSRO"): A 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.

There are 10 NRSROs currently registered with the SEC:

- A.M. Best Company, Inc.
- DBRS Ltd.
- Egan-Jones Rating Company
- Fitch, Inc.
- Japan Credit Rating Agency, Ltd.
- LACE Financial Corp.
- Moody's Investors Service, Inc.
- Rating and Investment Information, Inc.
- Realpoint LLC
- Standard & Poor's Ratings Services

For more information on the NRSRO designation and SEC regulations on NRSROs established by CRARA, see SIGTARP's October 2009 Quarterly Report, pages 122-128.

the three largest to include other NRSROs with experience rating specific ABS categories.[192] For a discussion of the impact of credit rating agencies on TARP, see SIGTARP's October 2009 Quarterly Report, Section 3.

The Final Rule describes an approach specific to the types of assets accepted as collateral in TALF. At a minimum, FRBNY will only accept a credit rating issued by a firm registered with the Securities and Exchange Commission ("SEC") as an NRSRO for issuers of ABS pursuant to the Credit Rating Agency Reform Act of 2006 ("CRARA"). In addition, the NRSRO must have issued ratings on at least 10 transactions within a specified asset category since September 30, 2006. According to the Final Rule, the asset categories include:

- Category 1 — auto loans, floorplan loans, and equipment loans
- Category 2 — credit card receivables and insurance premium finance loans
- Category 3 — mortgage servicing advance receivables
- Category 4 — student loans

An NRSRO must have a current and publicly available rating methodology for each ABS sector for which it applies to FRBNY for consideration, and the rating methodology must continue to remain public for an NRSRO to maintain eligibility.[193]

The Final Rule describes the process whereby FRBNY determines whether an NRSRO can become eligible to have its ratings accepted for TALF ABS. FRBNY may also, at any time, review the eligibility requirements of an NRSRO and determine that credit ratings from that NRSRO will no longer be accepted for any or all classes of securities for which it had previously qualified. In addition, the NRSRO must agree to discuss with FRBNY its views of the credit risk of any transaction within the TALF asset sector that has been submitted to TALF and upon which the NRSRO is being or has been consulted by the issuer.

An NRSRO wishing to be considered for TALF can submit documentation to FRBNY at any time.[194] According to FRBNY, it will notify an NRSRO of its eligibility within five business days of FRBNY's receipt of a complete application.[195] NRSROs approved under the Final Rule are eligible for participation beginning with the February 2010 subscription;[196] however, because the non-mortgage-backed ABS portions of TALF to which the Final Rule would apply are currently scheduled to end on March 31, 2010, any newly approved NRSRO will have only two months to participate in the program.[197]

Payment Date Change

On November 30, 2009, FRBNY announced that it had received consents on behalf of existing TALF borrowers to extend the date of monthly disbursements of principal and interest on underlying collateral by one day. The payment date for monthly principal and interest disbursements for TALF loans will now be four business days after interest on the loan is accrued.[198] According to FRBNY, the change was made "to ensure accurate operational execution of principal and interest payments."[199]

TALF Subscription Activity

As of December 31, 2009, FRBNY had conducted 17 subscriptions for TALF: 10 related to non-mortgage-backed ABS and 7 related to CMBS. The 17 TALF subscriptions resulted in $61.7 billion in TALF loans made to 139 TALF borrowers, some of which borrowed both ABS- and CMBS-backed loans. Of the total borrowers, 104 pledged non-mortgage-backed ABS collateral and 74 pledged CMBS collateral. As of December 31, 2009, $47.5 billion of the TALF loans remained outstanding.[200]

Subscriptions Using Non-Mortgage-Backed Collateral

As of December 31, 2009, FRBNY had facilitated 10 TALF non-mortgage-backed ABS subscriptions, totaling approximately $52.9 billion in TALF loans settled; of the non-mortgage-backed ABS loans settled, $39 billion were outstanding.[201] Table 2.17 includes all non-mortgage-backed ABS TALF loans settled since the inception of the program. According to FRBNY, the market for newly issued ABS totaled approximately $134 billion in 2009, of which $94 billion were TALF-eligible.[202]

TABLE 2.17

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

ABS Sector	March 2009	April 2009	May 2009	June 2009	July 2009	August 2009	Sept 2009	Oct 2009	Nov 2009	Dec 2009	Total
Auto Loans	$1.9	$0.8	$2.3	$2.9	$2.8	$0.6	$1.2	$0.2	$—	$—	$12.7
Student Loans	—	—	2.3	0.2	1.0	2.4	0.2	0.3	0.1	0.7	7.2
Credit Card Receivables	2.8	0.9	5.5	6.0	1.5	2.6	4.4	0.2	0.1	1.5	25.5
Equipment Loans	—	—	0.4	0.6	—	—	0.1	0.0[A]	0.1	0.2	1.4
Floorplan Loans	—	—	—	—	—	1.0	—	0.9	0.4	0.2	2.5
Small-Business Loans	—	—	0.1	0.0[A]	0.1	0.1	0.2	0.3	0.4	0.3	1.4
Servicing Advance Receivables	—	—	—	0.4	0.0[a]	0.1	—	0.5	—	0.1	1.2
Premium Finance	—	—	—	0.5	—	—	0.5	—	—	—	1.0
Total	**$4.7**	**$1.7**	**$10.6**	**$10.7**	**$5.4**	**$6.8**	**$6.5**	**$2.4**	**$1.1**	**$3.0**	**$52.9**

Notes: Numbers affected by rounding. Data as of 12/31/2009.
[a] June Small-Business loans TALF loans settled was for approximately $29 million, July 2009 servicing receivables TALF loans settled was for approximately $34 million, and October 2009 equipment loans TALF loans settled was for approximately $39 million. For purposes of this table the amounts round to $0.0 billion.

Sources: FRBNY, "TALF Non-CMBS Operations," no date, www.newyorkfed.org/markets/TALF_recent_operations.html, accessed 1/5/2010; Federal Reserve, response to SIGTARP draft report, 1/15/2010; FRBNY, response to SIGTARP data call, 1/21/2010.

Subscriptions Using Commercial Mortgage-Backed Collateral

As of December 31, 2009, FRBNY had facilitated 7 TALF CMBS subscriptions totaling approximately $8.8 billion in TALF loans; of the TALF CMBS loans settled, $8.5 billion were outstanding.[203] For a summary of TALF CMBS loans by date and collateral asset category, see Table 2.18.

TABLE 2.18

TALF LOANS SETTLED (CMBS COLLATERAL) ($ BILLIONS)

Type of Collateral Assets	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	Total
Newly issued CMBS	$ —	$ —	$ —	$ —	$ —	$0.1	$ —	$0.1
Legacy CMBS	—	0.6	2.1	1.4	1.9	1.3	1.3	8.7
Total	**$ —**	**$0.6**	**$2.1**	**$1.4**	**$1.9**	**$1.4**	**$1.3**	**$8.8**

Notes: Numbers affected by rounding. Data as of 12/31/2009. Of the $8.8 billion in TALF loans collateralized by CMBS, $8.5 billion were outstanding.

Sources: FRBNY, "TALF CMBS Operations," no date, www.newyorkfed.org/markets/CMBS_recent_operations.html, accessed 1/5/2010; Federal Reserve, response to SIGTARP draft report, 1/15/2010; FRBNY, response to SIGTARP data call, 1/21/2010.

Public-Private Investment Program

The Public-Private Investment Program ("PPIP") is designed to purchase legacy assets from institutions through Public-Private Investment Funds ("PPIFs"), which are joint ventures that combine capital from private equity investors, public equity investments from TARP funds, and non-recourse debt also from TARP funds. As of December 31, 2009, Treasury had committed $18.6 billion of equity and debt financing to PPIP.[204] Treasury has stated that PPIP will utilize up to approximately $30 billion of TARP funds.[205]

In creating PPIP on March 23, 2009,[206] Treasury, along with the FDIC and the Federal Reserve, announced the program's design to serve three basic principles:[207]

- maximizing the impact of each taxpayer dollar
- sharing risk and profits with private-sector participants
- creating a mechanism to determine market prices competitively for troubled assets held by banks

The FDIC has launched a pilot program of PPIP for loans (the Legacy Loans Program), but as of December 31, 2009, it does not involve TARP funds. For more information on the Legacy Loans Program, see SIGTARP's October 2009 Quarterly Report, page 84.

Legacy Securities Program

According to Treasury, the Legacy Securities Program was designed to "restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit."[208] PPIP is designed to be a long-term program lasting eight years, with the possibility of two one-year extensions.[209]

The legacy securities eligible for purchase by PPIFs are asset-backed securities supported by real estate-related loans issued before January 1, 2009, and originally rated AAA (or its equivalent) by two or more credit rating agencies designated as nationally recognized statistical ratings organizations ("NRSROs").[210] These securities include non-agency residential mortgage-backed securities ("RMBS") and CMBS.

For more information on the Legacy Securities Program and the PPIF Limited Partnership Agreements, see SIGTARP's October 2009 Quarterly Report, page 85.

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

Legacy Securities Program Update

As of December 31, 2009, Treasury had signed final agreements with nine private fund managers each of which will manage an individual PPIF.[211] These legal agreements define the terms and scope of the limited partnership, such as the PPIFs' financing options, investment restrictions, reporting requirements, and compliance rules.[212]

As of December 31, 2009, PPIFs have raised $6.2 billion of private-sector equity capital, which Treasury matched for a total equity capital of $12.4 billion. Treasury also provided $12.4 billion of debt capital, resulting in $24.8 billion of PPIF purchasing power.[213] If each of the PPIF managers raises the maximum

TABLE 2.19

PPIP PURCHASING POWER ($ BILLIONS)

	Private-Sector Equity Capital	Treasury Equity	Treasury Debt	Total Purchasing Power
AG GECC PPIF Master Fund, L.P.	$0.7	$0.7	$1.3	$2.6
AllianceBernstein Legacy Securities Master Fund, L.P.	1.1	1.1	2.1	4.2
BlackRock PPIF, L.P.	0.6	0.6	1.2	2.3
Invesco Legacy Securities Master Fund, L.P.	0.5	0.5	1.0	2.0
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	0.4[a]	0.4	0.8	1.6
Oaktree PPIP Fund, L.P.	0.5	0.5	0.9	1.8
RLJ Western Asset Public/Private Master Fund, L.P.	0.5	0.5	1.0	2.0
UST/TCW Senior Mortgage[b] Securities Fund, L.P.	1.0	1.0	2.0	4.1
Wellington Management Legacy Securities PPIF Master Fund, L.P.	1.0	1.0	2.0	4.1
Current Totals as of 12/31/2009	**$6.2**	**$6.2**	**$12.4**	**$24.8**
Maximum Potential Totals[c]	**$10.0**	**$10.0**	**$20.0**	**$40.0**

Notes: Numbers affected by rounding.
[a] Treasury exempted Marathon from the requirement of raising $500 million in initial capital from private-sector investors prior to Marathon's closing on 11/30/2009. As of the closing date, Marathon had raised $400 million.
[b] On 12/4/2009, Treasury froze TCW's PPIF. On 1/4/2010, TCW withdrew as a manager in PPIP. Its holdings have been liquidated at a profit and TCW has paid back its loan to Treasury.
[c] Represents Treasury's maximum equity and debt obligations if limited partners other than Treasury fund their maximum equity obligations.

Source: Treasury, "Legacy Securities Public-Private Investment Program: Program Update – Month Ended November 30, 2009," received 1/6/2010.

amount of private capital, the program will create approximately $40 billion in purchasing power for legacy securities. Table 2.19 shows all equity and debt invested under the program.

PPIF Monthly Performance Reports

Each PPIF manager must submit to Treasury and SIGTARP an audited annual report and unaudited quarterly and monthly reports on behalf of the PPIFs. Monthly PPIF reports include the following:[214]

- PPIF holdings (including CUSIP or ISIN, date of purchase, security description, par value, cost, fair market value, and accrued income)
- purchases and sales
- capital activity including contributions and withdrawals of securities and cash
- a summary of changes in its investments' fair market value

International Securities Identification Number ("ISIN"): Unique identifying number assigned to all internationally traded securities.

- performance data (including 1-month, 3-month, year-to-date, latest 12 months, since inception [cumulative by month] and since inception [annualized])
- management discussion and analysis of the partnership's investment activities
- an analysis of current market conditions

Disclosure of PPIF Transactions and Holdings

As the PPIFs have commenced operations in earnest over the past quarter, SIGTARP has been in discussions with Treasury and with the PPIF managers themselves concerning the appropriate disclosure of data about the activity in the PPIFs. As previously recommended, SIGTARP continues to believe that transparency in PPIP will be vital to the overall success, and credibility, of the program. However, as urged by Treasury and the PPIF managers, SIGTARP acknowledges that there is a risk that publishing security-by-security information at this time — *i.e.*, during the ramp-up period when the PPIF managers are building their portfolios — could be detrimental to the interests of the taxpayer investors. Specifically, such disclosure could reveal the PPIF managers' investment strategies, thereby putting the PPIFs (and taxpayers) at a disadvantage *vis-à-vis* private market participants who could potentially anticipate a PPIF manager's strategy, purchase targeted securities, and sell them to the PPIF at a higher price, thereby harming the taxpayers. Accordingly, and consistent with SIGTARP's previous recommendation (which contemplated temporary redaction of information that could harm taxpayer interests), SIGTARP has decided not to disclose such security-by-security information at this time. SIGTARP anticipates that once the ramp-up period is substantially concluded, security-by-security data will be appropriate for disclosure.

Fund Performance

The performance of each fund — its gross and net returns since inception — is listed in Table 2.20 as reported by each PPIF manager. The returns are calculated based on a methodology requested by Treasury. Each PPIF, on behalf of its private and Government investors, has a three-year investment period to purchase legacy securities in the market.[215] The program envisions "predominantly a long-term buy and hold strategy" of up to eight years for each PPIF, subject to extension with Treasury's permission.[216] The following data reflects a snapshot of the funds' performance over the quarter ending December 31, 2009, and may not be predictive of the funds' performance over the long term. According to some of the PPIF managers, it would be premature to draw any long-term conclusions about the performance of the funds from the data reported below because, among other things, some PPIF managers have not yet fully implemented investment strategies and have not yet fully drawn down on capital commitments from Treasury.

TABLE 2.20

PPIF REPORTED INVESTMENT RETURNS[a]

Manager		1-Month Return	3-Month Return[b]	Cumulative Since Inception
AG GECC PPIF Master Fund, L.P.	Gross	2.02%	N/A	4.86%
	Net	1.94%	N/A	3.94%
AllianceBernstein Legacy Securities Master Fund, L.P.	Gross	5.45%	0.25%	0.25%
	Net	5.11%	(0.57%)	(0.57%)
BlackRock PPIF, L.P.	Gross	0.78%	1.53%	1.53%
	Net	0.65%	1.04%	1.04%
Invesco Legacy Securities Master Fund, L.P.	Gross	1.73%	3.81%	3.81%
	Net	1.49%	2.82%	2.82%
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Gross	0.00%	N/A	0.00%
	Net	(1.35%)	N/A	(1.35%)
Oaktree PPIP Fund, L.P.[c]	Gross	N/A	N/A	N/A
	Net	N/A	N/A	N/A
RLJ Western Asset Public/Private Master Fund, L.P.	Gross	2.24%	N/A	3.75%
	Net	1.91%	N/A	3.26%
UST/TCW Senior Mortgage Securities Fund, L.P.[d]	Gross	(0.72%)	N/A	0.90%
	Net	(0.81%)	N/A	0.68%
Wellington Management Legacy Securities PPIF Master Fund, L.P.	Gross	0.74%	(0.80%)	(0.80%)
	Net	0.58%	(1.23%)	(1.23%)

Notes: Five PPIF managers, AllianceBernstein, BlackRock, Invesco, TCW, and Wellington, submitted October monthly trading PPIF reports. Two additional PPIFs, Angelo Gordon/GECC and RLJ Western Asset, began trading in November. All seven of these managers submitted reports for November. The two remaining managers, Marathon and Oaktree, became active PPIF managers in December. All nine PPIF managers submitted monthly reports for December.

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

[b] Certain PPIFs have not yet been actively trading for three months, and therefore do not have a three-month return.

[c] As of 12/31/2009, Oaktree has not drawn, borrowed, or invested any capital.

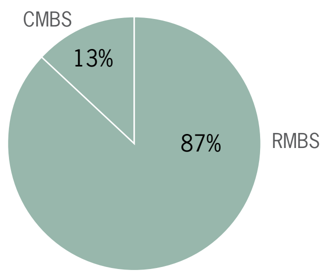
[d] On 12/4/2009, Treasury froze TCW's PPIF. On 1/4/2010, TCW withdrew as a manager in PPIP. Its holdings have been liquidated at a profit and TCW has paid back its loan to Treasury.

Sources: PPIF Monthly Performance Reports submitted by each PPIF manager, December 2009.

FIGURE 2.8

AGGREGATE COMPOSITION OF PPIF PURCHASES, AS OF 12/31/2009

% of $3.4 Billion



Note: Numbers affected by rounding.

Source: Treasury, response to SIGTARP draft report, 1/22/2010.

The performance indicators in Table 2.20 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.

According to Treasury, each PPIF manager may trade in both RMBS and CMBS except Oaktree, which may only purchase CMBS.[217] Figure 2.8 shows the collective value of securities purchased by all of the PPIFs as of December 31, 2009, broken down by RMBS and CMBS.

PPIF investments can be classified by their underlying asset types. For RMBS, the underlying assets are home mortgages for residences occupied by up to four families.[218] For CMBS, the assets are the commercial real estate mortgages: office, retail, multi-family, hotel, industrial (such as warehouses), mobile-home parks, mixed-use (*i.e.*, a combination of commercial and residential), and self-storage.[219] Figure 2.9 breaks down CMBS investment distribution by sector. All RMBS investments are considered residential. In this program, RMBS investments are limited to non-agency RMBS.

Non-agency RMBS and CMBS securities can be classified by estimated risk (sometimes referred to as "quality"). The type of risk of most concern to investors is that the borrower(s) will default and the underlying collateral will be sold at a loss. There are no universal standards for ranking mortgage quality. The designations vary depending on the context in which they are used. In general, however, the higher the quality level, the higher will be the requirements for the borrower's credit, completeness of documentation, and underwriting standards. The investment-quality levels of risk for RMBS can be characterized as follows:

- **Prime:** High-quality mortgages that have a low default risk and are made to borrowers with good credit records.[220]
- **Alt-A:** A non-standard mortgage made to borrowers characterized by a strong credit history but with less traditional features; for example, reduced documentation, low down payment, or non-owner occupier.[221]
- **Subprime:** A mortgage extended to borrowers with some credit impairment, limited or no documentation about income and assets, high loan-to-value ratios, or high payment-to-income ratios.[222]
- **Option Adjustable Rate Mortgage ("ARM"):** A mortgage that does not have a fixed interest rate — where the interest will change based on an index rate, allowing the borrower to choose among several payment options each month including, for example, interest-only payments, or payments that may be less than the amount of interest due each month (negative amortization).[223]

The investment-quality levels of risk for CMBS are as follows:[224]

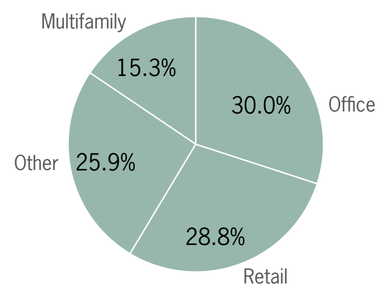
- **Super Senior:** The safest credit level of CMBS. Creditors are the first to receive interest and principal payments, but receive a lower interest payment due to the lower level of risk.
- **AM (Mezzanine):** Creditors receive interest and principal payments after super senior creditors but before junior creditors. Therefore, the interest rate is higher than that paid to super senior creditors, but lower than that paid to junior creditors.
- **AJ (Junior):** Creditors receive interest and principal payments only after the higher-ranking creditors have been paid. The interest rate is higher to compensate for the higher level of risk.

Multi-Family: Residential properties with five or more distinct units, such as apartments or townhouses.

FIGURE 2.9

AGGREGATE CMBS PURCHASES BY SECTOR, AS OF 12/31/2009

% of $438.6 Million[a]

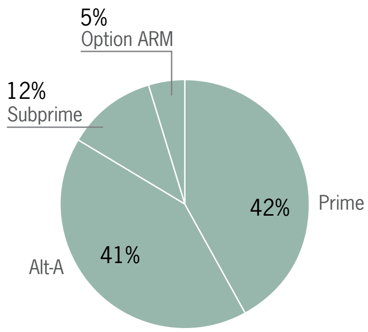


Notes: Numbers affected by rounding.
[a] Calculated based on monthly data supplied by the PPIF managers.

Sources: PPIF Monthly Performance Reports, December 2009.

FIGURE 2.10

AGGREGATE RMBS PURCHASES BY QUALITY, AS OF 12/31/2009
% of $3.0 Billion



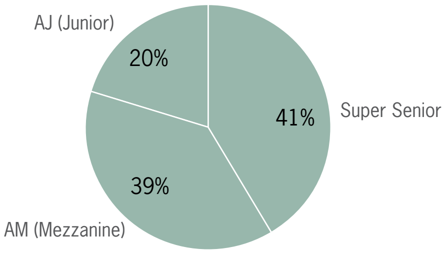
Note: Numbers affected by rounding.

Source: Treasury, response to SIGTARP draft report, 1/22/2010.

For more information on the "key man" provisions, see SIGTARP's July 2009 Quarterly Report, page 227.

FIGURE 2.11

AGGREGATE CMBS PURCHASES BY QUALITY, AS OF 12/31/2009
% of $440.0 Million



Note: Numbers affected by rounding.

Source: Treasury, response to SIGTARP draft report, 1/22/2010.

Figure 2.10 and Figure 2.11 show the distribution of the PPIP-held non-agency RMBS and CMBS investments by their respective risk levels as reported by PPIF managers.

Update on PPIF Manager TCW

On December 4, 2009, The TCW Group, Inc. ("TCW") dismissed Jeffrey Gundlach, a "key man" under TCW's contract with Treasury, who served as TCW's chief investment officer and the lead portfolio manager of its PPIF. At that time, consistent with the terms of the Limited Partnership Agreement, Treasury froze TCW's PPIF and halted all fund transactions.[225] On January 4, 2010, TCW withdrew as a manager in PPIP.[226] According to Treasury and TCW, TCW liquidated the approximately $500 million in securities held by its PPIF at a profit and paid back the loan from Treasury with interest. Treasury entered into a winding-up and liquidation agreement with TCW governing the liquidation and distribution of the fund. Treasury will allow TCW's private investors to re-allocate their funds to a different PPIF of their choice. In this case, Treasury will still provide matching debt and equity investments.[227]

During the formation of PPIP, SIGTARP recommended that Treasury adopt strict "key man" provisions in its fund manager agreements, which were subsequently included in Treasury's agreements. The agreements provide that the PPIF obtain the services of the personnel who were promised during the application process. As a result of these important "key man" provisions, Treasury had the option of terminating TCW's involvement in PPIP because key personnel were no longer running the PPIF.

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

On March 16, 2009, Treasury announced the Unlocking Credit for Small Businesses ("UCSB") program to encourage banks to extend more credit to small businesses.[228] Under the UCSB program, Treasury originally stated that it would purchase up to $15 billion in securities backed by pools of Small Business Administration ("SBA") loans from two SBA participating programs: the 7(a) Program and the 504 Community Development Loan Program. According to Treasury, the UCSB program is designed to provide banks the necessary liquidity to start writing new small-business loans again.[229]

During Congressional testimony more than six months later, on September 24, 2009, Assistant Treasury Secretary for Financial Stability, Herbert Allison, said that Treasury would soon announce further program details.[230] Subsequently, on October 21, 2009, the Administration issued a press release noting Treasury's plan to unfreeze the secondary markets through the UCSB program and announcing a number of small-business lending initiatives, including:[231]

- making low-cost capital available to community banks and community development financial institutions
- increasing loan limits for the 7(a) and 504 programs

In announcing TARP's extension on December 9, 2009, the Treasury Secretary also said that additional TARP funds would be allocated to small-business lending initiatives. Subsequently, Treasury announced the commitment of up to $30 billion for programs designed to stimulate small-business lending. Treasury has not determined the apportionment of the $30 billion for the programs, however it is expected that UCSB will receive substantially less than the $15 billion originally announced.[232] As of December 31, 2009, no funds had been disbursed under the small-business lending initiatives, and no further details have been announced.

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

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

AUTOMOTIVE INDUSTRY SUPPORT PROGRAMS

During the current financial crisis, Treasury, through TARP, launched three automotive 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 systemic risk to financial market stability and will have a negative effect on the real economy of the United States."[233] AWCP is now closed.

During the last quarter, GMAC was the only automotive company to receive additional Government assistance in the form of $3.8 billion through AIFP. As of December 31, 2009, Treasury's commitments through all automotive industry support programs totaled $84.8 billion and were distributed to GM, Chrysler, GMAC, and Chrysler Financial.[234] Treasury's investments also provided some of the financing for GM and Chrysler during their restructuring periods; both firms entered and emerged from bankruptcy during 2009. Of the $84.8 billion invested in Chrysler, GM, and their finance companies, $3.3 billion has been repaid. Treasury's investments in GM and Chrysler were restructured in bankruptcy, and the Government now holds a 60.8% common equity stake in post-bankruptcy GM ("New GM") and an 8% *pro forma* common equity stake in post-bankruptcy Chrysler ("New Chrysler").[235] See page 107 of the July 2009 Quarterly Report for a discussion of Treasury's *pro forma* ownership in Chrysler. Because of this restructuring into equity, Treasury's ability to recover the full amount of its GM and Chrysler investment will depend upon each company's share price when Treasury eventually sells its stock. However, in order for Treasury, and thus the U.S. taxpayers, to recoup their investment in GM, New GM would need to achieve an estimated market capitalization of $66.9 billion when Treasury sells its shares; GM had a market capitalization of $57 billion at its peak in 2000. Similarly, Chrysler would need an estimated market capitalization of $54.8 billion for Treasury to earn enough on the sale of its equity to break even. Chrysler's last publicly disclosed valuation was an estimated $37 billion when it merged with Daimler in 1998. Treasury notes "that the companies' past equity values are not comparable to today's equity values because the companies have substantially restructured their balance sheets through bankruptcy."[236] According to the TARP Financial Statements, Treasury projected that, as of September 30, 2009, the AIFP investments will result in a $30.5 billion loss to U.S. taxpayers.[237]

Treasury investments in the three TARP automotive industry support programs and any repayments of principal are summarized in Table 2.21, categorized by the timing of the investment in relation to GM and Chrylser's progress through the bankruptcy process.

Market Capitalization: The value of a corporation determined by multiplying the current market price of one share of the corporation by the number of total outstanding shares.

TABLE 2.21

TARP AUTOMOTIVE PROGRAMS COMMITMENTS AND REPAYMENTS, AS OF 12/31/2009 ($ BILLIONS)

Pre-Chrysler and GM Bankruptcies	Chrysler	GM	Chrysler Financial	GMAC	Total
AIFP	$4.0[a]	$19.4	$1.5[b]	$13.4	$38.3
ASSP	1.0[c]	2.5[d]			3.5
AWCP[e]	0.3	0.4			0.6
Subtotal	$5.3	$22.3	$1.5	$13.4	$42.4
Chrysler and GM in Bankruptcy (DIP Financing)					
AIFP	$1.9[f]	$30.1			$32.0
Subtotal	$1.9	$30.1			$32.0
Post-Chrysler and GM Bankruptcies					
AIFP	$6.6[g]			$3.8[h]	$10.4
Subtotal	$6.6			$3.8	$10.4
Subtotals by Program					
AIFP	$12.5	$49.5	$1.5	$17.2	$80.7
ASSP	1.0	2.5			3.5
AWCP	0.3	0.4			0.6
Total Commitments	**$13.8**	**$52.4**	**$1.5**	**$17.2**	**$84.8**
Principal Repayments					
AIFP		($1.0)	($1.5)		($2.5)
ASSP		(0.1)			(0.1)
AWCP	($0.3)	(0.4)			(0.6)
Subtotal	($0.3)	($1.5)	($1.5)		($3.3)
Net Commitments	**$13.5**	**$50.9**	**$—**	**$17.2**	**$81.5**

Notes: Numbers affected by rounding.
[a] According to Treasury, the 4/29/2009 $500 million expansion of the 1/2/2009 $4 billion loan was de-obligated before being funded.
[b] Has been repaid.
[c] Announced as $1.5 billion but was reduced to $1.0 billion on 7/8/2009.
[d] Announced as $3.5 billion but was reduced to $2.5 billion on 7/8/2009.
[e] AWCP has been repaid in full and was terminated in July 2009.
[f] According to Treasury, $1.9 billion of the original $3.8 billion of announced funding was de-obligated before being funded.
[g] Approximately $4.7 billion of this commitment was provided in working capital; approximately $2.0 billion was used to pay senior secured lenders.
[h] Capital injection enabling GMAC to comply with SCAP requirements.

Source: Treasury, *Transactions Report*, 1/4/2010, www.treas.gov, accessed 1/5/2010.

Automotive Industry Financing Program

As of December 31, 2009, Treasury had invested $80.7 billion through the Automotive Industry Financing Program ("AIFP") to support the automotive manufacturing companies and their financing arms in order to "avoid a disorderly bankruptcy of one or more automotive companies."[238] As of December 31, 2009, Treasury had received approximately $1.3 billion in interest and dividend payments on AIFP investments. AIFP-related principal payments included $1.0 billion from GM and $1.5 billion from Chrysler Financial.[239] Treasury's AIFP investments, as well as the interest and dividends earned on the investments, are listed in Table 2.22.

General Motors

Treasury has committed $52.4 billion of assistance to GM since December 2008, including $2.9 billion in commitments for ASSP and AWCP. Of the $49.5 billion committed directly to GM, $19.4 billion was provided pre-bankruptcy, and $30.1 billion was provided during bankruptcy. All of Treasury's investment in GM was either converted into common and preferred stock of New GM, or debt assumed by New GM. Treasury's $49.5 billion investment in GM is now a 60.8% common equity stake in New GM, $2.1 billion in preferred stock in New GM, and $7.1 billion of debt assumed by New GM (of which $360 million was repaid as part of the wind-down of the warranty program and an additional $1 billion was repaid on December 18, 2009).[240] Under the terms of the bankruptcy reorganization, the UAW, bondholders, Treasury, and the Governments of Canada and Ontario are the

TABLE 2.22

AIFP STATUS OF FUNDS, AS OF 12/31/2009

Financial Institution	TARP Commitment ($ Billions)	Principal Reductions ($ Billions)	Principal Outstanding ($ Billions)	Total Interest and Dividends Received ($ Millions)
GM[a]	$49.5	($1.0)	$48.5	$361.6
Chrysler[a]	12.5	—	12.5	55.2
GMAC	17.2	—	17.2	854.8
Chrysler Financial[b]	1.5	(1.5)	—	7.4
Total	**$80.7**	**($2.5)**	**$78.2**	**$1,279.1**

Notes: Numbers affected by rounding. Interest and dividend amounts do not include ASSP but may include AWCP.
[a] Post-bankruptcy, interest accrues in the note for GM and Chrysler.
[b] Has been repaid.

Sources: Treasury, *Transactions Report*, 1/4/2010, www.financialstability.gov/docs/transaction-reports/1-4-10%20Transactions%20Report%20as%20of%2012-30-09.pdf, accessed 1/6/2010; Treasury, response to SIGTARP data call, 1/12/2010.

owners of New GM.[241] See SIGTARP's October 2009 Quarterly Report, page 93, for more detail on New GM's ownership.

According to Treasury, New GM will attempt an initial public offering ("IPO") within one year of its emergence from bankruptcy — by July 10, 2010. Treasury has indicated that it may reduce its ownership in New GM by gradually selling its shares following the IPO.[242]

Initial Public Offering: When a firm first sells equity shares to the general public.

Executive Management Changes

On December 1, 2009, Frederick Henderson resigned as a director, president, and chief executive officer ("CEO") of GM.[243] According to an Administration spokesperson, the Government was not involved in the management decision to replace Mr. Henderson, although it is noted that 10 of the 13 members of GM's board of directors have been designated by Treasury.[244] On January 26, 2010, GM named Edward Whitacre, GM's Chairman of the Board of Directors, as Chairman and CEO.[245]

Debt Reduction

GM signed an agreement with Treasury on November 13, 2009, to begin making quarterly payments of $1.0 billion on its remaining $6.7 billion Treasury debt beginning in the fourth quarter of 2009, thus completing the payment by June 2010.[246] The original maturity date of the Government debt was July 2015.[247] The accelerated payback schedule, however, will be suspended in the event of an IPO.[248] The source of funds for these quarterly payments will be other TARP funds currently held in an escrow account.[249] For more information on GM's use of TARP funds to pay down its TARP debt, see SIGTARP's audit report entitled "Additional Insight on Use of Troubled Asset Relief Program Funds" dated December 10, 2009, available at www.SIGTARP.gov.

Chrysler

Pursuant to Chrysler's Chapter 11 bankruptcy filing on April 30, 2009, substantially all of its assets were sold to a newly formed entity, New Chrysler, on June 10, 2009. The remaining assets and the debt, including $3.7 billion in TARP funding, were retained in the old company, renamed Old Carco LLC ("Old Chrysler") which remains in bankruptcy.[250] As of December 31, 2009, no repayment of TARP funds had been received from Old Chrysler, and none is anticipated.[251]

On December 14, 2009, Old Chrysler filed a petition plan with the U.S. Bankruptcy Court, Southern District of New York ("Bankruptcy Court") outlining its final liquidation plan. The plan provided for no repayment of TARP funds to Treasury.[252] See Table 2.23 for the status of TARP funds invested in Old Chrysler and New Chrysler.

For more information on bankruptcy procedures, see SIGTARP's July 2009 Quarterly Report, "TARP Tutorial: Bankruptcy," page 97.

Mandatorily Convertible Preferred ("MCP") Share: In certain TARP programs, a type of preferred share that can be converted to common stock under certain parameters at the discretion of the company and must be converted to common stock by a certain date.

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

TABLE 2.23

STATUS OF FUNDS INVESTED IN CHRYSLER, AS OF 12/31/2009 ($ BILLIONS)

Entity	Committed	Paid	Transferred	Outstanding
Old Chrysler	$5.3	$—	($1.5)[a]	$3.8
New Chrysler	8.5	(0.3)	1.5	9.8
Total	**$13.8**	**($0.3)**	**$—**	**$13.5**

Notes: Numbers affected by rounding.
[a] Transfer amounts include $0.5 billion of the $4 billion initial debt obligation to Old Chrysler assumed by New Chrysler on 6/10/2009 and $1 billion transferred when New Chrysler assumed the obligations under ASSP.

Source: Treasury, *Transactions Report*, 1/4/2010, accessed 1/4/2010.

As of December 31, 2009, the plan had not been accepted by the bankruptcy court and is subject to a vote by the creditors.[253]

Automotive Financing Companies

GMAC

Treasury's initial investment in GMAC was the purchase of $5 billion in preferred equity on December 29, 2008.[254] At the time of this investment, GMAC reorganized into a bank holding company and thus became eligible to receive TARP funds and participate in other Government support programs.[255] At that time, the Federal Reserve required GMAC to raise $2 billion of new equity; GMAC raised $1.1 billion through private investments, and Treasury loaned GM the remaining $884 million to purchase GMAC equity.[256] On May 7, 2009, the Federal Reserve announced that of the 19 bank holding companies evaluated through its SCAP stress test, 10, including GMAC, would be required to raise additional capital.[257] On May 21, 2009, Treasury purchased an additional $7.5 billion of mandatorily convertible preferred ("MCP") shares in GMAC and a portion of these funds was used to satisfy in part the SCAP requirement.[258] On May 29, 2009, Treasury exchanged its $884 million loan to GM for a portion of GM's common equity interests in GMAC; as a result of that exchange, Treasury held 35.4% of GMAC's common shares.[259]

On November 9, 2009, the Federal Reserve announced that, of the 10 bank holding companies identified through its stress testing as needing additional capital, only GMAC failed to raise enough funds to meet the requirement.[260] On December 30, 2009, Treasury announced that GMAC met its SCAP capital requirement upon receipt of an additional $3.8 billion from AIFP.[261] Treasury received $2.5 billion in trust preferred securities plus $1.3 billion in MCP in exchange for this investment. Treasury also received warrants to purchase $127 million of trust preferred securities and $63 million of MCP, which it exercised immediately. In addition, Treasury is converting $3 billion of the MCP it acquired under previous TARP investments to common stock. As a result of these transactions, Treasury's ownership of GMAC's common stock increased from 35.4% to 56.3%, and it holds an additional $2.5 billion in trust preferred securities and $11.4 billion in MCP.[262] Treasury also has the right to designate two additional directors, for a total of four, on the nine-member board. GMAC remains a TARP exceptional assistance recipient and, as such, continues under the supervision of the Special Master for TARP Executive Compensation.[263]

Chrysler Financial

In January 2009, Treasury loaned $1.5 billion to a bankruptcy-remote special purpose vehicle ("SPV") to support Chrysler Financial's retail loan originations. In July 2009, Chrysler Financial repaid the entire loan and $7.4 million in interest to Treasury.[264] Chrysler Financial is no longer originating loans and intends to wind down its operations by December 31, 2011.[265]

Bankruptcy-Remote Special Purpose Vehicle ("SPV"): An SPV is an off-balance-sheet legal entity that holds the transferred assets presumptively beyond the reach of the entities providing the assets (*e.g.*, legally isolated). An SPV is "bankruptcy remote" if that entity is unlikely to become insolvent as a result of its own activities, is adequately insulated from the consequences of a related party's insolvency, and contains certain characteristics which enhance the likelihood that it will not become the subject of insolvency proceedings.

Auto Supplier Support Program

On March 19, 2009, Treasury announced the $5 billion Auto Supplier Support Program ("ASSP") in an effort to "help stabilize the automotive supply base and restore credit flows in a critical sector of the American economy."[266] Because of worries about the auto manufacturers' ability to pay, suppliers had not been able to borrow from banks using their receivables as collateral. ASSP allows automotive parts suppliers to access Government-backed protection for money owed to them for the products they ship to manufacturers. Chrysler and GM participate in the program with commitments of $1 billion for Chrysler and $2.5 billion for GM.[267] ASSP is continuing to operate and is scheduled to terminate in April 2010; New GM and New Chrysler can add receivables at their discretion. Table 2.24 summarizes the status of the ASSP investments.

TABLE 2.24

ASSP STATUS OF FUNDS, AS OF 12/31/2009 ($ MILLIONS)

Financial Institution	TARP Commitments	Principal Reductions[a]	Principal Outstanding	Total Interest Received
GM Supplier Receivable LLC	$3,500	($1,140)	$2,360	$7
Chrysler Receivable LLC	1,500	(500)	1,000	4
Total	**$5,000**	**($1,640)**	**$3,360**	**$11**

Note: Numbers affected by rounding.
[a] At the request of GM and Chrysler, on 7/8/2009, the original commitments were reduced to $2.5 billion and $1.0 billion, respectively. In addition, GM made a principal repayment of $140 million on 11/20/2009.

Sources: Treasury, *Transactions Report*, 1/4/2010, accessed 1/6/2010; Treasury, response to SIGTARP data call, 1/12/2010.

HOMEOWNER SUPPORT PROGRAM

Making Home Affordable Program

For more information on Making Home Affordable, see SIGTARP's October 2009 Quarterly Report, page 94.

The Making Home Affordable ("MHA") program was introduced by the Administration on February 18, 2009, as a collection of three major initiatives: a loan modification program, a loan refinancing program, and additional support for reduced mortgage interest rates.[268] According to Treasury, the program was designed to offer assistance to millions of homeowners making a good-faith effort to pay their mortgages and to protect families and communities from the destructive impact of the housing crisis.[269] Subsequently, Treasury has created a foreclosure alternative program as a part of MHA.

TARP funds are primarily dedicated to one initiative within MHA, the Home Affordable Modification Program ("HAMP").[270] According to Treasury, HAMP is a $75 billion program that will lower monthly mortgage payments for homeowners by providing loan modification incentive payments to the servicers and loan holders (lenders or investors — referred to as investors in this section) and by protecting against further loss of collateral value.[271] In addition, the MHA program now includes foreclosure alternatives for those not able to complete a HAMP modification. Of the $75 billion reserved for HAMP, $50 billion will be funded through TARP and will be used to modify private-label mortgages.

Private-Label Mortgages: Loans that are not owned or guaranteed by Fannie Mae, Freddie Mac, or another Federal agency.

Government-Sponsored Enterprises ("GSEs"): Private corporations created by the Government to pursue public policy goals designated in their charters. They are chartered by the U.S. Government, but their liabilities are not officially considered to be direct Government obligations.

Of the $50 billion in TARP funding, $10 billion has been allocated to encourage HAMP modification by protecting investors from potential home-price declines in their mortgage portfolio assets in regions where forestalling foreclosure may lead to significant losses. According to Treasury, the purpose of the Home Price Decline Protection ("HPDP") program is to "encourage additional lender participation and HAMP modifications in areas with recent price declines by helping to offset any incremental collateral loss on modifications that do not succeed."[272] In addition, Treasury estimates that another $4.6 billion of the TARP $50 billion allocation will be used for the Home Affordable Foreclosure Alternatives ("HAFA") program, previously referred to as the Short-Sales/Deeds-In-Lieu of Foreclosure ("SS/DIL") program, designed to provide alternatives to foreclosure.[273]

Beyond the TARP support, the additional $25 billion in HAMP funding is provided under the Housing and Economic Recovery Act of 2008 ("HERA") and will be used to modify mortgages that are owned or guaranteed by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), two of the Government-sponsored enterprises ("GSEs").[274]

For more information on the role of GSEs in the residential mortgage market, see Section 3: "Federal Support of the Residential Mortgage Market" in this report.

Status of Funds

As of December 31, 2009, Treasury had signed agreements with 102 loan servicers allocating up to $35.5 billion under HAMP.[275] Of that $35.5 billion, as of December 31, 2009, $15.4 million had been spent on incentives for 11,574 of

TABLE 2.25

FIVE LARGEST HOME AFFORDABLE MODIFICATION PROGRAM FUNDING ALLOCATIONS, AS OF 12/31/2009 ($ BILLIONS)

Institution	Ultimate Parent Company	Adjusted Funding Cap[a]
Countrywide Home Loans Servicing LP	Bank of America Corporation	$6.8
J.P. Morgan Chase Bank, NA	JPMorgan Chase & Co.	3.9
Wells Fargo Bank, NA	Wells Fargo & Company	3.7
OneWest Bank	OneWest Bank Group, LLC	2.2
Wachovia Mortgage, FSB	Wells Fargo & Company	2.1

Notes: Numbers affected by rounding.
[a] Funding cap amounts represent the funding allocated to each institution. Funds are not spent until successful completion of certain loan modification milestones.

Sources: Treasury, *Transactions Report*, 1/4/2010; Factiva website, http://fce.factiva.com/pcs/default.aspx, accessed 6/24/2009; Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 7/6/2009.

the 66,465 permanent modifications.[276] The remaining permanent modifications will receive incentive payments in the next quarter. Of that $15.4 million, approximately $12.1 million represents incentive payments to servicers and $3.2 million represents payments to investors.[277] Borrower incentive payments begin only after one year of participation in the program.[278]

To date, the largest allocation of incentive payments went to Countrywide Home Loans Servicing LP, now owned by Bank of America, which is eligible to receive up to $6.8 billion in TARP funds. The average allocation to each servicer through HAMP is $348.5 million.[279] The amount of funding allocated to a servicer does not represent the amount of incentives paid to the servicer; rather, the allocation is the maximum amount, or cap, of potential incentive payments that Treasury has approved for each servicer. Table 2.25 provides details regarding the five largest allocations made under HAMP as of December 31, 2009.

As of December 31, 2009, 102 servicers had signed Servicer Participation Agreements to modify loans under HAMP.[280] Participating servicers have initiated 902,620 trial modifications, but only 66,465 of these modifications have become permanent modifications.[281] A snapshot of HAMP modifications is shown in Table 2.26.

Mortgage Modification Conversion Drive

In late July 2009, representatives of the Administration set a goal of initiating 500,000 trial loan modifications by November 1, 2009.[282] This goal was reached on October 8, 2009, at which point the Administration met with MHA servicers to discuss additional ways to improve servicer efficiency and responsiveness.[283]

After reaching the trial modification goal, Treasury and the Department of Housing and Urban Development ("HUD") announced a Mortgage Modification Conversion Drive on November 30, 2009, to address the low conversion rates of

For an example of a HAMP loan modification, see SIGTARP's April 2009 Quarterly Report, page 117.

Permanent Modification: In the design of MHA, a permanent modification is a five-year mortgage modification, after which the borrower's interest rate gradually returns to the rate in effect on the day the modification was executed, fixed on a 30-year term.

TABLE 2.26

HAMP SNAPSHOT, AS OF 12/31/2009

Number of Trial Period Plan Offers Extended to Borrowers (Cumulative)	1,164,507
Number of HAMP Trials Started Since Program Inception	902,620
Number of Active Trial Modifications	787,231
Number of Permanent Modifications Completed	66,465

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

Source: Treasury, "Making Home Affordable Program Servicer Performance Report Through December 2009," no date, http://financialstability.gov/docs/report.pdf, accessed 1/18/2010.

trial modifications to permanent modifications. According to Treasury, this effort includes outreach tools and resources for borrowers in the trial phase of their modified mortgage to help them convert to permanent modifications.[284]

Servicer Accountability

Treasury announced that it has created additional participation requirements intended to hold servicers more accountable for their commitment to the program and their responsibility to borrowers. According to Treasury, these updates include the following:[285]

- The seven largest servicers submitted detailed plans to Treasury regarding their strategy for reaching decisions on individual loans.
- The seven largest servicers have been assigned a Treasury/Fannie Mae account liaison to monitor daily progress and report back to Treasury.
- All servicers report their statistics related to new trial modifications and the conversion of trial modifications to permanent modifications, which were published in the December MHA Servicer Performance Report.
- The seven largest servicers report daily to the Treasury/Fannie Mae account liaisons on the status of each modification, revealing situations in which borrowers are struggling to move from the trial phase to the permanent phase.
- Servicers failing to meet performance obligations may be subjected to remedies as provided in the Servicer Participation Agreement.

Short Sale: A sale of a home, typically for less than mortgage value, by which the borrower sells the home and the lender collects the sales proceeds as satisfaction of the unpaid mortgage balance, thus avoiding foreclosure (which is the legal process by which the lender assumes ownership of the home).

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

In both cases, the borrowers lose ownership of their homes but they avoid some of the negative aspects of an official foreclosure.

For more information on the benefits of a short sale or deed-in-lieu of foreclosure transaction, see SIGTARP's October 2009 Quarterly Report, page 100.

Home Affordable Foreclosure Alternatives ("HAFA") Program

On November 30, 2009, Treasury released guidance regarding the Home Affordable Foreclosure Alternatives ("HAFA") program (previously referred to as the SS/DIL program). Where a mortgage modification is not practical, HAFA creates financial incentives for borrowers, servicers, and investors to avoid a foreclosure by utilizing a short sale or a deed-in-lieu of foreclosure. According to Treasury, these options generally provide borrowers, investors, and communities with a better outcome than a typical foreclosure sale.[286]

Eligibility

In order to participate in HAFA, a servicer must execute a HAMP Servicer Participation Agreement by October 3, 2010, and have a formal policy describing its process for determining HAFA consideration.[287] Treasury suggests servicers consider such factors as severity of the loss, local market conditions, timing of the pending foreclosure, and borrower motivation and cooperation.[288] After determining that a borrower is eligible, the servicer must discuss the options with the borrower and review relevant financial information before extending a formal offer for a short sale or deed-in-lieu of foreclosure.[289]

Incentives

After successfully completing a short sale or deed-in-lieu of foreclosure, borrowers, servicers, and investors are eligible for HAFA incentive payments. These payments are as follows:[290]

- **Borrower Relocation Assistance** — A $1,500 incentive payment to the borrower.
- **Servicer Incentive** — A $1,000 incentive payment for the servicer.
- **Investor Reimbursement for Subordinate Lien Releases** — For every $3 an investor pays to secure release of a subordinate lien, such as a second mortgage or a home equity line of credit, the investor is reimbursed $1, up to a reimbursement limit of $1,000 per transaction.

Compliance

Treasury has selected Freddie Mac to serve as the HAFA compliance agent. Freddie Mac has indicated that it will use both employees and contractors to confirm servicers' adherence to HAFA program requirements.[291]

Servicer Performance Report

In August 2009, Treasury began publishing HAMP Servicer Performance Reports on a monthly basis; these reports contain metrics to "document the number of struggling homeowners already helped under the [MHA] program, provide information on servicer performance and expand transparency around the initiative."[292] According to Treasury, the initial data contained on the reports was derived from weekly activity surveys submitted by servicers. Beginning with the November HAMP Servicer Performance Report, representing HAMP activity through September 30, 2009, Treasury was able to report loan level data provided by servicers into the HAMP system of record.[293]

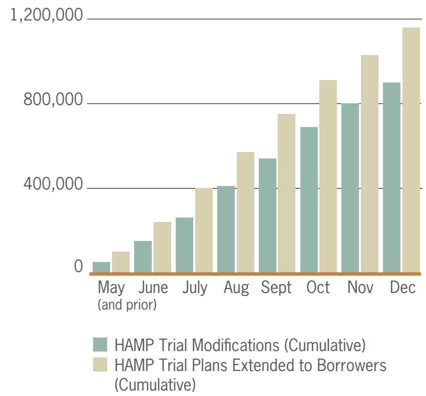
Overall Performance Metrics

Figure 2.12 shows the monthly increases in HAMP trial modifications started and HAMP trial plans extended to borrowers.

Modifications have been initiated in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. However, as Table 2.27 shows, a large percentage of the modifications have been concentrated in a few states.

FIGURE 2.12

HAMP TRIAL MODIFICATIONS STARTED AND TRIAL PLANS EXTENDED 5/2009 – 12/2009



Notes: All trial modifications started are reported on the month the first payment is posted. Data based on numbers reported by servicers to the HAMP system of record. September data includes 10/1/2009. October data is 10/2/2009 through 10/29/2009. November data is through 11/26/2009.

Source: Treasury, "Making Home Affordable Program Servicer Performance Report Through December 2009," no date, http://financialstability.gov/docs/report.pdf, accessed 1/18/2010.

TABLE 2.27

TOP 5 HAMP ACTIVITY BY STATE

State	Trial and Permanent Modifications	Percentage of All Trial and Permanent Modifications
California	172,288	20.2%
Florida	105,108	12.3%
Illinois	44,942	5.3%
Arizona	43,126	5.1%
New York	38,282	4.5%

Notes: HAMP activity reflects all active trial and permanent modifications as of 12/31/2009. Seventy-five trial and 38 permanent modifications were reported without state distinctions and are included in the total for all trial and permanent modifications.

Source: Treasury, "Making Home Affordable Program Servicer Performance Report Through December 2009," no date, http://financialstability.gov/docs/report.pdf, accessed 1/18/2010.

TABLE 2.28

TOP 5 HAMP SERVICERS BY NUMBER OF PERMANENT MODIFICATIONS

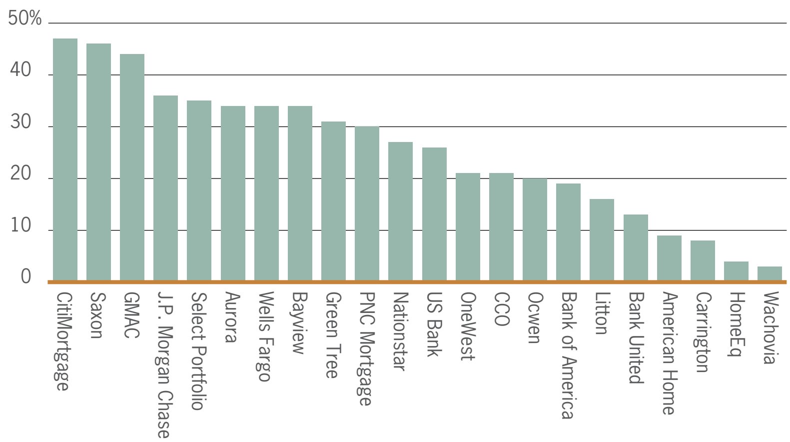
Servicer	Estimated Eligible Mortgages[a]	Active Trial Modifications[b]	Permanent Modifications[b]	Active Trials and Permanents as a Share of Estimated Eligible Mortgages
GMAC Mortgage, Inc.	69,281	20,672	9,872	44%
Wells Fargo Bank, NA	350,169	110,284	8,424	34%
J.P. Morgan Chase Bank, NA[c]	424,965	146,828	7,139	36%
Ocwen Financial Corporation, Inc	64,797	7,427	5,332	20%
CitiMortgage, Inc.[d]	241,981	107,999	4,999	47%

Notes:
[a] Estimated eligible mortgages with 60+ day delinquencies are as of 11/30/2009.
[b] Active trial and permanent modifications as reported into the HAMP system of record by servicers are as of 12/31/2009.
[c] J.P. Morgan Chase Bank, NA includes EMC Mortgage Corporation.
[d] CitiMortgage, Inc. includes CitiMortgage, Inc. Master Servicing Division.

Source: Treasury, "Making Home Affordable Program Servicer Performance Report Through December 2009," no date, http://financialstability.gov/docs/report.pdf, accessed 1/18/2010.

FIGURE 2.13

TRIAL MODIFICATION TRACKER: TRIAL MODIFICATION STARTS AS A SHARE OF ESTIMATED ELIGIBLE MORTGAGES



Notes: Numbers may be affected by rounding. Includes active trial and permanent modifications. December trials as a share of 60+ day delinquencies on 11/30/2009.

Source: Treasury, "Making Home Affordable Program Servicer Performance Report Through December 2009," no date, http://financialstability.gov/docs/report.pdf, accessed 1/18/2010.

Servicer Metrics

HAMP modification activity by the five servicers that have initiated the most permanent modifications is described in Table 2.28. Figure 2.13 shows the trial modifications started by each servicer as a percent of that respective servicer's estimated number of eligible mortgages.

EXECUTIVE COMPENSATION

As discussed in SIGTARP's previous quarterly reports, TARP participants have had to comply with executive compensation restrictions since the program's inception. The executive compensation restrictions set forth in section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") have been changed by statutory amendments and have been interpreted and implemented by successive Treasury regulations and notices.

On February 17, 2009, section 111 of EESA was amended by section 7001 of the American Recovery and Reinvestment Act of 2009 ("ARRA"), which further required that Treasury promulgate regulations to implement ARRA amendments.[294] On June 10, 2009, Treasury released its Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the "Rule"),[295] which "implement[s] 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 ARRA to adopt additional standards, some of which are adapted from principles set forth" in guidance previously provided by Treasury in February 2009.[296]

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.

The Rule applies to institutions that meet its definition of a TARP recipient. As long as the TARP recipient has an outstanding "obligation" to the Federal Government (as defined in the Rule; this does not include warrants to purchase common stock), it must adhere to the guidelines set forth under the Rule.[297]

Several TARP programs, however, are exempt from the executive compensation restrictions outlined in the Rule:[298]

- TALF participants are exempt from the Rule because they do not directly receive TARP assistance. The TARP funds are used to purchase surrendered collateral in the program.
- PPIP participants are exempt because no participant will own more than 50% of the TARP recipient, the PPIF itself (PPIP rules cap ownership interests in the PPIF at 9.9%).
- MHA participants are exempt from the Rule by virtue of statutory language included in the ARRA amendments.

Treasury has announced that it may seek statutory language exempting other TARP recipients from the Rule in connection with initiatives to stimulate small-business lending.

For more information on executive compensation issues and findings, refer to SIGTARP's audit, "Despite Evolving Rules on Executive Compensation, SIGTARP Survey Provides Insights on Compliance," issued on August 19, 2009. A copy of this audit can be found on SIGTARP's website, www.SIGTARP.gov.

Special Master

Treasury created the Office of Special Master for TARP Executive Compensation (the "Special Master") on June 15, 2009, naming Kenneth R. Feinberg to the position. Special Master Feinberg's responsibilities include reviewing and approving executive compensation at TARP recipients as follows:[299]

Senior Executive Officers ("SEOs"): A "named executive officer" of a TARP recipient as defined under Federal securities law, which generally includes the principal executive officer ("PEO"), principal financial officer ("PFO"), and the next three most highly compensated executive officers.

Exceptional Assistance: Companies receiving assistance under SSFI, TIP, AGP, AIFP, and any future Treasury program designated by the Treasury Secretary as providing exceptional assistance. Current recipients are: AIG, GM, GMAC, Chrysler, and Chrysler Financial.

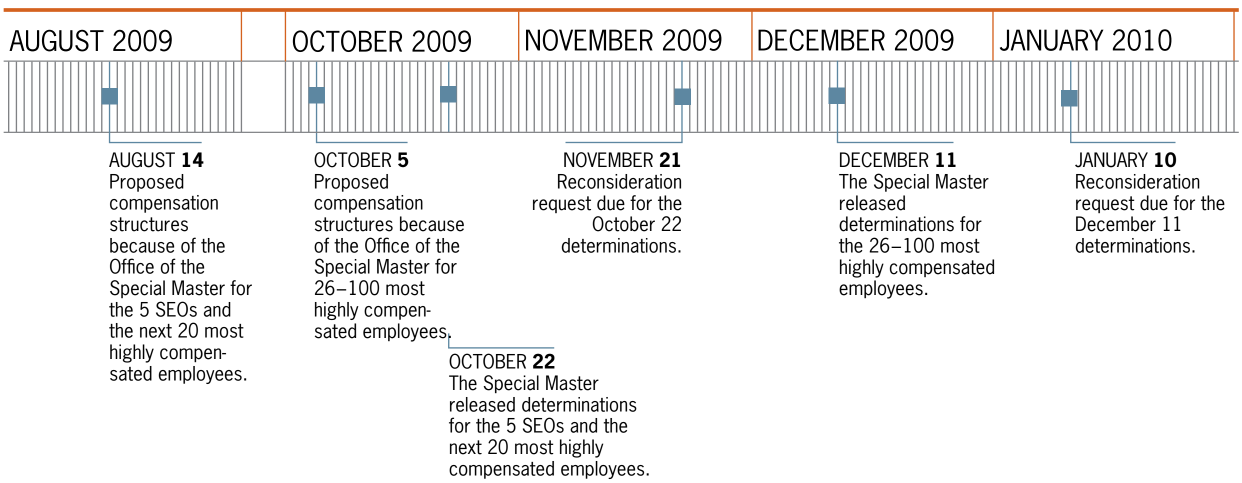
- **Review of Payments** — review and approve any payments of compensation for their 5 senior executive officers ("SEOs") and 20 next most highly paid employees of TARP recipients that have received exceptional assistance
- **Review of Structures** — review and approve the structure of compensation at TARP recipients that have received exceptional assistance for their 100 most highly compensated employees, including the SEOs
- **Review of Prior Payments** — review bonuses, retention awards, and other compensation paid to SEOs and the 20 next most highly compensated employees before February 17, 2009, by all TARP recipients and, where appropriate, negotiate reimbursements
- **Interpretation** — provide advisory opinions with respect to the application of the Rule and whether compensation payments and plans are consistent with EESA, TARP, and the public interest

On August 14, 2009, the seven TARP participants receiving exceptional assistance delivered their proposed executive compensation structures and the contemplated compensation payments for the five SEOs and the 20 next most highly compensated employees.[300] However, only 136 employees were affected by the Special Master's determinations because of employee attrition.[301]

The Special Master is required to issue a compensation determination within 60 days of a substantially complete submission.[302] Each company may, within 30 days of that determination, request in writing that the Special Master reconsider the determination set forth in the company determination memorandum.[303] If a request for reconsideration is not received within 30 days, the determination set forth by the Special Master will be treated as the final determination. Determinations with respect to these proposals were issued by Special Master Feinberg on October 22, 2009. On November 20, 2009, AIG submitted a written request for reconsideration of the initial ruling on its proposal with respect to a single employee's compensation package.[304] Subsequently, on December 11, 2009, a second round of rulings regarding the compensation structures for the 26th to 100th most highly compensated employees plus any additional executive officers not covered

FIGURE 2.14

EXECUTIVE COMPENSATION DETERMINATIONS TIMELINE



Source: Treasury, Executive Compensation Web Source, www.financialstability.gov/above/executivecompensation.html, accessed 12/30/2009.

by the October 22, 2009, rulings at "exceptional assistance" recipients were issued.[305] See Figure 2.14 for a timeline of events surrounding the Special Master's determinations.

Exceptional Assistance Compensation Determinations for the 25 Most Highly Compensated Employees

On October 22, 2009, Special Master Feinberg issued his first rulings for the seven firms that received exceptional TARP assistance (AIG, Citigroup, Bank of America, Chrysler, GM, GMAC, and Chrysler Financial). The rulings provided determinations regarding the compensation structures and amounts payable to each individual institution's SEOs and the 20 next most highly compensated employees. Although Chrysler Financial paid back its TARP obligation, it is still under restriction because it is an affiliate of Old Chrysler under the Rule (more than 50% ownership), which has an outstanding TARP obligation that qualifies as exceptional assistance. In addition, although Citigroup repaid certain TARP obligations, eliminating its requirement for Special Master approval of its 2010 compensation payments, it will remain subject to the Special Master's October 22 and December 11 determinations for 2009. Because certain Citigroup TARP obligations remain outstanding, until those obligations are repaid in full, Citigroup remains subject to the compensation restrictions in the Rule that are applicable to all TARP recipients. Although Bank of America repaid its TARP obligations, its top 25 executives were still subject to the October 22 rulings.

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

Public Interest Standard: Regulatory standard that the Special Master is required to apply in making determinations. Refers to the determination of whether TARP recipient compensation plans are aligned with the best interests of the U.S. taxpayer.

Safe Harbor: The Special Master will automatically approve proposed compensation to employees of TARP recipients receiving exceptional assistance so long as the employee's total annual compensation is not more than $500,000, with any additional compensation paid in the form of long-term restricted stock.

Supplemental Executive Retirement Plans: In such plans, employers periodically credit employees with an entitlement to post-retirement payments. Over time, these credits accumulate and employees may become entitled to substantial cash guarantees payable on retirement.

The October 22 determinations applied to compensation structures and amounts payable with respect to 2009, although certain requirements of the determinations only applied prospectively and thus were effective only for the last two months of the calendar year.[306] The primary purpose was to set up restrictions that would maximize long-term shareholder value and protect taxpayer interests.[307] According to the Special Master, he used the following guiding principles to inform the determinations he issued for each "exceptional assistance" recipient:[308]

- Reform pay practices for top executives to align compensation practices with long-term value creation and financial stability.
- Significantly reduce compensation across the board.
- Require salaries to be paid in company stock held over the long term.
- Require incentive compensation to be paid in the form of long-term restricted stock — and to be contingent on performance and on TARP repayment.
- Require immediate reform of practices not aligned with shareholder interests or consistent with the public interest standard.

The following guidelines were the same for all the "exceptional assistance" recipients:

- Cash salary limited to $500,000 ("safe harbor" in the Rule) was deemed acceptable, and any amount above this dollar value would require Special Master approval.[309]
- No more than $25,000 should be provided in "other" compensation and perquisites. If the entity pays more than $25,000, it must provide justification to the Special Master.[310]
- Benefits under Supplemental Executive Retirement Plans (and similar deferred-compensation programs) as well as severance arrangements were frozen by the Special Master.
- Cash bonuses may no longer be awarded to the 25 most highly compensated employees.[311]

Of the seven submitted proposals, only Chrysler Financial's proposal was accepted as being in-line with the public interest standard without modification.[312] Common deficiencies in the other proposals included:[313]

- Cash salaries and bonuses were excessive.
- Stock salaries were eligible for redemption without a sufficient waiting period (approximately three years).
- Compensation plans were not sufficiently tied to performance-based benchmarks and metrics.

- Financial "perks," including, among others, private airplane transportation, country club dues, and golf outings were not limited or restricted.
- Compensation plans called for excessive levels of severance and executive retirement benefits.
- Companies did not attempt to include their guaranteed compensation contracts (which pre-dated TARP executive compensation restrictions) into their current compensation proposals.

The resulting alternative payment arrangements imposed by the Special Master will be discussed in greater detail in an upcoming SIGTARP Audit entitled, "The Review of Office of the Special Master Decisions on Executive Compensation."

Exceptional Assistance Compensation Determinations for the 26th to 100th Highest Paid Employees

On December 11, 2009, Special Master Feinberg issued his second round of rulings, covering executive compensation structures for the 26th to 100th highest paid employees (plus any additional executive officers not covered by the October 22 rulings) at AIG, Citigroup, GM, and GMAC. Chrysler and Chrysler Financial were exempt from the second round of rulings because the annual compensation for their executives (excluding "long-term restricted stock" as defined in the Rule) does not exceed the $500,000 "safe harbor" in the Rule.[314] Because Bank of America repaid its TARP obligations on December 9, 2009, it also was not subject to these new rulings.[315]

Special Master Feinberg concluded that each of the remaining four proposals (AIG, Citigroup, GM, and GMAC) required modification in order to meet the public interest standard and used the following guiding principles to inform his determinations:[316]

- Reform compensation to protect long-term value creation and financial stability.
- In most instances, limit cash to 45% of total compensation.
- Freeze excessive executive severance and retirement pay.
- Restrict the use of short-term cash compensation.
- Forbid incentive compensation without real achievement of objective goals.
- Restructure pay to focus executives on the long term by requiring that at least 50% of compensation be held for three years or more.
- End pay practices that are not aligned with shareholder and taxpayer interests.

SECTION 3

FEDERAL SUPPORT OF THE RESIDENTIAL MORTGAGE MARKET

OVERVIEW

This section describes the role of the Federal Government in supporting the mortgage markets and, by extension, home prices, particularly since the onset of the financial crisis. This discussion is intended to place into context the Troubled Asset Relief Program ("TARP")-related programs that support or otherwise relate to the housing market.

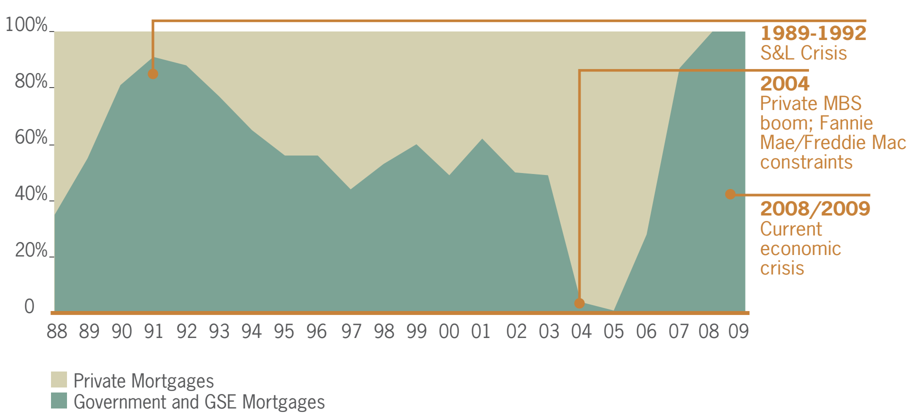
A majority of the troubled assets in the financial system originated in a housing market "bubble." The high prices for housing from 2004 – 2007 were fueled by many factors, including unrealistic expectations of future home price increases, low interest rates, overrated mortgage-backed securities ("MBS"), and lax standards by lenders for granting new mortgages. As the bubble burst and housing prices plummeted during the current crisis, the private mortgage market froze. The U.S. Federal Government both leveraged its existing mortgage-related infrastructure and created new programs to provide support to the housing market as insurer in the primary market, guarantor in the secondary market, and buyer of mortgage-related assets during the current economic crisis. By supporting the mortgage markets, the Federal response has acted to lower interest rates, thus maintaining demand for housing and, by extension, supporting home prices. In addition to the use of TARP to modify existing mortgages, the Government acted through a collection of Federal agencies, Government-sponsored enterprises ("GSEs"), and Federal programs.

The Government's efforts to support home prices and the residential mortgage markets have resulted in its increasing presence as owner and guarantor of residential mortgages. Figure 3.1 captures the expanding percentage of mortgage flows attributable to the Government-backed mortgage entities like the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie

FIGURE 3.1

NET MORTGAGE BORROWINGS, GOVERNMENT VS. PRIVATE, 1988 – 2009

% of Total Net Mortgage Borrowings



Notes: Numbers affected by rounding. 2009 data is an estimate based on annualizing three quarters of data. Government's 100% share in 2008 – 2009 is a result of negative net mortgage borrowings by the private sector.

Sources: Federal Reserve, www.federalreserve.gov/releases/Z1/Current/z1r-3.pdf, accessed 1/12/2010; OFHEO, Report of the Special Examination of Freddie Mac, December 2003, ofheo.gov/Preview-FHFAWWW/webfiles/749/specialreport122003.pdf, accessed 1/12/2010.

Housing Market "Bubble": A bubble is a condition in which market values of assets rise precipitously above their underlying, long-term value. As it pertains to the residential housing market bubble in the United States from 2004 – 2007, prices rose beyond the point of sustainability. Homeowners borrowed against their properties based on these inflated values, and, when the market prices for homeowners came crashing down, many homeowners owed more money on their homes than the homes are now worth.

Mortgage-Backed Securities ("MBS"): A pool of mortgages bundled together by a financial institution and sold as securities — a type of asset-backed security.

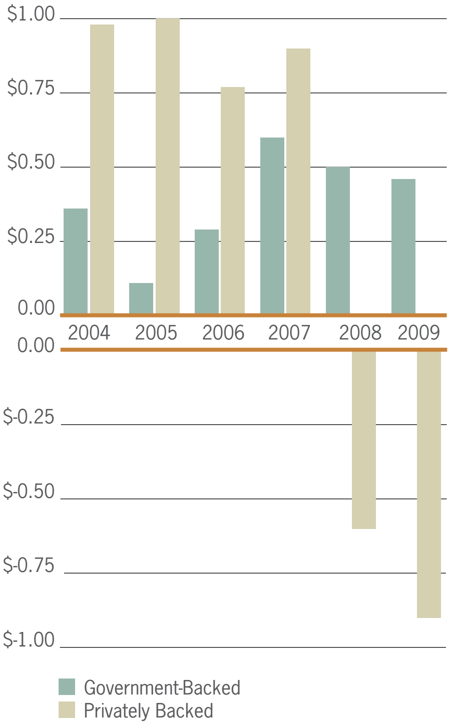
Mortgage-Related Assets: Residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages.

Government-Sponsored Enterprises ("GSEs"): Private corporations created by the Government to pursue certain public policy goals designated in their charters. They are chartered by the U.S. Government, but their liabilities are not officially considered to be direct Government obligations. The housing GSEs include Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks ("FHLBs").

FIGURE 3.2

CHANGE IN MORTGAGE OWNERSHIP, GOVERNMENT VS. PRIVATE, 2004 – 2009

$ Trillions



Note: Numbers affected by rounding.

Source: Federal Reserve, *Flow of Funds Accounts of the United States Report Z.1*, 12/10/2009, www.federalreserve.gov/releases/Z1/Current/Z1r-3.pdf, accessed 1/12/2010.

Mac"), and the Government National Mortgage Association ("Ginnie Mae") in the mortgage-related finance market.

During the 1989 – 1992 crisis in the savings and loan ("S&L") industry, the Government stepped in as a counterweight to the loss of lending capacity in that sector — a pattern that is being repeated today and that reflects the countercyclical nature of Federal mortgage support institutions. Over the course of the 1990s, private lenders accounted for approximately half of net mortgage borrowings. The precipitous drop in Government-backed lending that began in 2003 reflected a surge in private mortgage lending, particularly lending related to private-label MBS. By 2005, this activity was not only accounting for a majority of new loans, but was drawing existing mortgages away from the Government sector through refinancing. In addition, growing constraints on the size of Fannie Mae and Freddie Mac further reduced the Government-backed share of net borrowings. Accordingly, the Government-backed percentage share of net new mortgages decreased significantly in 2003 and 2004, accounting for almost none of the *net* borrowings from 2004 to 2005. In recent years, as the private sector experienced mounting losses as a result of the current economic crisis and responded by reducing new originations, the Government share of net borrowings once again increased. According to Federal Reserve net borrowings data, the Federal Government and the organizations it backs now guarantee or issue almost all net new borrowings for mortgages and MBS.

The effect of these changes can be seen in the changes in dollar amounts of holdings as opposed to percentages, which are harder to interpret when the total change is negative. The Federal Government is stepping in as the private sector has shed more than $1.5 trillion of mortgage assets in the past two years. Figure 3.2 illustrates this active downsizing by the private sector and the reduction in its exposure as well as some of the accompanying decrease in values due to foreclosures.

In short, between net mortgage lending and existing mortgage management, the Federal Government now completely dominates the housing mortgage market, with the taxpayer shouldering the risk that had once been borne by the private sector.

For more information on Federal assistance, see Section 3: "TARP in Context: Financial Institution Support and Policies Outside of TARP," in SIGTARP's July 2009 Quarterly Report.

Net Mortgage Borrowings: For mortgages, "net borrowings" consist of the dollar sum of new mortgage loans made during a year, minus the principal payoffs or other reductions of existing mortgages. This is not the same as market share, which captures only mortgage originations.

Foreclosure: Legal termination of a borrower's mortgage rights, usually following a payment default, and transfer to the lender.

THE ROLE OF THE U.S. GOVERNMENT IN THE RESIDENTIAL MORTGAGE MARKET

The Federal Government's support of the residential mortgage market has changed over time to include support of both the primary mortgage market and secondary mortgage market and emergency support during the current economic crisis. For a summary of the associated agencies, companies, and programs within each type of market support, see Figure 3.3 on the following page.

Historically, the Government's first approach to providing residential mortgage assistance was to assist the homeowner directly by insuring mortgages against loss to the lender. This insurance encourages financial institutions to provide mortgages to potential homeowners who otherwise might not have qualified for a mortgage, because, through these programs, the Government ensures that the lenders/owners of the mortgages will be compensated if the borrowers fail to make their mortgage payments. The first agency to do so, the Federal Housing Administration ("FHA"), was created in 1934 during the Great Depression and pioneered the use of 30-year fixed-rate mortgages with low down payments. FHA was large enough that the terms it set created the standard in the private sector. With an FHA-insured mortgage, the borrower pays a fee to FHA for the insurance, and, if the borrower subsequently defaults, FHA pays a settlement to the lender. The U.S. Department of Veterans Affairs ("VA") and the U.S. Department of Agriculture ("USDA") followed with similar programs for their own constituents — veterans and rural populations.

FHA and the other mortgage insurers deal with individual loans on a loan-by-loan basis. To facilitate a more wholesale approach to mortgage financing that could tap large institutional investors and broadly expand the capacity of lenders to provide more mortgage loans, Congress created a second type of organization, the GSE, which was designed to act as guarantor against loss for a whole pool of mortgages, creating a "secondary" mortgage market. Both Fannie Mae and Freddie Mac act as guarantors. The purpose of their guaranties is to expand the capacity of lenders to provide more mortgage loans. Ginnie Mae, although a Government agency and thus not a GSE, rounds out the group of guarantors; its focus is on MBS composed of mortgages that had been insured by FHA or other Federal agencies. Fannie Mae and Freddie Mac also purchase mortgages as part of their investment portfolio.

A network of 12 Federal Home Loan Banks ("FHLBs") acquired, over time, the same mortgage pooling and guaranteeing powers of Fannie Mae and Freddie Mac. FHLBs today mostly lend against mortgages, rather than guaranteeing or purchasing them.

Beginning in late 2008, the Government also became a large investor in mortgages and MBS, as well as purchasing the debt of the crumbling GSEs.

Mortgage Market: Institutions and individuals who are involved with mortgage finance in one way or another: includes lenders, mortgage brokers, mortgage insurers, loan servicers, mortgage investors, MBS packagers, *etc*.

Primary Mortgage Market: The market for newly originated mortgages.

Secondary Mortgage Market: The market for buying and selling existing mortgages; this could be in the form of whole mortgage or MBS sales.

Both the primary and secondary mortgage markets are over-the-counter markets — there is no central exchange. Rather, loans are bought and sold through personal and institutional networks.

Insurer: An entity that will pay for any losses incurred in case of default.

Guarantor: An entity that provides a promise to make payments in the event that the issuer is unable. This promise mitigates potentially higher risks for certain types of investments.

FIGURE 3.3

GOVERNMENT SUPPORT OF RESIDENTIAL MORTGAGE MARKET

SUPPORT OF PRIMARY MORTGATE MARKET

Insure Mortgages of Homeowners

FHA
$757 billion insured
- Low down payment
- Aimed at first-time homebuyers; low/moderate income borrowers

VA
$269 billion insured
- 0% down
- For Veterans

USDA
$56 billion insured and originated
- 0% down
- For rural homes
- Some payment subsidies

SUPPORT OF SECONDARY MORTGAGE MARKET

Guarantee/Securitize MBS and Purchase Mortgages

Guarantee/Securitize MBS

Fannie Mae
$2.8 trillion guaranteed/securitized

Freddie Mac
$1.9 trillion guaranteed/securitized

Ginnie Mae
$864 billion guaranteed/securitized
- Can only guarantee mortgages of FHA/VA/USDA
- Has "timely pay" full faith and credit of U.S. Government

Purchase Mortgages

Federal Home Loan Banks—12
$1 trillion advanced or purchased
- Lending against and purchasing mortgages

Fannie Mae
$752 billion purchased

Freddie Mac
$762 billion purchased

EMERGENCY SUPPORT DURING CRISIS

Buy MBS, Tax Subsidies, and Support of GSEs

Buy MBS

Federal Reserve
$1.1 trillion purchased
$1.25 trillion maximum
- Mortgage Purchase Program ("MPP")

Treasury
$331 billion GSE MBS and senior preferred stock purchased
- GSE MBS and debt purchases halted
- No limit on senior preferred stock purchases[a]

Treasury/TARP
Up to $40 billion to support PPIP
- Created by EESA

Tax Subsidies

Treasury/IRS
2009 First-Time Homebuyer Tax Credit
- Provides up to an $8,000 tax credit
- Program extended to April 2010

THERE IS SOME OVERLAP:

100% of Ginnie Mae MBS are backed by FHA/VA/USDA

Notes: Numbers affected by rounding. For simplicity, certain smaller programs, such as HUD's Public and Indian Housing ("PIH") insurance, are not shown.
[a] Maximum authorized amount is $400 billion plus losses in 2010 – 2012.

Sources: FHA Insurance: www.hud.gov/offices/hsg/fhafy09annualmanagementreport.pdf, p. 10, accessed 1/6/2010; FHA Delinquency Rate: portal.hud.gov/portal/page/portal/HUD/federal_housing_administration/docs/FHA%20Actuarial%20Review%20Briefing.pdf, slide 23, accessed 1/6/2010; FHA FY09 Annual Management Report, www.hud.gov/offices/hsg/fhafy09annualmanagementreport.pdf, accessed 1/12/2010; SEC Forms 10-K for Fannie Mae and Freddie Mac. SEC Forms 10-Q for FHLBs, Federal Reserve Board, Statement of Financial Condition, Report H.4.1, 12/31/2009, www.federalreserve.gov/Releases/H41/20091231/, accessed 1/9/2010; U.S. Treasury, "Final Monthly Treasury Statement of Receipts and Outlays," November 2009, www.fms.treas.gov/mts/index.html, accessed 1/9/2010; Ginnie Mae: www.ginniemae.gov/media/ISS_Summary/dec09_RPB.pdf, accessed 1/22/2010.

While the Federal Reserve invested in GSE debt and MBS, Treasury invested heavily in the GSE MBS, stock, and debt. These emergency efforts were complemented by new Government tax subsidies, such as the First-Time Homebuyer Tax Credit, which were designed to encourage individual participation in the housing market.

Support of Primary Mortgage Market

There are three major Federal agencies that support the primary mortgage market by insuring mortgages: FHA, VA, and USDA. They provide insurance policies on individual mortgages. The borrower typically pays the agency a fee for the insurance, and then, if the borrower defaults on the mortgage, the lender receives a claim check for most of its loss from the agency. The ability to get mortgage insurance on a mortgage makes lenders more likely to provide borrowers more affordable terms — such as a low or no down payment or lower interest rates. Table 3.1 details the characteristics of the three major Federal mortgage insurers.

TABLE 3.1

FEDERAL MORTGAGE INSURERS (AS OF 9/30/2009, UNLESS NOTED)

Size of Agencies[a]	FHA	VA	USDA
Mortgage Amount Insured[b,c]	$757 Billion	$269 Billion	$56 Billion
Mortgage # Insured[d]	5.5 Million	1.4 Million	0.4 Million
Average Size of a Single Mortgage	$138,000	$199,000	$125,965
Terms of Insurance			
Eligible Borrowers	Low/Mod Income	Veterans	Rural
Maximum Mortgage	$729,750	None	None[e]
Minimum Down Payment	3.5%	0.0%	0.0%
Recent Performance			
90-day Delinquency Rate	7.4% approx	4.4% approx	5.8% approx

Notes: Numbers affected by rounding.
[a] There are a few smaller insurer programs, such as the HUD Public and Indian Housing–Indian Home Loan Guarantee Program, which were not included due to size.
[b] Represents loan principal amount; insured portion can be less. Includes direct and insured loans for USDA and VA.
[c] Includes single-family homes and condominiums. Does not include reverse mortgages.
[d] Mortgage number insured is calculated by dividing the mortgage amount insured by the average size of a single mortgage.
[e] USDA maximum is based on borrower income, not mortgage size. At the highest income allowable (115% of area median), a borrower should be able to afford a $170,000 mortgage.

Sources: HUD Mortgage Letter 2009-50, "2010 FHA Maximum Limits," www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-50ml.pdf, accessed 1/4/2010; FHA, FHA Annual Management Report FY2009, www.hud.gov/offices/hsg/fhafy09annualmanagementreport.pdf, accessed 1/4/2010; OMB, Department of Veterans Affairs 2010 Budget, www.whitehouse.gov/omb/budget/fy2010/assets/vet.pdf, page 19, accessed 1/4/2010; OMB, Department of Agriculture 2010 Budget, www.whitehouse.gov/omb/budget/fy2010/assets/agr.pdf, accessed 1/4/2010; GPO, Budget of the United States Government: Federal Credit Supplement Fiscal Year 2009, Table: 2. Loan Guarantees: Subsidy Rates, Commitments, and Average Loan Size, www.gpoaccess.gov/USbudget/fy09/cr_supp.html, accessed 1/11/2010; FHFA, Foreclosure Prevention Report First Quarter 2009, www.fhfa.gov/webfiles/2976/1Q09_Foreclosure_Prevention_Report_Final_06-23-09.pdf, pg. 8, for FHA and VA delinquency rates, accessed 1/12/2010; USDA, response to SIGTARP data call, 1/13/2010.

Single-Family Homes: In the financial markets, individual, standalone homes with up to four units are known as single-family housing, to distinguish them from multifamily housing (apartments and group homes) and institutional housing (college dorms, prisons, *etc*.).

FHA-Approved Lender: A business that has been granted approval by HUD to service FHA-insured mortgages based on certain qualifying criteria. FHA-approved lenders can be mortgage bankers, banks, thrifts, and credit unions, as well as state, local, and Federal Government entities.

The Federal Housing Administration ("FHA")

FHA insures multiple types of mortgages including multifamily properties (apartments), condominiums, and nursing homes, but primarily insures mortgages on single-family homes. The agency was created in 1934 during the Great Depression to provide housing credit in a nation that had just experienced several waves of bank failures and widespread reluctance of banks to write new mortgages. FHA helps potential homebuyers who would not normally be in the pool of buyers — individuals with less down payment cash available, individuals with lower credit scores, or those with homes in underserved neighborhoods. By bringing these buyers into the market, and minimizing the risks by pooling their strengths, FHA's programs increase the demand for all homes, thus supporting home prices in general.

In 1965, FHA was incorporated into the newly created U.S. Department of Housing and Urban Development ("HUD").[317] It is 100% owned by the Federal Government; its employees are members of the Federal civil service and are considered HUD staff. The agency is designed to operate on a break-even basis, charging fees sufficient to cover estimated future losses.[318] "Thus, all of FHA's liabilities are considered covered by budgetary resources."[319]

Borrowers wishing to obtain mortgage insurance from FHA must submit applications through an FHA-approved lender. The lender may be a bank, a thrift, or a mortgage banker certified as eligible to do business with FHA.

As of September 30, 2009, FHA insured more than 5 million single-family mortgages, which, coupled with its insurance programs for multifamily homes, manufactured homes, and hospitals, makes it the largest Government insurer of mortgages in the world.[320] It had $757 billion in single-family mortgages under coverage as of September 30, 2009.[321] Its volume has increased dramatically in the past two years — from $56 billion in new loans in 2007[322] to more than $300 billion in 2009 — as the private sector cut back dramatically on lending to the types of borrowers that typically benefit from FHA-backed mortgages — *i.e.,* subprime borrowers.[323] The agency estimates that 75% of its insurance policies were written in the past two years.

FHA's current rate of "serious delinquencies" (*i.e.*, mortgages more than 90 days overdue) was approximately 7.4% at the end of September 2009. This is increased from its historical range of 5%. Because FHA sets its fees and premiums at levels projected to break even, it only needs to obtain additional funds during periods of extraordinary losses. On November 12, 2009, FHA announced the results of an actuarial study of its single-family mortgage fund. The report states that, under the expected economic assumptions, the agency's capital level of reserves and available funds would be drawn down to as low as 0.53% (the ratio of reserves and available funds divided by its outstanding mortgage obligation). This is below the normally required statutory capital level of 2.0%;[324] however, FHA may draw down on a line of credit from Treasury to increase its reserves.

The U.S. Department of Veterans Affairs ("VA")

As a benefit to veterans of the U.S. armed forces, the VA offers a program that guarantees mortgages in a manner similar to FHA. The VA-guaranteed mortgage is available only to military veterans and surviving spouses of service-disabled veterans. Like the FHA program, the VA attempts to operate the program on a break-even basis. There is no down payment required, and the VA may also cover some closing costs.[325]

This program includes financing for new construction and for modifying homes to meet the requirements of disabled veterans.[326] The program was originally established after World War II to support veterans, who often lacked a credit history after being deployed for several years, by providing access to favorable credit terms to purchase a home.[327]

Veterans wishing to obtain a mortgage guaranteed by the VA must provide an application and a "Certificate of Eligibility" to a VA-approved lender. As with FHA, the lender may be a bank, a thrift, or a mortgage banker certified as eligible to do business with the agency. Most VA-guaranteed loans are sold into Ginnie Mae pools.

Like FHA, the VA can obtain funds from Treasury should it experience higher-than-expected losses. As of September 30, 2009, VA had a total of $269 billion in single-family mortgages under coverage. Its current reported default rate is approximately 4.4% for greater-than-90-day delinquencies.

The U.S. Department of Agriculture ("USDA"), Rural Development

Within USDA's Rural Development office, the Rural Housing Service offers loans to help purchase or renovate homes in rural areas.[328] In general, a "rural area" is a town with a population of 20,000 or less.[329] USDA provides two types of loan programs: a direct loan program, which is aimed at low- and very low-income households, and a guaranteed loan program, which operates like the FHA program.[330]

USDA differs from the other insurers in its maintenance of a local office system with direct lending capability. Several hundred USDA service centers in small towns around the country provide direct mortgage lending.[331] Homebuyers can walk into a service center, fill out an application for a mortgage, receive personal financial counseling to determine qualification if necessary, and get their loan directly from the Government. This applies to USDA's direct loan program. For USDA's other program, the loan insurance program, homebuyers can go to their local bank or mortgage banker as they would with FHA or VA and their loan would be insured by USDA.

As of January 12, 2010, USDA had a total of $39.6 billion in single-family mortgages under coverage, as well as $15.9 billion in direct loans. Its volume has increased dramatically in the past two years since the private sector has reduced new lending — from $3.1 billion in new loans in 2007 to more than $16.2 billion in 2009.[332] USDA's current reported delinquency rate is approximately 5.8% for greater-than-90-day delinquencies.

Support of the Secondary Mortgage Market

Congress has created several GSEs to support the secondary mortgage markets through their efforts to issue and guarantee whole portfolios of mortgages in the form of MBS. The housing-related GSEs include Fannie Mae, Freddie Mac, and the 12 FHLBs.[333] Fannie Mae and Freddie Mac are private, shareholder-owned companies. Fannie Mae started out as a Government agency in 1938 but converted to a shareholder-owned corporation in 1968.[334] Freddie Mac was formed as a shareholder-owned company in 1970. The 12 FHLBs are a system of regional banks with a membership composed of commercial banks, savings institutions, credit unions, insurance companies, and Community Development Financial Institutions based on certain eligibility criteria.[335] Unlike Fannie Mae and Freddie Mac, the FHLBs provide liquidity to the mortgage market through their "advance" program, under which the FHLB will loan cash to a member in return for that member posting suitable mortgages or MBS as collateral.

Ginnie Mae performs similar functions as Fannie Mae and Freddie Mac but is not technically a GSE because it is directly owned by the U.S. Government. Only Ginnie Mae's liabilities explicitly carry a "full faith and credit" obligation of the U.S. Government, while the GSEs, and particularly Fannie Mae and Freddie Mac, carry an all but explicit Government guarantee.

"Full Faith and Credit" Obligation: An absolute and legally binding commitment of the U.S. Government. MBS with this level of security are rated AAA. Only Ginnie Mae securities have this level of protection.

The GSEs share a number of defining characteristics: their purpose as determined by Congress, their organizational structure, their regulatory agency, and their relationship with the Federal Government. This section first describes their commonalities and then explores each organization's individual characteristics. The general statistics of these institutions are listed in Table 3.2.

TABLE 3.2

FEDERAL MORTGAGE GUARANTORS AND PURCHASERS, AS OF 11/30/2009				
Ownership	**Fannie Mae**	**Freddie Mac**	**FHLBs[a]**	**Ginnie Mae**
Ticker Symbol	FNM	FRE	Various	N/A
% Owned by U.S. Government	79.9%	79.9%	0.0%	100%
Size of Agencies				
MBS Guaranteed ($ Billions)	$2,813.2	$1,860.8	$—	$863.5
MBS/Mortgages in Portfolio ($ Billions)	752.2	761.8	366.8	N/A
Advances on Mortgage, MBS ($ Billions)	N/A	N/A	677.9	N/A
Total MBS Exposure ($ Billions)	**$3,565.5**	**$2,622.6**	**$1,044.7**	**$863.5**
Company Debt Outstanding ($ Billions)	$782.3	$809.2	$979.9	N/A
Treasury Equity Investment ($ Billions)	$60.0	$51.0	$0	N/A
Recent Performance				
90-day Delinquency Rate	4.98%	3.72%	Varies[b]	Varies[c]

Note: Numbers affected by rounding.
[a] Numbers represent combined amounts of all 12 Federal Home Loan Banks.
[b] Each FHLB has a different method of reporting delinquency rates. The following banks reported 90-day delinquency rates as of 9/30/2009: Boston at 5.4%, Des Moines at 2.1%, and Indianapolis at 4.2%.
[c] Underlying mortgages are FHA, VA, or USDA and delinquency rates reflect this, as well as issuers' option to repurchase nonperforming loans at 90 days' delinquent.

Sources: Monthly Review Report for Fannie Mae, www.fanniemae.com/ir/pdf/monthly/2009/113009.pdf, Fannie Mae MBS and Portfolio, www.fanniemae.com/ir/monthly/index.jhtml;jsessionid=HRD5R23GT4HXFJ2FECHSFGQ?s=Monthly+Summary; Freddie Mac, www.freddiemac.com/investors/volsum/pdf/1109mvs.pdf, www.fanniemae.com/ir/pdf/monthly/2009/113009.pdf, and 10Q for Freddie Mac; Freddie Mac MBS and Mortgages, www.freddiemac.com/investors/volsum/, accessed 1/12/2010. Fannie and Freddie Senior Preferred Stock, see www.fhfa.gov/webfiles/15323/TreasFed12172009.pdf, accessed 1/12/2010; Ginnie Mae, www.ginniemae.gov/media/iss_summary/dec09_RPB.pdf, accessed 1/22/2010; FHLB's, www.fhlb-of.com/specialinterest/financialframe2.html, accessed 1/12/2010; GPO, Budget of the United States Government: Federal Credit Supplement Fiscal Year 2009, Table: 2. Loan Guarantees: Subsidy Rates, Commitments, and Average Loan Size, www.gpoaccess.gov/USbudget/fy09/cr_supp.html, accessed 1/11/2010.

The Liquidity Function of GSEs

One of the GSEs' primary functions is to provide liquidity in the mortgage market. Liquidity refers to the ease with which assets can be traded and turned into cash. If a market is liquid there is a healthy supply and demand for the market assets — the assets and cash are flowing well. Should either the supply or demand for the asset be reduced, the flow is reduced, and the market could ultimately stop working, or become illiquid. In the financial sector, a bank's liquidity refers to whether it will have the cash it needs on hand to meet its obligations.[336]

Thousands of small banks and lenders in the United States use the GSEs as large, centralized institutions to which they can sell their loans, thus avoiding the difficulty and expense of assembling and selling portfolios on their own. GSEs buy packages of mortgages from banks and other lenders for cash, giving those lenders additional funds to make new mortgage loans and removing from their balance sheets the risk of default on the loans. This provides the lenders with liquidity and enables them to make more home loans.[337]

Liquidity: The ability to easily convert an asset to cash, without any significant loss in value or transaction cost.

Mortgage-Backed Securities Guaranties, Advances, and Portfolio Holdings

Originally, the GSE business model called for the GSEs to guarantee mortgage pools that had been sold as MBS in exchange for guarantee fees from lenders and management fees. On the Government side, Ginnie Mae offered MBS as an investment product in 1970, which helped to increase rapidly the mortgage lending activities for the residential housing market.[341] Ginnie Mae's MBS programs guarantee the timely principal and interest payments on MBS collateralized with mortgage pools created by its approved lenders. Fannie Mae and Freddie Mac operate similar guarantee programs. When these GSEs guarantee an MBS, even if a substantial portion of the underlying borrowers default and the servicers fail to make the required payments to the investors who hold the MBS, the GSEs will make the required payments.[342]

Fannie Mae and Freddie Mac are engaged in two major mortgage financing operations — the securitization/guarantee of MBS, and the acquisition and management of MBS and mortgage-related assets for their own portfolios. Mortgage lenders sell their mortgages to Fannie Mae and Freddie Mac who securitize the mortgages. The lenders pay Fannie Mae and Freddie Mac a credit guarantee fee for assuming the risk that the borrowers will not pay their mortgages and investors will not receive their payments under the terms of the MBS.[343] The guarantee fee, along with other management fees collected over a mortgage's life, were originally the primary sources of earnings for Freddie Mac.[344] In the 1990s, Fannie Mae and Freddie Mac dramatically increased purchasing for their own portfolios, and these purchases included mortgage loans and MBS, including their own guaranteed MBS. In effect, they started to do more than just guarantee the holdings of MBS investors against loss; they began buying those MBS for their own portfolios as investments, subjecting themselves to tremendous risk of loss should those securities decline in value.[345]

The changing size of Fannie Mae's and Freddie Mac's portfolio holdings over time can be seen in Figure 3.4. In 2004, Government regulators began questioning the level of portfolio holdings, eventually instituting a cap on how much mortgage-related asset exposure Fannie Mae and Freddie Mac could keep in their portfolios. This explains the resulting dip in portfolio holdings in Figure 3.4 and the leveling off of the portfolios to approximately $700 billion. Under their current agreements with Treasury, Fannie Mae and Freddie Mac were permitted to increase their portfolio holdings to $900 billion each by the end of 2009.[346] The Government has required the companies to reduce their portfolios from the current $900 billion cap at a rate of 10% each year after 2009 until they reach $250 billion each.[347]

In addition to the FHLBs' advances program previously mentioned, the FHLBs also buy mortgages and MBS for their own portfolios. As with Fannie Mae and

Fannie Mae and Freddie Mac do not provide direct mortgages to individuals, but rather support the secondary mortgage market by buying mortgages and then "securitizing," i.e., *packaging the mortgages into MBS and selling these securities to investors. Lenders pay the GSE a guarantee fee for assuming the payment risk. By securitizing these groups of mortgages, the GSE provides mortgage brokers and lenders with cash in exchange for a guarantee of payments on mortgages.*[338] *In addition, both GSEs purchase MBS directly for their own portfolio.*[339]

As GSEs, Fannie Mae and Freddie Mac are also frequently able to borrow cash at a lower interest rate than other institutions, thus maintaining a lower cost of capital than private MBS issuers. Before the housing boom, private companies dominated the residential mortgage-backed securities market, creating a variety of products that both hedged against different types of risk and provided an investment return. However, when the housing market deflated, these companies decreased investing capital in the market. The Government, through investing in the secondary mortgage markets, stepped in to continue to support this market and infuse capital to provide liquidity so that banks would continue to loan to homeowners.[340]

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

Freddie Mac, the portfolio strategy has caused an increased risk of loss for institutions within the FHLB system.

The Legal and Organizational Structure of the GSEs

The GSEs are private, shareholder-owned companies. They were created by acts of Congress, which established them under special charters. The charters place certain responsibilities on them, but also grant them certain privileges. In the case of Fannie Mae and Freddie Mac, the basic charter requires them to:[348]

- increase liquidity in the residential mortgage markets
- operate nationwide
- provide assistance to the secondary market for residential mortgages

In return for these responsibilities, they are granted certain privileges:

- GSEs are exempt from state and local income taxes.
- GSE securities are exempt from Securities and Exchange Commission ("SEC") registration (although they register their common stock voluntarily).
- GSE debt may enjoy many of the privileges of U.S. Government debt.

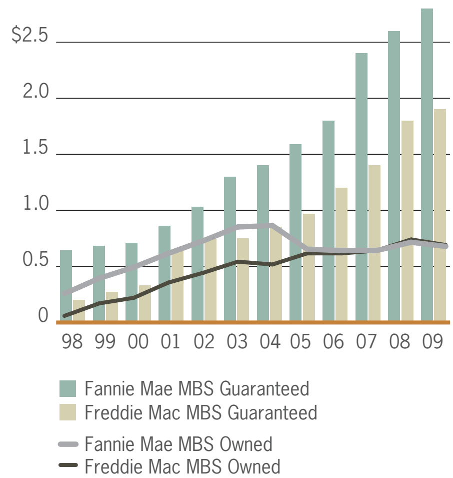
One privilege that the charters do not grant is the explicit backing of the U.S. Government. As a result of various steps taken by the U.S. Government, it has been generally anticipated in the markets, however, that the Federal Government will fully back Fannie Mae and Freddie Mac as needed. This "implied guarantee" of the Federal Government historically provided the GSEs with high credit ratings, low capital requirements, and access to funds from private institutions at below-market rates, as lenders were willing to lend at lower interest rates because they were confident that the U.S. Government would step in to make payments on their behalf if necessary. During the financial crisis of 2008, the U.S. Government did, in fact, step in to support the obligations of Fannie Mae and Freddie Mac, culminating in the September 2008 conservatorship and the December 2009 announcement that the United States would essentially provide them with limitless support over the next several years.[349]

This conservatorship is administered by their regulatory agency, the Federal Housing Finance Agency ("FHFA"). Conservatorship leaves the companies in the daily operational control of management and is not a bankruptcy proceeding. In taking the companies into conservatorship, Treasury supplied much-needed capital to the firms, whose deteriorating financial position was characterized by the FHFA Director as of "critical importance" and a threat to the continued functioning of the residential financial markets.[350] As a result of the Government funding, the Government holds an 80% equity stake in both Fannie Mae and Freddie

FIGURE 3.4

FANNIE MAE AND FREDDIE MAC PORTFOLIO AND GUARANTEE EXPOSURE, 1998 – 2009

$ Trillions



Notes: Numbers affected by rounding. All data is for 12/31, except for 2009 which is 11/30 data.

Sources: Fannie Mae Monthly Summary, 1998 – 2009, accessed 1/6/2010; www.fanniemae.com/ir/monthly/index.jhtml; jsessionid=HRD5R23GT4HXFJ2FECHSFGQ?s=Monthly+Summary; Freddie Mac Monthly Summary, 1998 – 2009 www.freddiemac.com/investors/volsum/ and sec.gov filings, accessed 1/6/2010.

Conservatorship versus Receivership: In the case of Fannie Mae and Freddie Mac, conservatorship involved FHFA taking control of the companies as authorized by the Housing and Economic Recovery Act ("HERA") of 2008. The powers of the board of directors, officers, and shareholders are transferred to FHFA. However, the day-to-day operations of the company are still with its existing management. In a receivership, shareholders are permanently terminated, whereas in a conservatorship shareholder rights are temporarily assumed by the controlling entity.

Conservatorship versus Nationalization: Under nationalization, the U.S. Government would explicitly assume the obligations and operations of the GSEs. As then-Treasury Secretary Henry Paulson noted in early 2009, "Explicitly guaranteeing Fannie and Freddie's obligations would essentially nationalize this significant portion of the U.S. housing finance market."[353] Nationalization would also require the Government to take Fannie Mae and Freddie Mac's debt obligations and losses on to the Federal Government's balance sheet, which would be recognized as an on-budget event. If recorded as an on-budget event, then a full U.S. Government takeover of a company would necessitate adding its debt and net guarantees to the U.S. Treasury debt. In the case of Fannie Mae and Freddie Mac, which together have approximately $1.6 trillion in outstanding debt and a great deal of guarantee exposure, this likely could not be done under the $12.3 trillion Treasury debt ceiling set by Congress. The September 2008 conservatorship of the GSEs avoided such a result.

Mac, transforming its previously implicit guarantee[351] to an all but explicit guarantee.[352]

As part of the conservatorship process, Fannie Mae and Freddie Mac agreed to a receivership provision within their agreements with Treasury. This provision requires FHFA to monitor the capital ratios of the companies and to officially place the companies into receivership should they ever drop into a "negative equity" status, as defined by the agreement. Such a negative equity status has occurred regularly since September 2008, but each time Treasury has provided taxpayer money as capital — in the form of purchasing preferred stock through its Preferred Stock Purchase Agreement ("PSPA") — to bring the companies into a position of positive equity.[354] To date, Treasury has invested $60 billion in Fannie Mae and $51 billion in Freddie Mac.[355] Although Treasury had previously agreed to a $400 billion cap on such assistance, on December 24, 2009, it removed these limits.

Use of the GSEs in Subsidizing Foreclosure Avoidance

As part of their charters, the GSEs are expected to provide particular support to low- and moderate-income homebuyers in areas that are underserved by the private sector. Since the financial crisis began, to address the high levels of foreclosures, the GSEs have instituted special programs including:

- **Home Affordable Refinance Program.** Fannie Mae administers this program, providing support for mortgage servicers by easing its normally required underwriting criteria in order to help distressed homebuyers refinance their mortgages into low-rate, long-term mortgages. As an example of the relaxed underwriting restrictions, borrowers may have up to a 125% loan-to-value ("LTV") ratio, instead of the usual 80% ceiling.[356]
- **Foreclosure Moratoria.** In the past year, Fannie Mae and Freddie Mac have reduced the foreclosures of homes in certain markets in their portfolios during certain periods.[357]
- **Mortgage Modifications.** Fannie Mae and Freddie Mac are actively attempting to modify mortgages that they own in their own portfolios through the TARP-related Home Affordable Modification Program ("HAMP").

Role of the Federal Housing Finance Agency ("FHFA")

FHFA was formed under the Housing and Economic Recovery Act of 2008 ("HERA"). HERA formed a legislative merger of the Office of Federal Housing Enterprise Oversight ("OFHEO"), the Federal Housing Finance Board ("FHFB"), and parts of HUD. FHFA regulates Fannie Mae, Freddie

Mac, and the 12 FHLBs.[358] This new organization incorporated the missions of its predecessors, which included OFHEO's mission to provide safety and soundness oversight for Fannie Mae and Freddie Mac, FHFB's mission to provide safety and soundness and mission oversight of the FHLBs, coupled with HUD's responsibility to oversee Fannie Mae and Freddie Mac's mission compliance and to set housing goals for these companies. As such, GSEs still operate under mandates to promote homeownership for low- and middle-income families and underserved communities, and FHFA's oversight continues to support these activities by monitoring their abilities to meet these goals.[359]

Loan-to-Value ("LTV") Ratio: In real estate lending, the outstanding principal amount of the loan divided by the appraised value of the property.

Current Controls on Fannie Mae and Freddie Mac

Under the conservatorship of FHFA, Fannie Mae and Freddie Mac have, in the aggregate, funded 74% of all new mortgages originated in the second quarter of 2009, up from 54% in 2007 and 37% in 2006.[360]

When Fannie Mae and Freddie Mac went into conservatorship in September 2008, then-Secretary of the Treasury ("Treasury Secretary") Henry Paulson developed a four-step plan to reduce the future systemic risk that both organizations faced regarding their exposure to MBS. The four steps included the following:[361]

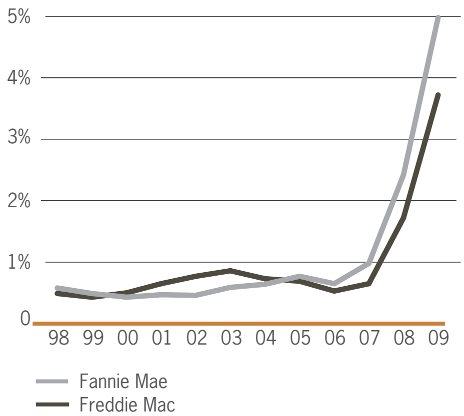
- **Treasury Investment Established** — creating PSPAs, which are contractual agreements between Treasury and the conserved entities in which Treasury receives senior preferred equity shares and warrants in exchange for capital. Under the PSPAs, Treasury expects to fund Fannie Mae and Freddie Mac until December 2012.[362]
- **10% Per-Year Portfolio Reductions** — reducing the mortgage-related asset portfolios of Fannie Mae and Freddie Mac by 10% per year, mostly through natural maturations of the existing debt that was used to fund their portfolios. The Government has set this expectation with a goal portfolio size of $250 billion each.
- **Secured Lending Credit Facility Established**— establishing a secured lending credit facility available to Fannie Mae, Freddie Mac, and the FHLBs ("GSE-CF") to help stabilize the current market. The facility expired on December 31, 2009, and was never drawn down.[363]
- **GSE MBS Purchase Program Established** — initiating a temporary program to purchase GSE MBS, named the GSE MBS Purchase Facility ("GSE MBS-PF"), to help stabilize the current market. GSE MBS-PF reached a peak of $111 billion and expired on December 31, 2009.[364]

Federal National Mortgage Association ("Fannie Mae")

As can be seen earlier in this section, in Table 3.2, as of November 30, 2009,

FIGURE 3.5

FANNIE MAE AND FREDDIE MAC DELINQUENCIES: % OF MORTGAGES > 90 DAYS, 1998 – 2009



Sources: Fannie Mae Monthly Summary, 1998 – 2009, www.fanniemae.com/ir/monthly/index.jhtml;jsessionid=HRD5R23GT4HXFJ2FECHSFGQ?s=Monthly+Summary; Freddie Mac Monthly Summary, 1998 – 2009, accessed 1/6/2010; www.freddiemac.com/investors/volsum/ and sec.gov filings, accessed 1/6/2010.

Fannie Mae has two major areas of mortgage activity: the securitization and guarantee of $2.8 trillion of MBS and the management of its own portfolio of $752 billion in mortgage- and MBS-related assets. The amount of Fannie Mae-guaranteed MBS has increased more than 300% since 1998.[365] Fannie Mae's portfolio has been funded with its more than $782 billion in debt, as seen previously in Table 3.2. The serious delinquency rate (greater-than-90-days delinquent) on single-family mortgages guaranteed by Fannie Mae has increased in the past two years to 4.98%, as seen in Figure 3.5.

Federal Home Loan Mortgage Corporation ("Freddie Mac")

As of November 30, 2009, Freddie Mac's outstanding MBS guarantees were at $1.9 trillion, while its own portfolio of holdings had reached $761.8 billion.[366] The amount of Freddie Mac-guaranteed MBS has increased more than 800% since 1998. Its own portfolio was originally capped at $728.1 billion, with a 2% per-year escalation, but the cap was subsequently raised to $900 billion when the conservatorship was established.[367] Freddie Mac's portfolio has been funded with more than $809 billion in debt. Freddie Mac's delinquency rates have, like Fannie Mae's, increased dramatically, with Freddie Mac's greater-than-90-days delinquency rate now at 3.72% as seen in Figure 3.5.

The Government National Mortgage Association ("Ginnie Mae")

Despite being an MBS-guarantee enterprise, Ginnie Mae is fairly well protected from the two primary risks of its business: credit risk and interest rate risk. In the area of credit risk, it benefits from the statutory requirement that it only guarantee pools of mortgages that are already insured by a Federal agency — FHA, VA, or USDA. In the area of interest rate risk, Ginnie Mae takes very little exposure because it avoids portfolio purchases of MBS. As of November 30, 2009, Ginnie Mae had $863.5 billion of its guaranteed MBS outstanding.[368] As reported in its fiscal year 2009 annual report, Ginnie Mae had net revenues of $509.6 million and capital reserves of $14 billion.[369]

Federal Home Loan Banks ("FHLBs")

Since HERA, the FHLBs are now also under the oversight of the FHFA. Until December 31, 2009, the FHLBs had access to the same Treasury GSE-CF as Fannie Mae and Freddie Mac, which permitted Treasury to purchase FHLBs' debt in exchange for assets as collateral. The program expired, however, with no outlays of funds to FHLBs or to Fannie Mae or Freddie Mac.[370]

Total FHLB advances were $678 billion as of September 30, 2009.[371] This is reduced from approximately $1.0 trillion at the end of 2008, which, according to FHFA, can be attributed to an increase in deposits at member banks and a decrease in mortgage originations, coupled with the support of Federal liquidity programs and changing market conditions.[372] Even these financial institutions, however, are facing challenging times meeting regulatory capital requirements. On average, the FHLBs have a capital ratio of 4.2%, only slightly more than the 4% required by banking regulators.[373]

Emergency Support During the Crisis

By mid-2008, market conditions made it increasingly difficult for Fannie Mae and Freddie Mac to sell their debt and MBS at reasonable interest rates. The Federal Reserve and Treasury responded by drawing on existing authorities to begin purchase programs for these entities. Table 3.3 shows the currently outstanding holdings under these programs.

Federal Reserve

The Federal Reserve is currently pursuing two major programs related to the GSEs.

Federal Reserve Mortgage Purchase Program (**"MPP"**)**.** In announcing the creation of the MPP, the Federal Reserve stated "Under the MBS purchase program, the Federal Reserve will purchase MBS backed by Fannie Mae, Freddie Mac, and Ginnie Mae; the program is being established to support the mortgage and housing markets and to foster improved conditions in financial markets more generally."[374]

TABLE 3.3

CURRENT STATUS OF FEDERAL RESERVE/TREASURY SUPPORT FOR FANNIE MAE AND FREDDIE MAC, AS OF 12/31/2009 ($ BILLIONS)

	Expires	Committed	Maximum Authorized
Federal Reserve System			
Mortgage Purchase Program ("MPP")	3/31/2010	$910	$1,250
GSE Debt Purchase Facility ("GSE-DPF")	3/31/2010	160	200
Treasury Department			
Preferred Stock Purchase Agreements ("PSPA")	12/31/2012	$111	No Limit[a]
GSE MBS Purchase Facility ("GSE MBS-PF")	12/31/2009	220	Expired
GSE Credit Facility ("GSE-CF")	12/31/2009	0	Expired
Total Support		**$1,401**	

Notes: Numbers affected by rounding.
[a] Maximum authorized amount is $400 billion + losses in 2010 – 2012.

Sources: Federal Reserve Board, FAQs: MBS Purchase Program, www.newyorkfed.org/markets/mbs_faq.html, effective 11/25/2009, accessed 1/4/2010; Federal Reserve Board, Statement of Financial Condition, Report H.4.1, 12/31/2009, www.federalreserve.gov/Releases/H41/20091231/, accessed 1/4/2010; Federal Reserve Press Release, 3/18/2009, www.federalreserve.gov/newsevents/press/monetary/20090318a.htm, accessed 1/4/2010; Treasury Press Release, "Treasury Issues Update on Status of Support for Housing Programs," 12/24/2009, www.ustreas.gov/press/releases/2009122415345924543.htm, accessed 1/4/2010. FHFA, response to SIGTARP data call, 1/15/2010.

For more information on the Federal Reserve MBS purchase programs, see SIGTARP's July 2009 Quarterly Report, page 146.

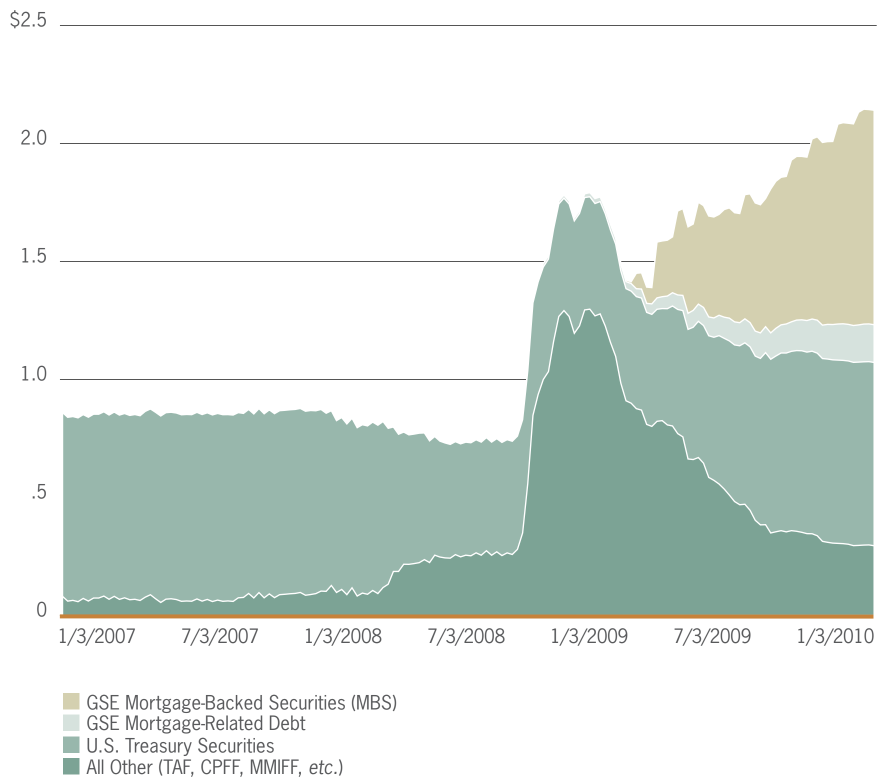
MPP is the largest Government program for the residential mortgage market and focuses on Fannie Mae and Freddie Mac. The Federal Reserve announced the program on November 25, 2008, with the intention of supporting home prices: "This action is being taken to reduce the cost and increase the availability of credit for the purchase of homes, which in turn should support housing markets and foster improved conditions in financial markets more generally."[375] Current plans are to continue purchases of MBS until March 31, 2010, at which time its total holdings are expected to be $1.25 trillion.[376] These holdings can be seen in Figure 3.6 as part of the Federal Reserve's balance sheet.

Federal Reserve GSE Debt Purchase Facility ("GSE-DPF"). This program

FIGURE 3.6

FEDERAL RESERVE BALANCE SHEET ASSETS (1/3/2007 – 1/6/2010)

$ Trillions



Note: The "all other" category includes various Federal Reserve programs such as the Term Auction Facility ("TAF"), the Commercial Paper Funding Facility ("CPFF"), and the Money Market Investor Funding Facility ("MMIFF").

Source: Federal Reserve Board, Statistical Release H.4.1, "Factors Affecting Reserve Balances," 1/6/2010, www.federalreserve.gov/releases/h41/20100107/, accessed 1/7/2010.

provides for the purchase of direct obligations of Fannie Mae, Freddie Mac, and the FHLBs in the secondary market. As of December 31, 2009, the Federal Reserve had purchased $159.9 billion of Fannie Mae and Freddie Mac debt.[377] Federal Reserve holdings of Fannie Mae and Freddie Mac debt were $125.5 billion at the end of 2009, and given that the two entities currently have approximately $1.586 trillion in total debt, this means that the Federal Reserve owns about 8% of their outstanding debt.[378] Earlier in this section, Figure 3.5 shows Fannie Mae and Freddie Mac debt levels, which are different from their MBS guarantee levels.

Figure 3.6 shows the effect of these two purchase programs on the balance sheet of the Federal Reserve. In substance, the Federal Reserve, through the secondary markets, has effectively purchased more than $1 trillion in mortgages and MBS off of the balance sheets of financial institutions and other private investors. According to Federal Reserve Vice Chairman Donald L. Kohn, the Federal Reserve's announced purchases of GSE-guaranteed MBS, GSE debt, and Treasury securities "were successful in reducing long-term interest rates" and "increased the availability of mortgages to households."[379]

U.S. Department of the Treasury

Throughout 2009, Treasury had three GSE-related programs in operation, providing facilities through which Treasury could buy the preferred stock, debt, and MBS of the companies. Treasury initiated its three programs on September 7, 2008, at the time FHFA placed Fannie Mae and Freddie Mac into conservatorship.[380]

The Treasury PSPA was immediately employed to provide capital to the companies to backstop their losses. As of December 31, 2009, Treasury's PSPA holdings totaled $111 billion, $50 billion to Freddie Mac and $61 billion to Fannie Mae, and the program has no limit going forward until it expires on December 31, 2012.[381] Complementing this program was the GSE MBS-PF, currently totaling $220 billion in purchased MBS, and the GSE-CF, which has no current balance; both of these programs expired on December 31, 2009.

2009 First-Time Homebuyer Tax Credit

Established under the Worker, Homeownership, and Business Assistance Act of 2009, the First-Time Homebuyer Tax Credit provides up to an $8,000 tax credit to first-time homebuyers subject to certain income caps, and provides a dollar-per-dollar decrease in the tax liability or increase in the tax refund received by the filer.[382] The tax credit only applies to the purchase of a primary residence. The tax credit has been extended until April 30, 2010. In addition, a $6,500 tax credit was granted to existing homeowners who are purchasing new homes.[383]

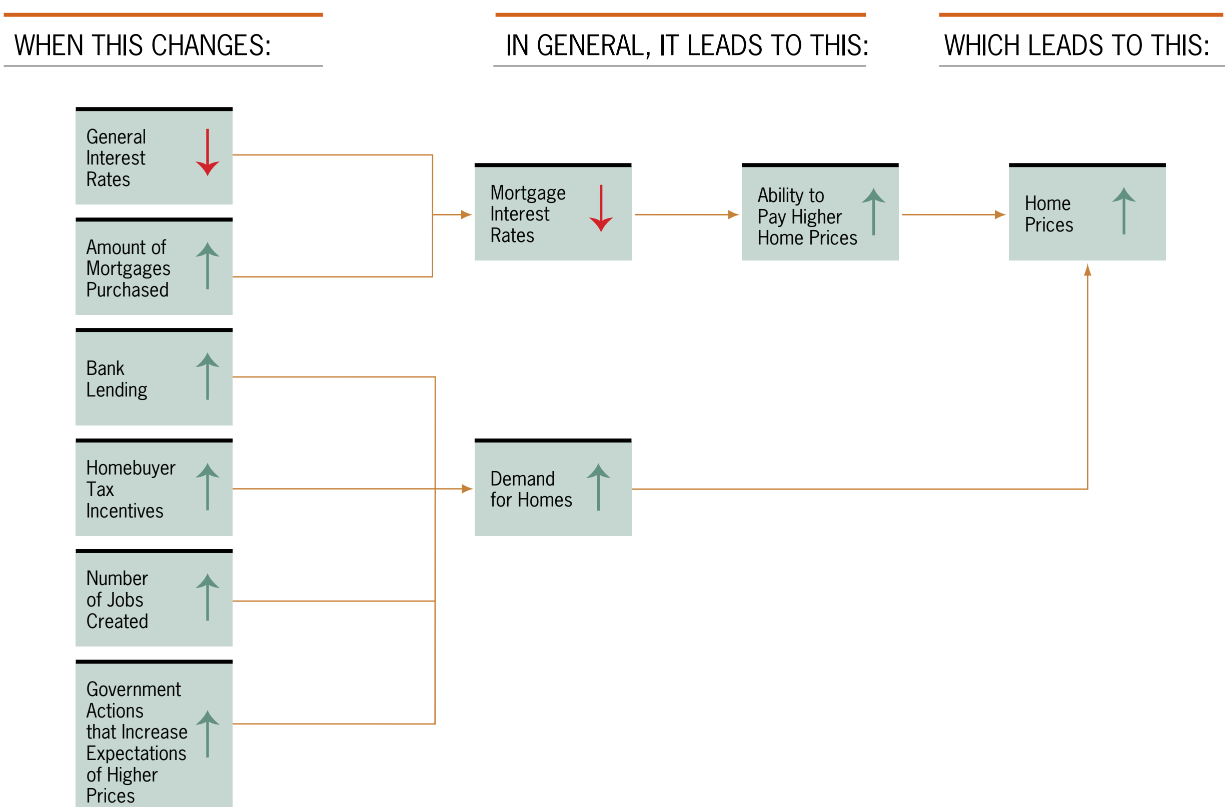
Mechanisms for Supporting Home Prices

Supporting home prices is an explicit policy goal of the Government. As the White House stated in the announcement of HAMP for example, "President Obama's programs to prevent foreclosures will help bolster home prices."[384]

In general, housing obeys the laws of supply and demand: higher demand leads to higher prices. Because increasing access to credit increases the pool of potential home buyers, increasing access to credit boosts home prices. The Federal Reserve can thus boost home prices by either lowering general interest rates or purchasing mortgages and MBS. Both actions, which the Federal Reserve is pursuing, have the effect of lowering interest rates, which increases demand by permitting borrowers to afford a higher home price on a given income. Similarly, the Administration is boosting home prices by encouraging bank lending (such as through TARP) and by instituting purchase incentives such as the First-Time Homebuyer Tax Credit. All of these actions increase the demand for homes, which increases home prices. In addition to direct Government activity, home prices can be lifted by general expectations among homebuyers of future price increases. Figure 3.7 provides a graphic representation of the relationship between possible Government actions and their impact on home prices.

FIGURE 3.7

LINKS FROM POLICY TARGETS TO INCREASES IN HOME PRICES



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 build the operational and administrative infrastructure to support the Troubled Asset Relief Program ("TARP") activities. EESA established the Office of Financial Stability ("OFS") within the U.S. Department of the Treasury ("Treasury"), which is responsible for administering TARP.[385] Treasury has the authority to establish program vehicles, issue regulations, directly hire or appoint employees, enter into contracts, and designate financial institutions as financial agents of the Federal Government.[386] In addition to permanent and interim staff, OFS relies on contractors and financial agents in legal, investment consulting, accounting, and other key service areas.[387]

TARP ADMINISTRATIVE AND PROGRAM EXPENDITURES

As of December 31, 2009, Treasury had incurred $70.8 million in TARP-related administrative expenditures.[388] Table 4.1 provides a summary of these expenditures and additional obligations through December 31, 2009. These costs are allocated to "personnel services" and "non-personnel other services" with a few exceptions.

TABLE 4.1

TARP ADMINISTRATIVE EXPENDITURES AND OBLIGATIONS

Budget Object Class Title	Obligations for Period Ending 12/31/2009	Expenditures for Period Ending 12/31/2009
Personnel Services		
Personnel Compensation & Services	$21,596,766	$21,339,480
Total Personnel Services	**$21,596,766**	**$21,339,480**
Non-Personnel Services		
Travel & Transportation of Persons	$420,922	$387,868
Transportation of Things	11,960	11,960
Rents, Communications, Utilities & Misc. Charges	229,092	88,930
Printing & Reproduction	395	395
Other Services	66,818,800	48,409,231
Supplies & Materials	300,145	290,167
Equipment	232,054	222,675
Land & Structures	—	—
Dividends and Interest	8	8
Total Non-Personnel Services	**$68,013,376**	**$49,411,234**
Total	**$89,610,142**	**$70,750,714**

Note: Numbers affected by rounding.

Source: Treasury, response to SIGTARP data call, 1/13/2010.

Furthermore, Treasury released a summary of programmatic expenditures including costs to hire financial agents and legal firms associated with TARP operations. Treasury had incurred $159.2 million of programmatic costs as of December 31, 2009.[389]

According to the "Office of Financial Stability, Agency Financial Report, Fiscal Year 2009" ("TARP Financial Statements"), TARP operations cost the Government approximately $167 million in fiscal year 2009.[390]

These costs are not reflected in determining any gains or losses on the TARP-related transactions and are not included in the $699 billion limit on asset purchases. Therefore, these expenditures will add to the Federal budget deficit regardless of whether TARP transactions result in a gain or a loss for the Government.[391]

CURRENT CONTRACTORS AND FINANCIAL AGENTS

As of December 31, 2009, Treasury had retained 58 private-sector firms, including 13 financial agents and 45 contractors to provide a range of services to assist in administering TARP. Treasury streamlined solicitation procedures and structured several agreements and contracts pursuant to Federal acquisition regulations to allow for flexibility in obtaining the required services expeditiously. Table 4.2 includes service providers retained as of December 31, 2009.[392]

TABLE 4.2

OFS SERVICE CONTRACTS

Date	Vendor	Purpose	Type of Transaction[a]
10/10/2008	Simpson, Thacher & Bartlett MNP, LLP	Legal Services — TARP Implementation	BPA
10/11/2008	Ennis Knupp & Associates Inc	Investment and Advisory Services	BPA
10/14/2008	Bank of New York Mellon Corporation	Custodian and Cash Management	Financial Agent
10/16/2008	PricewaterhouseCoopers	Internal Control Services	BPA
10/18/2008	Ernst & Young LLP	Accounting Services	BPA
10/23/2008	GSA – Turner Consulting Group, Inc.[b]	Process Mapping Consultant Services	IAA
10/29/2008	Hughes Hubbard & Reed LLP	Legal Services — Capital Purchase Program	BPA
10/29/2008	Squire Sanders & Dempsey LLP	Legal Services — Capital Purchase Program	BPA
10/31/2008	Lindholm & Associates Inc.[b]	Human Resources Services	Contract
11/7/2008	Connenschein Nath & Rosenthal	Legal Services — Auto Industry Loans	Contract
11/14/2008	Securities and Exchange Commission	Detailees	IAA
11/14/2008	CSC Systems and Solutions	IT Services	Procurement

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction[a]
12/3/2008	Trade and Tax Bureau – Treasury	IT Services	IAA
12/5/2008	Department of Housing and Urban Development	Detailees	IAA
12/5/2008	Washington Post	Human Resources Advertisements	Procurement
12/10/2008	Thacher Proffitt & Wood[c]	Legal Services	BPA
12/12/2008	Pension Benefit Guaranty Corporation	Legal Services	IAA
12/15/2008	Office of Thrift Supervision	Detailees	IAA
12/24/2008	Cushman and Wakefield of VA, Inc.	Painting	Procurement
1/6/2009	Office of the Controller of the Currency	Detailees	IAA
1/7/2009	Colonial Parking	Parking	Procurement
1/9/2009	Internal Revenue Service	Detailees	IAA
1/27/2009	Cadwalader Wickersham & Taft, LLP	Bankruptcy Legal Services	BPA
1/27/2009	Whitaker Brothers Bus. Machines	Paper Shredder	Procurement
2/2/2009	Government Accountability Office	Oversight	IAA
2/9/2009	Pat Taylor and Associates, Inc.[b]	Temporary Employee Services for Document Production, FOIA Assistance, and Program Support	Contract
2/12/2009	Locke Lord Bissell & Lidell LLP	Interim Legal Services — Treasury Investment under EESA	Contract
2/18/2009	Freddie Mac	Homeownership Preservation Program	Financial Agent
2/18/2009	Fannie Mae	Homeownership Preservation Program	Financial Agent
2/20/2009	Congressional Oversight Panel	Oversight	IAA
2/20/2009	Simpson, Thacher & Bartlett MNP, LLP	Legal Services — Capital Assistance Program	Contract
2/22/2009	Venable LLP-1	Legal Services — Capital Assistance Program	Contract
3/6/2009	The Boston Consulting Group Inc	Management Consulting Services — Auto Industry	Contract
3/16/2009	EARNEST Partners	Asset Management Services	Financial Agent
3/23/2009	Heery International Inc.	Architects	Procurement
3/30/2009	McKee Nelson, LLP[d]	SBA Initiative Legal Services	Contract
3/30/2009	Sonnenschein Nath & Rosenthal LLP	Legal Services — Auto Investment	Contract
3/30/2009	Cadwalader Wickersham & Taft, LLP	Legal Services — Auto Investment	Contract
3/30/2009	Haynes and Boone LLP	Legal Services — Auto Investment	Contract
3/31/2009	FI Consulting[b]	Credit Reform Modeling and Analysis	BPA
4/3/2009	American Furniture Rentals[b]	Furniture Rental	Procurement
4/3/2009	The Boston Consulting Group Inc	Management Consulting — Auto Industry	Contract
4/17/2009	Herman Miller Inc	Aeron Chairs	Procurement
4/17/2009	Bureau of Printing and Engraving	Detailee	IAA
4/21/2009	AllianceBernstein LP	Asset Management Services	Financial Agent
4/21/2009	FSI Group LLC	Asset Management Services	Financial Agent
4/21/2009	Piedmont Investment Advisors LLC	Asset Management Services	Financial Agent
5/14/2009	Phacil Inc.[b]	FOIA Services	Contract
5/26/2009	Anderson, McCoy & Orta, LLP[b]	Legal Services — Public-Private Investment Funds (PPIFs)	Contract

Continued on next page.

OFS SERVICE CONTRACTS (CONTINUED)

Date	Vendor	Purpose	Type of Transaction[a]
5/26/2009	Simpson, Thacher & Bartlett MNP LLP	Legal Services — Public-Private Investment Funds (PPIFs)	Contract
6/8/2009	Department of Interior	IT Services	IAA
6/29/2009	Department of Interior	Website Testing	IAA
7/15/2009	Judicial Watch	Legal Services	Contract
7/17/2009	KornFerry International	Administrative Support	Contract
7/30/2009	Cadwalader Wickersham & Taft, LLP	Legal Advisory	Contract
7/30/2009	Debevoise & Plimpton, LLP	Legal Advisory	Contract
7/30/2009	Fox Hefter Swibel Levin & Carol, LLP	Legal Advisory	Contract
8/11/2009	NASA	Detailee	IAA
8/18/2009	Mercer, Inc.	Administrative Support	Contract
9/2/2009	Knowledge Mosaic Inc.[a]	Administrative Support	Contract
9/10/2009	Equilar, Inc.[a]	Administrative Support	Contract
9/14/2009	PricewaterhouseCoopers	Asset Management Services	Contract
9/30/2009	SNL Financial LC	Financial Advisory	Contract
12/8/2009	Anderson, McCoy & Orta, LLP[a]	Legal Services	BPA
12/22/2009	Avondale Investments, LLC[a]	Financial Advisory	Financial Agent
12/22/2009	Bell Rock Capital, LLC[a]	Financial Advisory	Financial Agent
12/22/2009	Howe Barnes Hoefer and Arnett, Inc.	Financial Advisory	Financial Agent
12/22/2009	KBW Asset Management, Inc.	Financial Advisory	Financial Agent
12/22/2009	Lombardia Capital Partners, LLC[a]	Financial Advisory	Financial Agent
12/22/2009	Paradigm Asset Management, LLC[a]	Financial Advisory	Financial Agent

Notes:
[a] IAA = Inter-Agency Agreement, BPA = Blanket Purchase Agreement.
[b] Small- or Women-, or Minority-Owned Small Business.
[c] Contract responsibilities assumed by Sonnenschein Nath & Rosenthal via novation.
[d] Contract responsibilities assumed by Bingham McCutcheon via novation.

Source: Treasury, response to SIGTARP data call, 1/12/2010.

Asset Managers

As required by EESA, the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") provides biographical information for each person or entity hired to manage the Government's troubled assets acquired through TARP.[393] Subsequent to SIGTARP's Quarterly Report to Congress, dated October 21, 2009 (the "October 2009 Quarterly Report"), OFS hired six asset managers for its Capital Purchase Program ("CPP").[394] Additionally, the Public-Private Investment Program ("PPIP") finalized its PPIP agreements for all nine Public-Private Investment Fund ("PPIF") managers.

Capital Purchase Program Asset Managers

On December 23, 2009, Treasury hired six more firms to assist in the management of its CPP portfolio of assets issued by banks and other institutions participating in CPP. The six firms were chosen from a pool of applicants to Treasury's public solicitation for asset managers with less than $2 billion in assets under management.[395] The six firms are:

- **Avondale Investments, LLC ("Avondale").** According to Treasury, Avondale is a Native American-owned asset management firm experienced in working with small and community banks. Based in Oklahoma City, Avondale Investments has specific geographic expertise of financial institutions in the Mountain and Southwest regions of the country.[396]
- **Bell Rock Capital, LLC ("Bell Rock").** According to Treasury, Bell Rock is a woman-owned investment management firm focusing on the financial services industry. Based in Rehoboth Beach, Delaware, Bell Rock has specific expertise in the banking sector and with institutions in the Mid-Atlantic region.[397]
- **Howe Barnes Hoefer & Arnett, Inc. ("Howe Barnes").** According to Treasury, Howe Barnes is a full-service investment and advisory firm based in Chicago, specializing in community banks and thrifts.[398]
- **KBW Asset Management, Inc. ("KBW").** According to Treasury, KBW is an asset management firm based in New York City focusing on the financial institutions sector with a focus on both equity and fixed income securities.[399]
- **Lombardia Capital Partners, LLC ("Lombardia").** According to Treasury, Lombardia is a Hispanic-owned money management firm based in Pasadena, California, with more than $1.7 billion in assets under management focusing on valuations across market capitalizations.[400]
- **Paradigm Asset Management, LLC ("Paradigm").** According to Treasury, Paradigm is an African American-owned asset management firm based in White Plains, New York, providing investment strategies built specifically for institutional investors.[401]

Duties

According to Treasury, all six managers will perform duties that include but are not limited to the following:[402]

- provide Treasury with analysis of the capital structure, risk, and financial condition of financial institutions
- provide ongoing valuations of the equity and debt securities issued by institutions in CPP and other programs under EESA
- assist in the execution of transactions in compliance with Treasury's policy for the management and disposition of assets

- reconcile books and records with banks and Treasury
- produce periodic management status reports
- provide opinions on Treasury's response to corporate actions, proxy voting, disclosures, and other business notifications
- advise on strategy and timing to execute warrants or monetize equity securities or debt obligations

Public-Private Investment Fund Managers

As of December 31, 2009, Treasury had signed final agreements with nine private fund managers each of which will manage an individual PPIF.[403] The nine firms are:

- **AllianceBernstein L.P.** is a publicly traded investment management firm that offers research and diversified investment services to institutional clients, individuals and private clients in major markets around the world. It has $496 billion in assets under management and employs more than 500 investment professionals in more than 20 countries.[404]
- **Angelo, Gordon & Co**. is a privately held registered investment advisor focused on alternative investing. The firm was founded in 1988 and currently manages, with its affiliates, approximately $21 billion in assets. Angelo, Gordon & Co. is partnering with GE Capital Real Estate for the purposes of PPIP asset management.[405]
- **BlackRock Inc.** is a publicly traded asset management firm and provides global investment management, risk management, and advisory services to institutional, intermediary, and individual investors around the world. The firm has $3.2 trillion in assets under management and employs more than 8,500 professionals in 24 countries.[406]
- **Invesco Ltd.** is a publicly traded global investment management company. The firm provides investment solutions for retail, institutional, and high net worth clients around the world. With $417 billion in assets under management, Invesco Ltd. employs approximately 4,900 individuals in 20 countries; the company is listed on the New York Stock Exchange under the symbol IVZ.[407]
- **Marathon Asset Management LP** is a private alternative investment and asset management company. Marathon's core businesses include hedge funds, structured finance, emerging markets, and real estate. Founded in 1998, the firm has more than $11 billion in assets under management and 140 professionals worldwide with headquarters in New York City and investment offices in London and Singapore.[408]
- **Oaktree Capital Management L.P.** is an investment management firm specializing in less efficient markets and alternative investments. Founded in 1995, Oaktree Capital Management has $67.4 billion in assets under management.

The firm is headquartered in Los Angeles and has more than 500 employees in 10 countries.[409]

- **RLJ Western Asset Management LP** is a newly created, minority-owned entity that is 49% owned by Western Asset Management, the fixed-income affiliate of Legg Mason, Inc. and 51% owned by The RLJ Companies, the portfolio holding company owned by Robert L. Johnson. Western Asset Management is a global investment firm, and The RLJ Companies include private equity real estate funds, a private equity mid-sized buyout fund, and a bank, Urban Trust Bank.[410]
- **TCW Group Inc.** is a private asset management firm, headquartered in Los Angeles, offering individual and institutional investors a range of U.S. equity and U.S. fixed income alternatives, as well as international investment strategies. As of September 30, 2009, TCW had approximately $108 billion in assets under management. TCW's management has an average of 23 years of industry experience and the firm's portfolio managers have approximately 11 years of tenure with TCW.[411] On January 4, 2010, TCW withdrew as a manager in PPIP.[412] Treasury has entered into a winding-up and liquidation agreement with TCW.[413]
- **Wellington Management Company LLP** is a private partnership investment advisory firm headquartered in Boston. Wellington Management has more than $506 billion in assets under management and serves as an investment advisor to more than 1,600 institutions located in more than 40 countries.[414]

INTERNAL CONTROLS

According to Treasury, "Treasury requires financial institutions participating in exceptional assistance TARP programs, such as the Targeted Investment Program ("TIP"), Asset Guarantee Program ("AGP"), [SSFI/] AIG Investment Program, and Automotive Industry Financing Program ("AIFP") to establish appropriate internal controls and to monitor compliance with defined requirements under the securities purchase agreement ("SPA") with the Treasury. The requirements under the agreements include restrictions on dividends and repurchases, executive compensation restrictions, and restrictions on lobbying and expenses. Treasury also requires these TARP participants to submit a report and certification on a quarterly basis regarding compliance with requirements in the SPA and the implementation of internal controls."[415]

During the fourth quarter of 2009, OFS compliance met with American International Group, Inc. ("AIG"), Citigroup Inc. ("Citigroup") and Bank of America to discuss each company's governance structure and processes relating to TARP requirements. According to Treasury, similar meetings will take place with General Motors Corporation ("GM"), GMAC Inc. ("GMAC"), and Chrysler Holding LLC ("Chrysler"), during the first quarter 2010.[416]

As of December 31, 2009, as a result of their repayments of TARP funds, Citigroup and Bank of America are no longer classified as "exceptional assistance" programs. As a result, Citigroup and Bank of America no longer have to submit internal control reports and certifications to OFS compliance.[417]

SECTION 5 SIGTARP RECOMMENDATIONS

One of the 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 those other Federal agencies managing Troubled Asset Relief Program ("TARP") initiatives so that the various TARP programs can be designed or modified to facilitate transparency and effective oversight and to prevent fraud, waste, and abuse. SIGTARP has made such recommendations in its quarterly reports to Congress and in several of its audit reports. This section discusses developments with respect to SIGTARP's prior recommendations and, in the table at the end of this section, summarizes all past SIGTARP recommendations and notes the extent of their implementation. Appendix G: "Correspondence" sets forth Treasury's written responses to this section.

TREASURY'S ADOPTION OF SIGTARP'S USE OF FUNDS RECOMMENDATION

From its inception, SIGTARP's most fundamental recommendation 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 further audit report entitled "Additional Insight on Use of Troubled Asset Relief Program Funds," which was released December 10, 2009. This audit demonstrated, once again, that meaningful information supporting basic transparency in the operation of TARP can indeed be generated by requiring TARP recipients to report on what they did with the taxpayers' money. Even when TARP recipients do not segregate TARP funds, they are fully capable of providing a general indication of what they have been able to do that they would not otherwise have been able to do without TARP funds.

SIGTARP's initial use of funds audit, entitled "SIGTARP Survey Demonstrates that Banks Can Provide Meaningful Information on Their TARP Funds," was issued on July 20, 2009. Its follow-on audit, entitled "Additional Insight on Use of Troubled Asset Relief Program Funds," was released on December 10, 2009. Copies of both audits can be found on SIGTARP's website, www.SIGTARP.gov.

Notwithstanding Treasury's previously articulated skepticism about this recommendation — saying that use of funds reporting would not be "meaningful" and deeming the recommendation "closed" as recently as this past September — to its credit, Treasury has been willing to remain engaged with SIGTARP on this issue and has recently informed SIGTARP that it has decided to undertake surveying and reporting on recipients' use of TARP funds. Specifically, Treasury will be obtaining and reporting to the public qualitative responses from each TARP recipient on its use of TARP funds, backed by quantitative data obtained from the recipients' regulators and Treasury's own analysis. For the first time, Treasury will be collecting and publicly reporting this data on an institution-by-institution basis. Although regrettably delayed, SIGTARP believes that Treasury's decision to provide this basic transparency will give meaningful information to the public and to policymakers on whether the TARP programs have met their goals and, as a result, may enhance the credibility of TARP. If implemented as described, Treasury's plan on this front will constitute an adoption of SIGTARP's recommendation and will finally give the American people the basic transparency they deserve in these investments.

DEVELOPMENTS IN THE IMPLEMENTATION OF THE PUBLIC-PRIVATE INVESTMENT PROGRAM

In previous quarterly reports to Congress, SIGTARP made a series of recommendations related to the design of the Public-Private Investment Program ("PPIP"). Treasury has adopted some of those recommendations and has rejected others, as summarized in Table 5.1 at the end of this section. This report does not discuss those recommendations further. Over the past quarter, however, the Public-Private Investment Funds ("PPIFs") have begun operations in earnest, and several issues have arisen that implicate prior recommendations concerning conflict-of-interest walls and transparency.

Conflict-of-Interest Walls Revisited

For a detailed discussion of SIGTARP's recommendation concerning "walls" in PPIP, and Treasury's response thereto, see SIGTARP's July 2009 Quarterly Report, pages 175-180.

As detailed in prior quarterly reports to Congress, one of SIGTARP's most important recommendations with respect to PPIP has been that Treasury require 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 trading in the same kinds of securities. For various reasons, Treasury has decided that requiring such walls "is simply not practical in the context of PPIP," and has refused to adopt this recommendation. Instead, Treasury instituted a number of provisions that it believes address the problems that conflict-of-interest walls would cover, including a trade allocation policy that would require an equitable allocation of securities between the PPIF and non-PPIF funds run by the same management company. Although these other provisions were a step in the right direction, SIGTARP believes Treasury's position overstates the practical difficulties walls present, underestimates the efficacy of walls, and overestimates the ability to predict the ways that fund managers can devise to take advantage of the very valuable information they have due to the fact that they are operating a PPIF that has the ability to affect prices in these relatively illiquid markets.

Two circumstances have come to light over the past quarter that relate to the conflict-of-interest wall issue, both of which are subject to ongoing reviews by SIGTARP's Audit or Investigations divisions and will be described further in subsequent reports. First, notwithstanding Treasury's refusal to require a wall in PPIP, one of the PPIF managers — AllianceBernstein L.P. ("AllianceBernstein") — has imposed an ethical wall or informational barrier on its own initiative because it felt that it was best practice to do so; indeed, AllianceBernstein informed Treasury of its intent to do so at the same time that Treasury was insisting that the imposition of such walls was, among other things, "simply not practical." AllianceBernstein's ethical wall, along with the previously discussed fact that three of the nine managers already operate similar walls in connection with their activities in other Government programs, simply belies that walls would not have been possible in PPIP.

Second, a series of unusual trades undertaken in one of the PPIFs just weeks after trading began has highlighted the problems that can arise in the absence of a robust conflict-of-interest wall. The basic facts relating to these trades, initially brought to SIGTARP's attention by OFS officials, are as follows. The PPIF management company in question operates both a PPIF and one or more non-PPIF funds that invest in similar securities (*i.e.*, mortgage-backed securities ("MBS")). In the case of this fund management company, the same person is the portfolio manager for both the PPIF and the non-PPIF fund. In late October, the portfolio manager directed that a particular MBS from the non-PPIF fund be sold after the security — in this case a residential MBS — had been downgraded by a rating agency. According to the company, multiple bids were received, and a quantity of the security was sold to a dealer. Within minutes of the sale, however, the same portfolio manager purchased, for the PPIF, the same amount of the same security from the dealer at a slightly higher price. Later in the day, the portfolio manager bought more of the security for the PPIF from the dealer at the original price.

The management company involved (the identity of which is not being disclosed at this time pending SIGTARP's investigation) asserts that there was nothing inappropriate about these trades, and Treasury has concluded that the trades did not violate PPIF rules. The facts, however, give rise to difficult questions. Was the initial purchase really arm's length, or was the dealer aware that the portfolio manager was prepared to repurchase the securities immediately? How can a manager conclude that it is wise to sell a security at one price but then almost simultaneously repurchase the same securities at a higher price? Were these trades designed to push the risk of this downgraded security from the private, non-PPIF fund onto the taxpayer-supported PPIF? SIGTARP will seek the answers to these questions as part of its ongoing investigation. Even assuming that the answers to all of these questions reveal that the trades in this case did not violate the PPIF rules, the fact that these issues require examination in the first instance is the direct result of Treasury's refusal to require information barriers or walls in PPIP. Simply put, if there was an effective barrier between those managing the PPIF and the managers' non-PPIF funds, we would not have to worry whether the portfolio managers were acting to benefit one fund over the other. In an environment in which large portions of the public already view the fairness of Government programs with skepticism, whether fairly or unfairly, the reputational risk associated with this review is a wholly unnecessary cost.

SIGTARP's investigation of the matter is ongoing.

UPDATE ON RECOMMENDATIONS FROM SIGTARP AUDIT REPORTS

In addition to the follow-up use of funds audit discussed above, one other audit issued over the past quarter — the audit concerning executive compensation issues relating to American International Group, Inc. ("AIG") — contained formal recommendations. Those recommendations are summarized below, along with a description of the responses of Treasury and the other agencies involved.

As discussed more fully in Section 1 of this report, SIGTARP's audit of the Government's oversight of AIG executive compensation concluded, among other things, that Treasury invested tens of billions of taxpayer dollars in AIG, designed AIG's contractual executive compensation restrictions, and helped manage the Government's majority stake in AIG for several months, all without having any detailed information about the scope of AIG's very substantial, and very controversial, executive compensation obligations. Treasury's failure to discover the scope and scale of AIG's executive compensation obligations, in particular at AIG Financial Products Corp. ("AIGFP"), potentially resulted in a missed opportunity to avoid the explosively controversial events surrounding the AIGFP retention payments and the considerable public and Congressional concern that followed. In sum, Treasury did not conduct direct oversight of AIG's executive compensation prior to March 19, 2009, but chose instead essentially to defer to the Federal Reserve Bank of New York ("FRBNY"). SIGTARP also found that coordination between the Office of the Special Master for TARP Executive Compensation (the "Special Master") and the FRBNY officials with the greatest knowledge of the AIG compensation structure would be in the best interests of the Government.

SIGTARP's audit on AIG executive compensation, entitled "Extent of Federal Agencies' Oversight of AIG Compensation Varied, and Important Challenges Remain," was issued on October 14, 2009. A copy of the audit can be found on SIGTARP's website, www.SIGTARP.gov.

In light of the audit findings, SIGTARP made three recommendations:

- 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 Treasury's and FRBNY's ability to get repaid.
- 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.
- 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. Moreover, to the extent that Treasury chooses to rely on another agency to provide

oversight of TARP-related activities, SIGTARP recommends that Treasury establish controls to ensure that effective communication takes place so that Treasury can carry out its own oversight role.

Treasury concurred with these recommendations. Based on SIGTARP's audit work and after receipt of a draft report that contained these recommendations, the Special Master initiated contact with Federal Reserve Officials. SIGTARP will monitor progress on these recommendations and will report on such progress as necessary in future reports.

TRACKING THE IMPLEMENTATION OF RECOMMENDATIONS IN PREVIOUS REPORTS

SIGTARP has now made dozens of individual recommendations, and updating compliance of each one in narrative form would be impractical. The following table, Table 5.1, summarizes SIGTARP's prior recommendations, gives an indication of SIGTARP's view of the level of implementation to date, and provides a brief explanation for that view where necessary. For more details on the recommendations, readers are directed to SIGTARP's earlier quarterly reports to Congress. Treasury's views on the level of implementation of the recommendations are set forth in Appendix G: "Correspondence."

TABLE 5.1

SIGTARP RECOMMENDATIONS TABLE

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
1	*	Treasury should include language in the automobile industry transaction term sheet acknowledging SIGTARP's oversight role and expressly giving SIGTARP access to relevant documents and personnel.	X					
2		Treasury should include language in new TARP agreements to facilitate compliance and oversight. Specifically, SIGTARP recommends that each program participant should (1) acknowledge explicitly the jurisdiction and authority of SIGTARP and other oversight bodies, as relevant, to oversee compliance of the conditions contained in the agreement in question, (2) establish internal controls with respect to that condition, (3) report periodically to the Compliance department of the Office of Financial Stability ("OFS-Compliance") regarding the implementation of those controls and its compliance with the condition, and (4) provide a signed certification from an appropriate senior official to OFS-Compliance that such report is accurate.		X				Although Treasury has made substantial efforts to comply with this recommendation in many of its agreements, there have been exceptions, including in its agreements with servicers in MHA. Treasury has further stated that it will only implement this recommendation in circumstances that it deems "appropriate."
3		All existing TARP agreements, as well as those governing new transactions, should be posted on the Treasury website as soon as possible.	X					
4	*	Treasury requires 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.

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

Continued on next page.

SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
10	*	Treasury should oppose any expansion of TALF to legacy MBS without significant modifications to the program to ensure a full assessment of risks associated with such an expansion.	X					This recommendation has been implemented with respect to CMBS, and the Federal Reserve has announced that it will not be expanding TALF to RMBS.
11		Treasury should formalize its valuation strategy and begin providing values of the TARP investments to the public.	X					Since SIGTARP's last quarterly report, Treasury has committed to publish its valuation estimates four times each year.
12	*	Treasury and the Federal Reserve should provide to SIGTARP, for public disclosure, the identity of the borrowers who surrender collateral in TALF.				X		The Federal Reserve and Treasury continue to oppose this basic aspect of transparency in the TALF program. SIGTARP intends to revisit this issue with the Federal Reserve once a collateral surrender takes place.
13	*	In TALF, Treasury should dispense with rating agency determinations and require a security-by-security screening for each legacy RMBS. Treasury should refuse to participate if the program is not designed so that RMBS, whether new or legacy, will be rejected as collateral if the loans backing particular RMBS do not meet certain baseline underwriting criteria or are in categories that have been proven to be riddled with fraud, including certain undocumented subprime residential mortgages.					X	The Federal Reserve has announced that RMBS will not be eligible for TALF loans, rendering this recommendation moot.
14	*	In TALF, Treasury should require significantly higher haircuts for all MBS, with particularly high haircuts for legacy RMBS, or other equally effective mitigation efforts.	X					This recommendation has been implemented with respect to CMBS, and the Federal Reserve has announced that it will not be expanding TALF to RMBS.
15	*	Treasury should require additional anti-fraud and credit protection provisions, specific to all MBS, before participating in an expanded TALF, including minimum underwriting standards and other fraud prevention measures.	X					The Federal Reserve has adopted mechanisms that address this recommendation with respect to CMBS, and has announced that it will not be expanding TALF to RMBS.
16	*	Treasury should design a robust compliance protocol with complete access rights to all TALF transaction participants for itself, SIGTARP, and other relevant oversight bodies.				X		
17	*	Treasury should not allow Legacy Securities PPIFs to invest in TALF unless significant mitigating measures are included to address these dangers.	X					

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
18	*	All TALF modeling and decisions, whether on haircuts or any other credit or fraud loss mechanisms, should account for potential losses to Government interests broadly, including TARP funds, and not just potential losses to the Federal Reserve.	X					
19	*	Treasury should address the confusion and uncertainty on executive compensation by immediately issuing the required regulations.	X					
20		Treasury should significantly increase the staffing levels of OFS-Compliance and ensure the timely development and implementation of an integrated risk management and compliance program.			X			
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 of 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					

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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 its program administrator Fannie Mae has developed guidelines to require servicers to verify owner occupancy through third-party sources.
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 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 plans to implement additional anti-fraud protection to verify that borrower incentives are paid and Freddie Mac will verify that incentive payments to servicers are appropriately applied to borrowers and investors as part of its compliance reviews of servicers.
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 application.				X		Treasury has rejected SIGTARP's recommendation and does not require income reported on the modification application to be compared to income reported on the original loan application.
29	*	In MHA, Treasury should require that verifiable, third-party information be obtained to confirm an applicant's income before any modification payments are made.	X					

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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.
33		Treasury should require the imposition of strict information barriers or "walls" between the PPIF managers making investment decisions on behalf of the PPIF and those employees of the fund management company who manage non-PPIF funds.				X		Treasury has refused to adopt this significant anti-fraud measure designed to prevent conflicts of interest. This represents a material deficiency in the program.
34		Treasury should periodically disclose PPIF trading activity and require PPIF managers to disclose to SIGTARP, within seven days of the close of the quarter, all trading activity, holdings, and valuations so that SIGTARP may disclose such information, subject to reasonable protections, in its quarterly reports.				X		See discussion in this section.
35		Appropriate metrics be defined and an evaluation system 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			Treasury has indicated that it will substantively adopt this recommendation and is developing appropriate metrics.

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

		Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
36		The conditions that give Treasury "cause" to remove a PPIF manager should be expanded to include a manager's performance below a certain standard benchmark, or if Treasury concludes that the manager has materially violated compliance or ethical rules.				X		Treasury has refused to adopt this recommendation relying solely on Treasury's right to end the investment period after 12 months, during which time the PPIF manager's performance may continue to fall below a standard benchmark potentially putting significant Government funds at risk.
37	*	Treasury should require PPIF managers to disclose to Treasury, as part of the Watch List process, not only information about holdings in eligible assets but also holdings in related assets or exposures to related liabilities.	X					
38		Treasury should require PPIF managers to obtain and maintain information about the beneficial ownership of all of the private equity interests, and Treasury should have the unilateral ability to prohibit participation of private equity investors.				X		Treasury has agreed that it can have access to any information in a fund manager's possession relating to beneficial owners. However, Treasury is not making an affirmative requirement that managers obtain and maintain beneficial owner information. Treasury will not adopt the recommendation to give itself unilateral ability to deny access to or remove an investor, stating that such a right would deter participation.
39	*	Treasury and FRBNY should (1) examine Moody's assertions that some credit rating agencies are using lower standards to give a potential TALF security the necessary AAA rating and (2) develop mechanisms to ensure that acceptance of collateral in TALF is not unduly influenced by the improper incentives to overrate that exist among the credit agencies.			X			Treasury and the Federal Reserve have discussed concerns about potential overrating or rating shopping with the rating agencies, and have agreed to continue to develop and enhance risk management tools and processes, where appropriate.
40	*	Treasury should more explicitly document the vote of each Investment Committee member for all decisions related to the investment of TARP funds.	X					Treasury's Office of Financial Stability has implemented SIGTARP's recommendation to document each specific vote of individual Investment Committee members when deciding whether to approve or disapprove proposed TARP investments.

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

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SIGTARP RECOMMENDATIONS TABLE (CONTINUED)

	Recommendation	Implemented	Partially Implemented	In Process	Not Implemented	TBD/NA	Comments
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				Treasury adopted SIGTARP's recommendation only for documenting external communications with Federally registered lobbyists related to TARP funding, but not for any third parties not registered as lobbyists. Treasury issued guidance that restricted employees from communicating with any external entities about TARP funding unless under certain circumstances.
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					The Special Master has consulted with FRBNY regarding AIG executive compensation programs.
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 has agreed to develop policies and protocols that can be used in evaluating whether to make an investment in institutions requiring exceptional assistance.
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. In making those oversight determinations, Treasury should bear in mind that its role under EESA, as the primary manager of TARP, carries with it certain obligations to protect taxpayer interests, to promote transparency and to foster accountability to the American people and to Congress; other agencies, operating with different missions and under different legal and regulatory frameworks, may not have the same priorities.		X				Treasury has agreed to work closely with other Federal agencies that are involved in TARP programs.

Note: * Indicates that Treasury considers the recommendation closed and will take no further action.

ENDNOTES

1. Although SIGTARP estimates needs of $28.3 million, it has requested $23.2 million because section 402(c)(1) of the Helping Families Save Their Homes Act of 2009, P.L. No. 111-22, provided SIGTARP with $15 million in supplemental funding. However, section 402(c)(2) requires SIGTARP, in using these funds, to "prioritize the performance of audits or investigations of recipients of non-recourse Federal loans made under any" Emergency Economic Stabilization Act of 2008 program. The supplemental funding, thus, is not available for SIGTARP's general operational uses, and SIGTARP expects that it will take approximately three fiscal years, *i.e.*, $5 million per year for FY 2010, FY 2011, and FY 2012, to expend the supplemental funding in a manner consistent with the statute.
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14. Commitment source: Treasury, response to SIGTARP data call, 1/5/2010. The $699 billion represents the $700 billion authorized for TARP by EESA less the $1.2 billion reduction as a result of the Helping Families Save Their Homes Act of 2009 (P.L. 111-22).
15. From a budgetary perspective, what Treasury planned to spend (not acutal disbursements/cash outlays). Treasury, *Transactions Report*, 1/4/2010, http://financialstability.gov/docs/transaction-reports/1-4-10%20Transactions%20Report%20as%20of%2012-30-09.pdf, accessed 1/6/2010; Treasury, response to SIGTARP data call, 1/5/2010.
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18. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008.
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34. Note 3 on page 17 of the 1/4/2010 *Transactions Report* states that the Treasury entered into the termination agreement on 12/23/2009. Treasury, *Transactions Report*, 1/4/2010, http://financialstability.gov/docs/transaction-reports/1-4-10%20Transactions%20Report%20as%20of%2012-30-09.pdf, accessed 1/6/2010.

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GLOSSARY

This appendix provides a glossary of terms that are used throughout the context of this report.

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

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

Auction Agent: A firm (such as an investment bank) that buys an issuance of securities from one institution and resells the securities to another investor or multiple investors. Also called an "underwriter."

Bank Holding Company: A company that controls a bank. Typically, a company controls a bank through the ownership of 25% or more of its voting securities. The Federal Reserve defines a bank holding company as any company that directly or indirectly owns, controls, or has the power to vote 25% or more of any class of the voting shares of a bank; controls in any manner the election of a majority of the directors or trustees of a bank; or is found to exercise a controlling influence over the management or policies of a bank.

Bankruptcy-Remote Special Purpose Vehicle ("SPV"): An SPV is an off-balance-sheet legal entity that holds the transferred assets presumptively beyond the reach of the entities providing the assets (*i.e.,* legally isolated). An SPV is "bankruptcy remote" if that entity is unlikely to become insolvent as a result of its own activities, is adequately insulated from the consequences of a related party's insolvency, and contains certain characteristics which enhance the likelihood that it will not become the subject of insolvency proceedings.

Banks: Institutions that accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others, and that are engaged in the business of making commercial loans. Banks also take other types of deposits and make residential, consumer, and other types of loans. Generally, commercial banks specialize in providing short-term business credit.

Chapter 7 Bankruptcy: A form of bankruptcy in which the company ceases all operations and liquidates its assets.

Chapter 11 Bankruptcy: A form of bankruptcy in which the company typically reorganizes itself.

Charter: The legal authorization to conduct business granted to a financial institution by the Federal or state government.

Collateralized Debt Obligation ("CDO"): A financial instrument that entitles the purchaser to some portion of the cash flows from a portfolio of assets, which may include bonds, loans, mortgage-backed securities, or other CDOs.

Commercial Mortgage-Backed Securities ("CMBS"): A financial instrument that is backed by a commercial real estate mortgage or a group of commercial real estate mortgages that are packaged together.

Common Stock: Equity ownership that entitles an individual to share in the corporate earnings and participate in the voting rights.

Conservatorship: In the case of Fannie Mae and Freddie Mac, conservatorship involved FHFA taking control of the companies as authorized by the Housing and Economic Recovery Act of 2008. The powers of the board of directors, officers, and shareholders are transferred to FHFA. In a receivership, shareholders are permanently terminated, whereas in a conservatorship shareholder rights are temporarily assumed by the controlling entity.

Contingent Value Rights ("CVRs"): A type of right given to stockholders of a company undergoing a reorganization that ensures the stockholders will receive additional benefit if a specified event occurs.

Credit Default Swap ("CDS"): A contract where the seller receives a series of payments from the buyer in return for agreeing to make a payment to the buyer when a particular credit event outlined in the contract occurs (for example, if the credit rating on a particular bond or loan is downgraded or goes into default). It is commonly referred to as an insurance-like product where the seller is providing the buyer insurance-like protection against the failure of a bond. The buyer, however, does not need to own the asset covered by the contract, which means it can serve essentially as a "bet" against the underlying bond.

Credit Underwriting: The process used by a financial institution to determine the risks involved in providing credit to a borrower and to measure those risks against standards established by the financial institution's board of directors.

Credit Unions: Non-profit financial cooperative organizations comprising individuals with a common affiliation (such as place of employment). These individuals pool their funds to form the institution's deposit base and typically the group owns and controls the institution together. Credit unions also accept savings account deposits and provide loans.

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

CUSIP: Unique identifying number assigned to all registered securities in the United States and Canada.

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

Deferred Tax Asset: An asset (such as a tax loss) that a company can use to reduce its future taxes.

Dutch Auction: For Treasury's warrant auctions (which have multiple bidders bidding for different quantities of the asset), the accepted price is set at the lowest bid of the group of high bidders, whose collective bids fulfill the amount offered by Treasury.

Equity Appreciation Instrument: An agreement entered into by the FDIC and an acquiring institution as part of the P&A agreement in which the FDIC receives additional cash payments or stock from the acquiring institution if its stock price increases after the transaction.

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

Exceptional Assistance: In reference to TARP institutions requiring assistance beyond the assistance of the widely available program, CPP, are classified as requiring "exceptional assistance." Companies receiving assistance under SSFI, TIP, AGP, AIFP, and any future Treasury program designated by the Treasury Secretary as providing exceptional assistance. Current recipients are AIG, GM, GMAC, Chrysler, and Chrysler Financial.

Exchange: In reference to the Citigroup exchange agreement, taking one type of stock (*i.e.,* preferred) and converting it at a specific rate to another type of stock (*i.e.,* common).

Federal Open Market Committee ("FOMC"): A committee made up of the members of the Board of Governors of the Federal Reserve, the president of FRBNY, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC oversees open market operations, which is the main tool used by the Federal Reserve to influence overall monetary and credit conditions in the U.S.

FHA-Approved Lender: A business that has been granted approval by HUD to service FHA insured mortgages based on certain qualifying criteria. FHA-approved lenders can be mortgage brokers, banks, thrifts, credit unions, as well as state, local, and federal government entities.

Foreclosure: Legal termination of a mortgage, usually by default.

"Full Faith and Credit" Obligation: An absolute and legally binding commitment of the U.S. Government. MBS with this level of security are rated AAA. Only Ginnie Mae securities have this level of protection.

Government-Sponsored Enterprises ("GSEs"): Private corporations created by the Government to pursue certain public policy goals designated in their charters. They are chartered by the U.S. Government but their liabilities are not officially considered to be direct obligations.

Guarantor: An entity that provides a promise to make payments in the event that the issuer is unable. This promise mitigates potentially higher risks for certain types of investments.

Housing Market Bubble: A bubble is a condition in which market values of assets rise precipitously above their underlying, long-term value.

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

Initial Public Offering: When a firm first sells equity shares to the general public.

Insolvent: A condition where a financial institution has liabilities that exceed its assets. By definition, shareholders' equity in such a situation will be negative.

Insurer: An entity that will pay for any losses incurred in case of default.

International Securities Identification Number ("ISIN"): Unique identifying number assigned to all internationally traded securities.

Legacy Assets: Also commonly referred to as troubled or toxic assets, legacy assets are real estate-related loans and securities (legacy loans and legacy securities) that remain on banks' balance sheets that have lost value but are difficult to price due to the recent market disruption.

Legacy CMBS: CMBS issued before January 1, 2009.

Legacy Loans: Loans that are often underperforming real estate-related loans held by a bank that it wishes to sell, but recent market disruptions have made difficult to price.

Legacy Securities: Troubled real estate-related securities (RMBS, CMBS), and other asset-backed securities ("ABS") lingering on institutions' balance sheets because their value could not be determined.

Liquidity: The ability to easily convert an asset to cash, without any significant loss in value or transaction cost.

Loan servicing: Collecting and processing the payments made on a loan during the life of the loan including billing the borrower; collecting principal, interest, and payments into an escrow account; disbursing funds from the escrow account to pay taxes and insurance premiums; and forwarding funds to an investor if the loan has been sold in the secondary market.

Loan-to-Value Ratio: In real estate lending, the outstanding principal amount of the loan divided by the appraised value of the property.

Lockout Period: As it pertains to Treasury's Citigroup holdings, refers to a period of time during which Treasury may not try to sell any of its shares in Citigroup. This reassures potential buyers of Citigroup stock that the market will not be further flooded with other shares, which might cause downward pressure on Citigroup's stock price.

Loss Sharing Agreement: An agreement within a P&A in which the FDIC agrees to share in both the future losses and recoveries on certain assets of a failed bank with the assuming institution. In the standard loss sharing agreement, the FDIC will reimburse the assuming institution for 80% of any losses incurred on the acquired assets. The assuming institution will absorb the remaining 20%.

Mandatorily Convertible Preferred Stock: In certain TARP programs, a type of preferred share that can be converted to common stock under certain parameters at the discretion of the company and must be converted to common stock by a certain date.

Market Capitalization: The value of a corporation determined by multiplying the current market price of one share of the corporation by the number of total outstanding shares.

Moral Hazard: A term used in economics and insurance to describe the lack of incentive individuals have to guard against a risk when they are protected against that risk (for example, through an insurance policy). In the context of TARP, it refers to the danger that private-sector executives/investors/lenders may behave more recklessly believing that the Government has insulated them from the risks of their actions.

Mortgage Market: Institutions and individuals who are involved with mortgage finance in one way or another: includes mortgage brokers, mortgage insurers, loan servicers, mortgage investors, MBS packagers, etc.

Mortgage-Backed Securities: A pool of mortgages bundled together by a financial institution and sold as securities—a type of asset-backed security.

Mortgage-Related assets: Residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages.

Multi-Family: Residential properties with five or more distinct units, such as apartments or townhouses.

Nationally Recognized Statistical Rating Organization ("NRSRO"): A 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 Asset Value: The value of all of the assets minus any estimated costs associated with those assets.

Net Cost of Operations: A measure of financial performance — gross cost of a program or organization less any income from that program or organization.

Net Mortgage Borrowings: For mortgages, "net borrowings" consist of the sum of new mortgage loans made during a year, minus the principal payoffs of existing mortgages. This is not the same as market share, which captures only mortgage originations.

Net Present Value: The present value of the estimated future cash inflows minus the present value of the cash outflows.

Network Broker: An intermediary between a buyer and seller of a security. In the auction of Treasury warrants, there is a set group of brokers that will be allowed to accept and submit bids to Deutsche Bank, the auction agent.

Non-Agency Residential Mortgage-Backed Securities ("RMBS"): A financial instrument backed by a group of residential real estate mortgages that are not guaranteed by a Government-sponsored enterprise ("GSE") such as Fannie Mae or Freddie Mac.

Non-cumulative Preferred Stock: Unpaid dividends do not accrue on shares of stock when a company does not make a dividend payment.

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

Permanent Modification: In the design of MHA, a permanent modification is a five-year mortgage modification, after which the borrower's interest rate gradually returns to the rate in effect on the day the modification was executed, fixed on a 30-year term.

Plan of Reorganization: A proposal prepared by a company in Chapter 11 bankruptcy. The plan, often prepared with the cooperation of creditors, details the necessary steps the company must take in order to emerge from bankruptcy as a viable entity.

Preferred Stock: Equity ownership that usually pays a fixed dividend, gives the holder a claim on corporate earnings superior to common stock owners, and has no voting rights. Preferred stock is senior to common stock, but junior to debt.

Primary Mortgage Market: The market for newly originated mortgages.

Private-Label Mortgages: Loans that are not owned or guaranteed by Fannie Mae, Freddie Mac, or another Federal agency.

Pro Forma: In finance, refers to the presentation of projected financial information assuming that certain transactions or developments will happen.

Problem List: A list of banks that the FDIC considers to be weak in terms of safety and soundness.

Prospectus: Documents which disclose and describe a security offering to the public and private investors, containing information required under Federal and state securities laws as applicable.

Public Interest Standard: Regulatory standard that the Special Master is required to apply in making determinations. Refers to the determination of whether TARP recipient compensation plans are aligned with the best interests of the U.S. taxpayer.

Purchase and Assumption Transaction ("P&A"): A P&A is a method used by the FDIC to resolve a failing bank. In a P&A, a healthy financial institution purchases certain assets of a failed bank or thrift and assumes certain liabilities, including all insured deposits.

Receiver: In bankruptcy, an independent and impartial third party appointed by the court to assume the responsibility for efficiently recovering the maximum amount possible from the disposition of the bankrupt entity's assets in order to satisfy its obligations to creditors. In banking, receivership typically translates into the bank's operations and assets being assumed by the FDIC, which as receiver, may proceed to liquidate the insolvent institution or transfer some or all of its assets to another institution. Unlike in bankruptcy law, the FDIC is not subject to court supervision in administering the assets and liabilities of a failed institution. The FDIC is appointed by the failed bank's chartering authority.

Run on the Bank: A situation in which large numbers of depositors suddenly and simultaneously demand to withdraw their deposits from a bank. This may be caused by a decline in depositor confidence or fear that the bank will be closed by the chartering agency. Banks keep only a small fraction of their deposits in cash reserves, and thus, large numbers of withdrawals in short periods of time can cause even a healthy bank to have a severe liquidity crisis that could cause the bank to be unable to meet its obligations and fail.

Safe Harbor: The Special Master will automatically approve proposed compensation to employees of TARP recipients receiving exceptional assistance so long as the employee's total annual compensation is not more than $500,000, with any additional compensation paid in the form of long-term restricted stock.

Secondary Mortgage Market: The market for buying and selling existing mortgages.

Senior Executive Officers ("SEOs"): A "named executive officer" of a TARP recipient as defined under Federal securities law, which generally includes the principal executive officer ("PEO"), principal financial officer ("PFO"), and the next three most highly compensated executive officers.

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

Senior Subordinated Debenture: A loan or security that is junior to other loans or securities with regards to the debt holders' claims on assets or earnings. Senior debt holders get paid in full before subordinated debt holders get paid. There are additional levels of priority among subordinated debt holders. CPP invests in senior subordinated debt.

Short Sale: A sale of a home, typically for less than mortgage value, by which the borrower sells the home and the lender collects the sales proceeds as satisfaction of the unpaid mortgage balance, thus avoiding foreclosure (which is the legal process by which the lender assumes ownership of the home).

Single-Family Homes: In the financial markets, individual, standalone homes with up to four units are known as single-family housing, to distinguish them from multi-family housing (apartments and grouphomes) and institutional housing (college dorms, prisons, etc.).

Special Purpose Vehicle ("SPV"): An off-balance-sheet legal entity that holds the transferred assets presumptively beyond the reach of the entities providing the assets (*i.e.*, legally isolated).

Structured Loan Sales: Loans acquired by the FDIC from failed financial institutions are generally sold in pools through auctions. Typically, sales contain loans that have similar characteristics and are refined into pools according to specific criteria.

Supplemental Executive Retirement Plans: In such plans, employers periodically credit employees with an entitlement to post-retirement payments. Over time, these credits accumulate and employees may become entitled to substantial cash guarantees payable on retirement.

Systemically Significant: A financial institution whose failure would impose significant losses on creditors and counterparties, call into question the financial strength of other similarly situated financial institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth.

Thrifts: Organizations that, like banks, accept savings account deposits, but which specialize in providing real estate lending, such as loans for single-family homes and other residential properties. Savings banks and savings and loan associations are examples of thrifts.

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

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

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

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ACRONYMS AND ABBREVIATIONS

ABS	asset-backed securities
AGP	Asset Guarantee Program
AIFP	Automotive Industry Financing Program
AIG	American International Group, Inc.
AIGFP	AIG Financial Products Corp.
ARM	adjustable-rate mortgage
ARRA	American Recovery and Reinvestment Act of 2009
ASSP	Auto Supplier Support Program
AWCP	Auto Warranty Commitment Program
BHC	bank holding company
CAP	Capital Assistance Program
CDO	collateralized debt obligation
CDS	credit default swap
CEO	chief executive officer
CIT	CIT Group Inc.
CMBS	commercial mortgage-backed securities
CP	Commercial Paper
CPFF	Commercial Paper Funding Facility
CPP	Capital Purchase Program
CRARA	Credit Rating Agency Reform Act
CUSIP	Credit Union System Investment Program
CVR	contingent value rights
DIL	Deed-In-Lieu of Foreclosure
DIP	debtor in possession
DOJ	Department of Justice
EESA	Emergency Economic Stabilization Act of 2008
Fannie Mae	the Federal National Mortgage Association
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FFETF	Financial Fraud Enforcement Task Force
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHFB	Federal Housing Finance Board
FHLB	Federal Home Loan Bank
FinCEN	Financial Crimes Enforcement Network
Fitch	Fitch Ratings
FOIA	Freedom of Information Act
FOMC	Federal Open Market Committee
FRB	Board of Governors of the Federal Reserve System
FRBNY	Federal Reserve Bank of New York
Freddie Mac	the Federal Home Loan Mortgage Corporation
GAO	Government Accountability Office
Ginnie Mae	the Government National Mortgage Association
GM	General Motors Corporation
GMAC	GMAC Inc.
GSE	Government–sponsored enterprises
GSE-CF	GSE Credit Facility
GSE-DPF	GSE Debt Purchase Facility
GSE MBS-PF	GSE Mortgage-Backed Securities Purchase Facility
HAFA	Home Affordable Foreclosure Alternatives program
HAMP	Home Affordable Modification Program
HERA	Housing and Economic Recovery Act
HFA	Housing Finance Agency
HPDP	Home Price Decline Protection program
HUD	U.S. 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	U.S. Immigration and Customs Enforcement
IG	Inspector General
IPO	initial public offering
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service Criminal Investigation division
ISIN	International Securities Identification Number
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LTV	loan-to-value
MBS	mortgage-backed securities
MCP	mandatorily convertible preferred shares
MHA	Making Home Affordable program
MMIFF	Money Market Investor Funding Facility
MMF	Money Market Mutual Fund
Moody's	Moody's Investors Services
MPP	Mortgage Purchase Program
NAIC	National Association of Insurance Commissioners
NCUA	National Credit Union Administration
NRSRO	nationally recognized statistical rating organization
OCC	Office of the Comptroller of the Currency
OFHEO	Office of Federal Housing Enterprise Oversight
OFS	Office of Financial Stability

OLC	Office of Legal Counsel of the Department of Justice
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
P&A	purchase and assumption transaction
PPIF	Public-Private Investment Fund
PPIP	Public-Private Investment Program
PSPA	Preferred Stock Purchase Agreement
QFI	qualifying financial institution
RBC	risk-based capital
RMBS	residential mortgage-backed securities
S&L	savings and loan
S&P	Standard & Poor's
SBA	Small Business Administration
SCAP	Supervisory Capital Assessment Program
SEC	Securities and Exchange Commission
SEO	senior executive officer
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
Special Master	Office of the Special Master for TARP Executive Compensation
SPA	securities purchase agreement
SPE	special purpose entity
SPV	special purpose vehicle
SS/DIL	Short Sales/ Deeds-In-Lieu of Foreclosure program
SSFI	Systemically Significant Failing Institutions program
TAF	Term Auction Facility
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TARP-IG Council	TARP Inspector General Council
the Final Rule	Rule amending Federal Reserve Regulation A
the Rule	Interim Final Rule on TARP Standards for Compensation and Corporate Governance
TIP	Targeted Investment Program
Treasury	U.S. Department of the Treasury
UCB	United Commercial Bank
UCBH	UCB Holidings Inc.
UCSB	Unlocking Credit for Small Businesses
UGC	United Guaranty Corporation
USDA	U.S. Department of Agriculture
USPIS	U.S. Postal Inspection Service
VA	U.S. Department of Veterans Affairs

REPORTING REQUIREMENTS

This appendix provides Treasury's responses to data call questions regarding the reporting requirements of the Special Inspector General for the Troubled Asset Relief Program outlined in the Emergency Economic Stabilization Act of 2008 section 121, as well as a cross-reference to related data presented in this report and prior reports. Italics style indicates relevant narrative taken verbatim from source documents.

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
1	Section 121(c)(A)	A description of the categories of troubled assets purchased or otherwise procured by the Secretary.	*Treasury posts several documents on its public website that are responsive to this question, available at http://www.financialstability.gov/latest/reportsanddocs.html. Specifically, tranche reports and reports required under section 105(a) of the Emergency Economic Stabilization Act of 2008 (EESA) describe, at a high level, Treasury's programs and troubled asset purchases. The transaction reports describe these purchases in detail, including the type of asset purchased, the identity of the institution selling the asset, and the price Treasury paid for the asset.* Below are program descriptions from Treasury's Financial Stability.gov website, as of 12/31/2009: 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.* 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.* 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.*	Section 2: "TARP Overview" Appendix D: "Transaction Detail"

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
			AIFP: *The objective of* [AIFP] *is to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States…* [Through AIFP, Treasury has provided] *loans or equity investments to General Motors, GMAC, Chrysler, and Chrysler Financial in order to avoid a disorderly bankruptcy of one or more auto companies; such an event would pose a systemic risk to the country's financial system. Treasury's loans to the automobile industry forged a path for these companies to go through orderly restructurings and achieve viability.* ASSP: [ASSP was created to] *provide up to $5 billion in financing, giving suppliers the confidence they need to continue shipping parts, pay their employees and continue their operations.* AWCP: *The Treasury Department announced an innovative new program to give consumers who are considering new car purchases the confidence that even in this difficult economic period, their warrantees will be honored. This program is part of the Administration's broader program to stabilize the auto industry and stand behind a restructuring effort that will result in stronger, more competitive and viable American car companies.* HAMP (a program under MHA): *The Home Affordable Modification Program has a simple goal: reduce the amount homeowners owe per month to sustainable levels to stabilize communities. This program will bring together lenders, investors, servicers, borrowers, and the government, so that all stakeholders share in the cost of ensuring that responsible homeowners can afford their monthly mortgage payments – helping to reach up to 3 to 4 million at-risk borrowers in all segments of the mortgage market, reducing foreclosures, and helping to avoid further downward pressures on overall home prices.*	
2	Section 121(c)(B)	A listing of the troubled assets purchased in each such category described under [section 121(c)(A)].	*Information on all transactions is available at http://www.financialstability.gov/impact/transactions.htm. Additional information about these programs and related purchases is available in tranche reports and Section 105(a) reports, which are posted on Treasury's website at http://www.financialstability.gov/latest/reportsanddocs.html.*	Appendix D: "Transaction Detail"
3	Section 121(c)(C)	An explanation of the reasons the Secretary deemed it necessary to purchase each such troubled asset.	*The Secretary of the Treasury has not signed any troubled asset determinations since Treasury responded to SIGTARP's previous data call on September 30, 2009.*	Section 2: "TARP Overview" Appendix C: "Reporting Requirements" of prior SIGTARP Quarterly Reports to Congress
4	Section 121(c)(D)	A listing of each financial institution that such troubled assets were purchased from.	See #2 above	See #2
5	Section 121(c)(E)	A listing of and detailed biographical information on each person or entity hired to manage such troubled assets.	*Information about TARP asset managers hired since September 30, 2009 is available on Treasury's public website at http://www.financialstability.gov/latest/pr_12232009.html.* Treasury also provided a document with biographical information on these asset managers. This document, as well as biographical information on firms hired as PPIF managers, is described in Section 4 of this quarterly report.	Section 4: "TARP Operations and Administration" Appendix C: "Reporting Requirements" of prior SIGTARP Quarterly Reports to Congress

#	EESA Section	EESA Reporting Requirement	Treasury Response to SIGTARP Data Call	SIGTARP Report Section
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 the Treasury, the amount of troubled assets sold, and the profit and loss incurred on each sale or disposition of each such troubled asset.	*This information* [estimate of total amount of troubled assets purchased] *is contained in* [Treasury's] *transaction reports, which are posted on Treasury's website at http://www.financialstability.gov/latest/reportsanddocs.html. The transactions report captures the total obligation under each TARP program.* *Treasury received payments in connection with the repayment by financial institutions of Treasury's investment through the Capital Purchase Program. As of December 31, 2009, Treasury received a total of $121.89 billion in CPP repayments. Treasury incurred neither a profit nor a loss on the repayment of preferred shares since Treasury both purchased and sold the preferred shares at par. As of December 31, 2009, Treasury received a total of $4.01 billion from institutions repurchasing their warrants.* *Treasury, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of New York and Citigroup agreed to terminate the loss-sharing agreement with Citigroup that covered a pool of originally $301 billion in assets. No losses were incurred under the program, and Treasury and the FDIC retain $5.2 billion of trust preferred securities of Citigroup, as well as warrants, representing a positive return to taxpayers.* *Proceeds to Treasury from the auction of its warrants in Capital One Financial Corporation, JPMorgan Chase & Co. and TCF Financial Corporation, were approximately $148.73 million, $950.32 million and $9.59 million, respectively, with net receipts to Treasury after underwriting fees and selling expenses of approximately $146.50 million, $936.06 million and $9.45 million, respectively. Treasury expects to conduct similar auctions in the future.* *Additional information on the repayments of Treasury's investments under the CPP and proceeds from the sale of warrants are available in the attached FSP Budget report and within Treasury's transactions reports and 105(a) Monthly reports at http://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 transactions under the Asset Guarantee Program (AGP). Effective on December 22, 2009, Treasury, the Federal Reserve, the Federal Deposit Insurance Corporation and Citigroup terminated the agreement under which the U.S. government agreed to share losses on a pool of originally $300 billion of Citigroup assets. This arrangement was entered into in January of this year under Treasury's AGP and was originally expected to last for 10 years. The U.S. Government parties did not pay any losses under the agreement, and will keep $5.2 billion of $7.0 billion in trust preferred securities as well as warrants for common shares that were issued by Citigroup as consideration for such guarantee. Additional information can be found on Treasury's public website at: http://www.financialstability.gov/latest/pr_12232009b.html.*	Section 2: "TARP Overview" Section 2: "Asset Guarantee Program"
8	Section 121(f)	A detailed statement of all purchases, obligations, expenditures, and revenues associated with any program established by the Secretary of the Treasury under sections 101 and 102.	*Treasury provides information about TARP purchases, obligations, expenditures, and revenues on Treasury's public website at www.financialstability.gov. Treasury posts a transaction report for each purchase of troubled assets two business days after the transaction. Treasury also posts a detailed financial statement as part of its monthly Congressional report under section 105(a) of EESA. The next section 105(a) report will be posted on the Financial Stability website on January 8, 2010.* *The transactions reports and TARP Budget capture detailed information about TARP purchases, obligations, expenditures, and revenues. The latest transactions reports are available on Treasury's public website at http://www.financialstability.gov/latest/reportsanddocs.html.* [Treasury provided to SIGTARP its] *most recent TARP/Financial Stability Plan Budget report (as of December 31, 2009).*	Table C.1; Section 2: "TARP Overview" Section 4: "TARP Operations and Administration" Appendix D: "Transaction Detail"

Note: TARP participation in TALF has changed to $30 billion according to the TARP/Financial Stability Plan Budget Table dated 1/4/2010.

Sources: Treasury, responses to SIGTARP data call, 1/5/2010 and 1/12/2010; Program Descriptions: Treasury, "Programs" webpage, http://www.financialstability.gov/roadtostability/programs.htm, accessed 1/13/2010; ASSP: "Treasury Announces Auto Suppliers Support Program," 3/19/2009, http://www.financialstability.gov/latest/auto3_18.html, accessed 6/30/2009; AWCP, "Obama Administration's New Warrantee Commitment Program," no date, http://www.financialstability.gov/docs/WarranteeCommitmentProgram.pdf, accessed 6/30/2009; TALF: Federal Reserve, "Term Asset-Backed Securities Loan Facility (TALF) Frequently Asked Questions," no date, http://www.federalreserve.gov/newsevents/press/monetary/monetary20090303a2.pdf, accessed 6/30/2009; MHA: "Making Home Affordable Updated Detailed Description Update," 3/4/2009, http://www.treas.gov/press/releases/reports/housing_fact_sheet.pdf, accessed 10/5/2009.

TABLE C.1

TOTAL AMOUNT OF TROUBLED ASSETS PURCHASED AND HELD ON TREASURY'S BOOKS, AS OF 12/31/2009 ($ BILLIONS)

	Obligations[a]	Disbursed[b]	On Treasury's Books[c]
Capital Purchase Program ("CPP")	$204.9	$204.9	$83.0
Systemically Significant Failing Institutions ("SSFI")	69.8	45.3	45.3
Home Affordable Modification Program ("HAMP")[d]	36.8	1.3	1.3
Targeted Investment Program ("TIP")	40.0	40.0	0.0
Automotive Industry Financing Program ("AIFP")	84.8	79.7	76.4
Asset Guarantee Program ("AGP")	5.0	—	—
Term Asset-Backed Securities Loan Facility ("TALF")[e]	20.0	0.1	0.1
Legacy Securities Public-Private Investment Program ("PPIP")	30.0	3.1	3.1
Total	**$491.4**	**$374.4**	**$209.2**

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 1/4/2010.
[b] "Disbursed" refers to "Face Value Disbursed/Outlays," defined as "TARP cash that has left the Treasury, according to the TARP Budget. Treasury did not include expended amounts in the TARP Budget and suggested that disbursed amounts be reflected in this table instead.
[c] "On Treasury's Books" calculated as "Face Value Disbursed/Outlays" net of repayments per the *Transactions Report* if they do not appear to be already netted out.
[d] According to Treasury, "TARP funds allocated, obligated and disbursed for the Home Affordable Modification Program (HAMP) include $1.244B to offset costs of program changes for the "Helping Families Save Their Homes Act of 2009", Public Law No: 111-22, Section 202 (b). Also included is $15M for administrative expenditures relating to the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)."
[e] Treasury has told SIGTARP that it will provide up to $30 billion in TARP funds to support TALF. Treasury has indicated that this number may change.

Sources: Repayments data: Treasury, *Transactions Report*, 1/4/2010; all other data: Treasury, responses to SIGTARP data calls, 1/5/2010 and 1/21/2010.

Table D.1

CPP TRANSACTION DETAIL, AS OF 12/31/2009

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	Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
12/23/08	1st Constitution Bancorp, Cranbury, NJ[a]	Preferred Stock w/ Warrants	$12,000,000							$6.25	$26.7	$8.56	210,233	($2.31)	OUT	$536,667
02/13/09	1st Enterprise Bank, Los Angeles, CA[2, c]	Preferred Stock w/ Exercised Warrants	$4,400,000													$181,182
12/11/09	1st Enterprise Bank, Los Angeles, CA[2, 10a, c]	Preferred Stock	$6,000,000													
11/14/08	1st FS Corporation, Hendersonville, NC	Preferred Stock w/ Warrants	$16,369,000							$2.17	$10.9	$8.87	276,815	($6.70)	OUT	$820,724
01/23/09	1st Source Corporation, South Bend, IN	Preferred Stock w/ Warrants	$111,000,000							$16.09	$388.4	$19.87	837,947	($3.78)	OUT	$4,501,667
03/13/09	1st United Bancorp, Inc., Boca Raton, FL[2,4]	Preferred Stock w/ Exercised Warrants	$10,000,000	11/18/09	$10,000,000	$0	11/18/09	R	$500,000							$370,903
01/23/09	AB&T Financial Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$3,500,000							$2.70	$7.2	$6.55	80,153	($3.85)	OUT	$141,944
01/30/09	Adbanc, Inc, Ogallala, NE[2]	Preferred Stock w/ Exercised Warrants	$12,720,000													$548,815
01/23/09	Alarion Financial Services, Inc., Ocala, FL[2]	Preferred Stock w/ Exercised Warrants	$6,514,000													$287,977
02/06/09	Alaska Pacific Bancshares, Inc., Juneau, AK	Preferred Stock w/ Warrants	$4,781,000							$4.41	$2.9	$4.08	175,772	$0.33	IN	$185,264
06/26/09	Alliance Bancshares, Inc., Dalton, GA[2]	Preferred Stock w/ Exercised Warrants	$2,986,000													$62,824
12/19/08	Alliance Financial Corporation, Syracuse, NY[4]	Preferred Stock w/ Warrants	$26,918,000	05/13/09	$26,918,000	$0	06/17/09	R	$900,000	$27.15	$125.6					$538,360
06/26/09	Alliance Financial Services Inc., Saint Paul, MN[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$388,742
04/24/09	Allied First Bancorp, Inc., Oswego, IL[2]	Preferred Stock w/ Exercised Warrants	$3,652,000													$111,148
03/27/09	Alpine Banks of Colorado, Glenwood Springs, CO[2]	Preferred Stock w/ Exercised Warrants	$70,000,000													$2,416,166
01/30/09	AMB Financial Corp., Munster, IN[2]	Preferred Stock w/ Exercised Warrants	$3,674,000													$158,539
03/06/09	AmeriBank Holding Company, Collinsville, OK[2]	Preferred Stock w/ Exercised Warrants	$2,492,000													$93,963
01/09/09	American Express Company, New York, NY[4]	Preferred Stock w/ Warrants	$3,388,890,000	06/17/09	$3,388,890,000	$0	07/29/09	R	$340,000,000	$40.52	$48,185.1					$74,367,308
05/29/09	American Premier Bancorp, Arcadia, CA[2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$45,235
01/09/09	American State Bancshares, Inc., Great Bend, KS[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$277,950
11/21/08	Ameris Bancorp, Moultrie, GA[a]	Preferred Stock w/ Warrants	$52,000,000							$7.16	$98.7	$11.39	684,669	($4.23)	OUT	$2,556,667
12/19/08	AmeriServ Financial, Inc, Johnstown, PA	Preferred Stock w/ Warrants	$21,000,000							$1.67	$35.4	$2.40	1,312,500	($0.73)	OUT	$950,833
08/21/09	AmFirst Financial Services, Inc., McCook, NE[8]	Subordinated Debentures w/ Exercised Warrants	$5,000,000													$97,885
01/30/09	Anchor BanCorp Wisconsin Inc., Madison, WI	Preferred Stock w/ Warrants	$110,000,000							$0.63	$13.7	$2.23	7,399,103	($1.60)	OUT	
01/30/09	Annapolis Bancorp, Inc., Annapolis, MD	Preferred Stock w/ Warrants	$8,152,000							$3.10	$12.0	$4.08	299,706	($0.98)	OUT	$322,683
11/21/08	Associated Banc-Corp, Green Bay, WI	Preferred Stock w/ Warrants	$525,000,000							$11.01	$1,407.8	$19.77	3,983,308	($8.76)	OUT	$25,812,500
12/29/09	Atlantic Bancshares, Inc., Bluffton, SC[2, 10]	Preferred Stock w/ Exercised Warrants	$2,000,000													
02/27/09	Avenue Financial Holdings, Inc., Nashville, TN[2]	Preferred Stock w/ Exercised Warrants	$7,400,000													$289,032
03/13/09	BancIndependent, Inc., Sheffield, AL[2]	Preferred Stock w/ Exercised Warrants	$21,100,000													$773,022

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
07/10/09	Bancorp Financial, Inc., Oak Brook, IL[2, 10]	Preferred Stock w/ Exercised Warrants	$13,669,000													$250,122
12/19/08	Bancorp Rhode Island, Inc., Providence, RI[4]	Preferred Stock w/ Warrants	$30,000,000	08/05/09	$30,000,000	$0	09/30/09	R	$1,400,000	$25.68	$118.2					$941,667
02/20/09	BancPlus Corporation, Ridgeland, MS[2]	Preferred Stock w/ Exercised Warrants	$48,000,000													$1,925,666
04/03/09	BancStar, Inc., Festus, MO[2]	Preferred Stock w/ Exercised Warrants	$8,600,000													$289,032
12/19/08	BancTrust Financial Group, Inc., Mobile, AL	Preferred Stock w/ Warrants	$50,000,000							$2.87	$50.6	$10.26	730,994	($7.39)	OUT	$2,263,889
08/14/09	Bank Financial Services, Inc., Eden Prarie, MN[2]	Preferred Stock w/ Exercised Warrants	$1,004,000													$13,827
10/28/08	Bank of America Corporation, Charlotte, NC[4, c]	Preferred Stock w/ Warrants	$15,000,000,000	12/09/09	$15,000,000,000	$0				$15.06	$130,273.1	$30.79	73,075,674	($15.73)	OUT	$1,293,750,000
01/09/09	Bank of America Corporation, Charlotte, NC[1, 4, c]	Preferred Stock w/ Warrants	$10,000,000,000	12/09/09	$10,000,000,000	$0							48,717,116	($15.73)	OUT	
01/16/09	Bank of Commerce, Charlotte, NC[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$135,796
11/14/08	Bank of Commerce Holdings, Redding, CA	Preferred Stock w/ Warrants	$17,000,000							$5.28	$46.0	$6.29	405,405	($1.02)	OUT	$852,361
03/13/09	Bank of George, Las Vegas, NV[2]	Preferred Stock w/ Exercised Warrants	$2,672,000													$97,916
12/05/08	Bank of Marin Bancorp, Novato, CA[4]	Preferred Stock w/ Warrants	$28,000,000	03/31/09	$28,000,000	$0				$32.56	$170.2	$27.23	154,242	$5.33	IN	$451,111
04/17/09	Bank of the Carolinas Corporation, Mocksville, NC	Preferred Stock w/ Warrants	$13,179,000							$4.44	$17.3	$4.16	475,204	$0.28	IN	$380,727
12/12/08	Bank of the Ozarks, Inc., Little Rock, AR[4, b]	Preferred Stock w/ Warrants	$75,000,000	11/04/09	$75,000,000	$0	11/24/09		$2,650,000	$29.27	$494.2					$3,354,167
01/30/09	Bankers' Bank of the West Bancorp, Inc., Denver, CO[2]	Preferred Stock w/ Exercised Warrants	$12,639,000													$545,324
01/23/09	BankFirst Capital Corporation, Macon, MS[2]	Preferred Stock w/ Exercised Warrants	$15,500,000													$685,187
02/13/09	BankGreenville, Greenville, SC[2]	Preferred Stock w/ Exercised Warrants	$1,000,000													$41,178
11/21/08	Banner Corporation, Walla Walla, WA	Preferred Stock w/ Warrants	$124,000,000							$2.68	$56.6	$10.89	1,707,989	($8.21)	OUT	$6,096,667
02/06/09	Banner County Ban Corporation, Harrisburg, NE[2]	Preferred Stock w/ Exercised Warrants	$795,000													$33,596
01/16/09	Bar Harbor Bankshares, Bar Harbor, ME	Preferred Stock w/ Warrants	$18,751,000							$27.45	$101.3	$26.81	104,910	$0.64	IN	$778,688
11/14/08	BB&T Corp., Winston-Salem, NC[4]	Preferred Stock w/ Warrants	$3,133,640,000	06/17/09	$3,133,640,000	$0	07/22/09	R	$67,010,402	$25.37	$17,444.8					$92,703,517
04/03/09	BCB Holding Company, Inc., Theodore, AL[2]	Preferred Stock w/ Exercised Warrants	$1,706,000													$57,320
12/23/08	BCSB Bancorp, Inc., Baltimore, MD	Preferred Stock w/ Warrants	$10,800,000							$8.95	$27.9	$8.83	183,465	$0.12	IN	$483,000
01/30/09	Beach Business Bank, Manhattan Beach, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$177,125
06/12/09	Berkshire Bancorp, Inc., Wyomissing, PA[2]	Preferred Stock w/ Exercised Warrants	$2,892,000													$67,001
12/19/08	Berkshire Hills Bancorp, Inc., Pittsfield, MA[4]	Preferred Stock w/ Warrants	$40,000,000	05/27/09	$40,000,000	$0	06/24/09	R	$1,040,000	$20.68	$288.1					$877,778
02/13/09	Bern Bancshares, Inc., Bern, KS[2]	Preferred Stock w/ Exercised Warrants	$985,000													$40,611
04/24/09	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2, c]	Preferred Stock w/ Exercised Warrants	$1,635,000													$49,765
12/18/09	Birmingham Bloomfield Bancshares, Inc, Birmingham, MI[2, 10a, c]	Preferred Stock	$1,744,000													

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
06/19/09	Biscayne Bancshares, Inc., Coconut Grove, FL[8, 10]	Subordinated Debentures w/ Exercised Warrants	$6,400,000													$211,276
03/13/09	Blackhawk Bancorp, Inc., Beloit, WI[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$366,361
05/22/09	Blackridge Financial, Inc., Fargo, ND[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$130,951
03/06/09	Blue Ridge Bancshares, Inc., Independence, MO[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$452,350
03/06/09	Blue River Bancshares, Inc., Shelbyville, IN[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$188,480
12/05/08	Blue Valley Ban Corp, Overland Park, KS	Preferred Stock w/ Warrants	$21,750,000							$10.25	$28.4	$29.37	111,083	($19.12)	OUT	$211,458
04/17/09	BNB Financial Services Corporation, New York, NY[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$236,167
12/05/08	BNC Bancorp, Thomasville, NC	Preferred Stock w/ Warrants	$31,260,000							$7.59	$55.7	$8.63	543,337	($1.05)	OUT	$1,476,167
02/27/09	BNC Financial Group, Inc., New Canaan, CT[2]	Preferred Stock w/ Exercised Warrants	$4,797,000													$187,372
01/16/09	BNCCORP, Inc., Bismarck, ND[2]	Preferred Stock w/ Exercised Warrants	$20,093,000													$909,542
03/06/09	BOH Holdings, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$376,958
05/15/09	Boscobel Bancorp, Inc, Boscobel, WI[8]	Subordinated Debentures w/ Exercised Warrants	$5,586,000													$234,312
11/21/08	Boston Private Financial Holdings, Inc., Boston, MA	Preferred Stock w/ Warrants	$154,000,000							$5.77	$396.1	$8.00	2,887,500	($2.23)	OUT	$7,571,667
12/23/08	Bridge Capital Holdings, San Jose, CA	Preferred Stock w/ Warrants	$23,864,000							$7.25	$50.7	$9.03	396,412	($1.78)	OUT	$1,067,251
12/19/08	Bridgeview Bancorp, Inc., Bridgeview, IL[2]	Preferred Stock w/ Exercised Warrants	$38,000,000													$1,875,406
11/14/08	Broadway Financial Corporation, Los Angeles, CA[3a - 11/24/09, c]	Preferred Stock	$9,000,000								$10.4					$451,250
12/04/09	Broadway Financial Corporation, Los Angeles, CA[3, 10a, c]	Preferred Stock	$6,000,000													
05/15/09	Brogan Bankshares, Inc., Kaukauna, WI[8]	Subordinated Debentures w/ Exercised Warrants	$2,400,000													$100,680
07/17/09	Brotherhood Bancshares, Inc., Kansas City, KS[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$196,503
04/24/09	Business Bancshares, Inc., Clayton, MO[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$456,438
03/13/09	Butler Point, Inc., Catlin, IL[2]	Preferred Stock w/ Exercised Warrants	$607,000													$22,217
01/09/09	C&F Financial Corporation, West Point, VA	Preferred Stock w/ Warrants	$20,000,000							$19.00	$57.9	$17.91	167,504	$1.09	IN	$850,000
12/18/09	Cache Valley Banking Company, Logan, UT[2, 10a]	Preferred Stock	$4,640,000													$232,350
12/23/08	Cache Valley Banking Company, Logan, UT[2]	Preferred Stock w/ Exercised Warrants	$4,767,000													
01/09/09	Cadence Financial Corporation, Starkville, MS	Preferred Stock w/ Warrants	$44,000,000							$1.75	$20.8	$5.76	1,145,833	($4.01)	OUT	$1,870,000
02/27/09	California Bank of Commerce, Lafayette, CA[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$156,233
01/23/09	California Oaks State Bank, Thousand Oaks, CA[2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$145,879
01/23/09	Calvert Financial Corporation, Ashland, MO[2]	Preferred Stock w/ Exercised Warrants	$1,037,000													$45,853
01/23/09	CalWest Bancorp, Rancho Santa Margarita, CA[2]	Preferred Stock w/ Exercised Warrants	$4,656,000													$205,836

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
12/23/08	Capital Bancorp, Inc., Rockville, MD[2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$229,112
12/12/08	Capital Bank Corporation, Raleigh, NC	Preferred Stock w/ Warrants	$41,279,000							$3.87	$43.9	$8.26	749,619	($4.39)	OUT	$1,909,154
04/10/09	Capital Commerce Bancorp, Inc., Milwaukee, WI[2]	Preferred Stock w/ Exercised Warrants	$5,100,000													$165,998
11/14/08	Capital One Financial Corporation, McLean, VA[4, g]	Preferred Stock w/ Warrants	$3,555,199,000	06/17/09	$3,555,199,000	$0	12/03/09	A	$148,731,030	$38.34	$17,238.0					$105,174,638
12/23/08	Capital Pacific Bancorp, Portland, OR[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$194,989
10/23/09	Cardinal Bancorp II, Inc., Washington, MO[8]	Subordinated Debentures w/ Exercised Warrants	$6,251,000													$32,057
01/09/09	Carolina Bank Holdings, Inc., Greensboro, NC	Preferred Stock w/ Warrants	$16,000,000							$3.25	$11.0	$6.71	357,675	($3.46)	OUT	$680,000
02/06/09	Carolina Trust Bank, Lincolnton, NC	Preferred Stock w/ Warrants	$4,000,000							$5.00	$7.8	$6.90	86,957	($1.90)	OUT	$155,000
02/13/09	Carrollton Bancorp, Baltimore, MD	Preferred Stock w/ Warrants	$9,201,000							$4.80	$12.3	$6.72	205,379	($1.92)	OUT	$347,593
01/16/09	Carver Bancorp, Inc, New York, NY[3]	Preferred Stock	$18,980,000													$788,197
11/21/08	Cascade Financial Corporation, Everett, WA	Preferred Stock w/ Warrants	$38,970,000							$2.21	$26.8	$6.77	863,442	($4.56)	OUT	$1,428,900
12/05/08	Cathay General Bancorp, Los Angeles, CA	Preferred Stock w/ Warrants	$258,000,000							$7.55	$466.8	$20.96	1,846,374	($13.41)	OUT	$12,183,333
02/27/09	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2, c]	Preferred Stock w/ Exercised Warrants	$3,000,000													$117,175
12/22/09	Catskill Hudson Bancorp, Inc, Rock Hill, NY[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$3,500,000													
05/29/09	CB Holding Corp., Aledo, IL[2]	Preferred Stock w/ Exercised Warrants	$4,114,000													$103,400
02/20/09	CBB Bancorp, Cartersville, GA[2, c]	Preferred Stock w/ Exercised Warrants	$2,644,000													$106,059
12/29/09	CBB Bancorp, Cartersville, GA[2, 10a, c]	Preferred Stock	$1,753,000													
03/27/09	CBS Banc-Corp., Russellville, AL[2]	Preferred Stock w/ Exercised Warrants	$24,300,000													$838,755
12/23/08	Cecil Bancorp, Inc., Elkton, MD	Preferred Stock w/ Warrants	$11,560,000							$3.50	$12.9	$6.63	261,538	($3.13)	OUT	$516,989
02/06/09	CedarStone Bank, Lebanon, TN[2]	Preferred Stock w/ Exercised Warrants	$3,564,000													$150,521
01/09/09	Center Bancorp, Inc., Union, NJ[b]	Preferred Stock w/ Warrants	$10,000,000							$8.92	$130.0	$8.65	86,705	$0.27	IN	$425,000
12/12/08	Center Financial Corporation, Los Angeles, CA[i]	Preferred Stock w/ Warrants	$55,000,000							$4.60	$77.3	$9.54	432,390	($4.94)	OUT	$2,543,750
05/01/09	CenterBank, Milford, OH[2]	Preferred Stock w/ Exercised Warrants	$2,250,000													$66,106
11/21/08	Centerstate Banks of Florida Inc., Davenport, FL[5, 9, b]	Preferred Stock w/ Warrants	$27,875,000	09/30/09	$27,875,000	$0	10/28/09	R	$212,000	$10.09	$260.0					$1,196,303
01/16/09	Centra Financial Holdings, Inc., Morgantown, WV[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$15,000,000	03/31/09	$15,000,000	$0	04/15/09	R	$750,000							$172,938
12/05/08	Central Bancorp, Inc., Somerville, MA[b]	Preferred Stock w/ Warrants	$10,000,000							$8.30	$13.6	$6.39	234,742	$1.91	IN	$472,222
02/27/09	Central Bancorp, Inc., Garland, TX[2]	Preferred Stock w/ Exercised Warrants	$22,500,000													$878,812
01/30/09	Central Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$5,800,000													$250,246
02/20/09	Central Community Corporation, Temple, TX[2]	Preferred Stock w/ Exercised Warrants	$22,000,000													$882,597

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
12/05/08	Central Federal Corporation, Fairlawn, OH	Preferred Stock w/ Warrants	$7,225,000							$1.50	$6.2	$3.22	336,568	($1.72)	OUT	$341,181
12/23/08	Central Jersey Bancorp, Oakhurst, NJ	Preferred Stock w/ Warrants	$11,300,000							$2.99	$27.5	$6.31	268,621	($3.32)	OUT	$505,361
01/09/09	Central Pacific Financial Corp., Honolulu, HI	Preferred Stock w/ Warrants	$135,000,000							$1.31	$39.7	$12.77	1,585,748	($11.46)	OUT	$2,362,500
01/30/09	Central Valley Community Bancorp, Fresno, CA [j]	Preferred Stock w/ Warrants	$7,000,000							$5.55	$42.7	$6.64	79,067	($1.09)	OUT	$277,083
01/30/09	Central Virginia Bankshares, Inc., Powhatan, VA	Preferred Stock w/ Warrants	$11,385,000							$3.40	$8.9	$6.48	263,542	($3.08)	OUT	$450,656
12/18/09	Centric Financial Corporation, Harrisburg, PA [2, 10]	Preferred Stock w/ Exercised Warrants	$6,056,000													
02/06/09	Centrix Bank & Trust, Bedford, NH [2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$316,781
01/09/09	Centrue Financial Corporation, St. Louis, MO	Preferred Stock w/ Warrants	$32,668,000							$2.60	$15.7	$9.64	508,320	($7.04)	OUT	$571,690
06/19/09	Century Financial Services Corporation, Santa Fe, NM [8]	Subordinated Debentures w/ Exercised Warrants	$10,000,000													$340,261
05/29/09	Chambers Bancshares, Inc., Danville, AR [8]	Subordinated Debentures w/ Exercised Warrants	$19,817,000													$766,674
07/31/09	Chicago Shore Corporation, Chicago, IL [2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$111,271
12/31/08	CIT Group Inc., New York, NY [16, k]	Contingent Value Rights	$2,330,000,000								$11,174.6					$43,687,500
10/28/08	Citigroup Inc., New York, NY [11]	Common Stock w/ Warrants	$25,000,000,000							$3.31	$75,679.7	$17.85	210,084,034	($14.54)	OUT	$932,291,667
01/16/09	Citizens & Northern Corporation, Wellsboro, PA	Preferred Stock w/ Warrants	$26,440,000							$9.54	$112.0	$20.36	194,794	($10.82)	OUT	$1,097,994
12/23/08	Citizens Bancorp, Nevada City, CA [2]	Preferred Stock w/ Exercised Warrants	$10,400,000													$223,571
05/29/09	Citizens Bancshares Co., Chillicothe, MO [2]	Preferred Stock w/ Exercised Warrants	$24,990,000													$628,033
03/06/09	Citizens Bancshares Corporation, Atlanta, GA [3]	Preferred Stock	$7,462,000													$258,061
03/20/09	Citizens Bank & Trust Company, Covington, LA [2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$19,983
02/06/09	Citizens Commerce Bancshares, Inc., Versailles, KY [2]	Preferred Stock w/ Exercised Warrants	$6,300,000													$180,258
12/23/08	Citizens Community Bank, South Hill, VA [2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$146,242
12/19/08	Citizens First Corporation, Bowling Green, KY	Preferred Stock w/ Warrants	$8,779,000							$5.65	$11.1	$5.18	254,218	$0.47	IN	$397,494
12/12/08	Citizens Republic Bancorp, Inc., Flint, MI	Preferred Stock w/ Warrants	$300,000,000							$0.69	$272.2	$2.56	17,578,125	($1.87)	OUT	$13,875,000
12/12/08	Citizens South Banking Corporation, Gastonia, NC	Preferred Stock w/ Warrants	$20,500,000							$4.58	$34.5	$7.17	428,870	($2.59)	OUT	$948,125
04/10/09	City National Bancshares Corporation, Newark, NJ [3]	Preferred Stock	$9,439,000													$281,859
11/21/08	City National Corporation, Beverly Hills, CA [4]	Preferred Stock w/ Warrants	$400,000,000	12/30/09	$200,000,000	$200,000,000				$45.60	$2,348.5	$53.16	1,128,668	($7.56)	OUT	$20,916,667
03/27/09	Clover Community Bankshares, Inc., Clover, SC [2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$103,550
12/05/08	Coastal Banking Company, Inc., Fernandina Beach, FL	Preferred Stock w/ Warrants	$9,950,000							$3.60	$9.2	$7.26	205,579	($3.66)	OUT	$469,861
08/28/09	CoastalSouth Bancshares, Inc., Hilton Head Island, SC [2, 10]	Preferred Stock w/ Exercised Warrants	$16,015,000													$180,511
12/19/08	CoBiz Financial Inc., Denver, CO	Preferred Stock w/ Warrants	$64,450,000							$4.75	$174.3	$10.79	895,968	($6.04)	OUT	$2,918,153
01/09/09	Codorus Valley Bancorp, Inc., York, PA	Preferred Stock w/ Warrants	$16,500,000							$5.28	$21.4	$9.38	263,859	($4.10)	OUT	$701,250

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
02/13/09	ColoEast Bankshares, Inc., Lamar, CO [2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$411,778
03/27/09	Colonial American Bank, West Conshohocken, PA [2]	Preferred Stock w/ Exercised Warrants	$574,000													$19,830
01/09/09	Colony Bankcorp, Inc., Fitzgerald, GA	Preferred Stock w/ Warrants	$28,000,000							$4.61	$33.3	$8.40	500,000	($3.79)	OUT	$1,190,000
11/21/08	Columbia Banking System, Inc., Tacoma, WA [b]	Preferred Stock w/ Warrants	$76,898,000							$16.18	$454.6	$14.49	398,023	$1.69	IN	$3,780,818
02/27/09	Columbine Capital Corp., Buena Vista, CO [2]	Preferred Stock w/ Exercised Warrants	$2,260,000													$88,272
11/14/08	Comerica Inc., Dallas, TX	Preferred Stock w/ Warrants	$2,250,000,000							$29.57	$4,468.8	$29.40	11,479,592	$0.17	IN	$112,812,500
01/09/09	Commerce National Bank, Newport Beach, CA [4]	Preferred Stock w/ Warrants	$5,000,000	10/07/09	$5,000,000	$0				$5.85	$15.3	$8.60	87,209	($2.75)	OUT	$36,111
05/22/09	Commonwealth Bancshares, Inc., Louisville, KY [8]	Subordinated Debentures w/ Exercised Warrants	$20,400,000													$822,505
01/23/09	Commonwealth Business Bank, Los Angeles, CA [2]	Preferred Stock w/ Exercised Warrants	$7,701,000													$25,648
01/16/09	Community 1st Bank, Roseville, CA [2]	Preferred Stock w/ Exercised Warrants	$2,550,000													$69,510
03/06/09	Community Bancshares of Kansas, Inc., Goff, KS [2]	Preferred Stock w/ Exercised Warrants	$500,000													$18,848
09/11/09	Community Bancshares of Mississippi, Inc., Brandon, MS [2]	Preferred Stock w/ Exercised Warrants	$52,000,000													$503,822
07/24/09	Community Bancshares, Inc., Kingman, AZ [2, 10]	Preferred Stock w/ Exercised Warrants	$3,872,000													$62,912
01/16/09	Community Bank of the Bay, Oakland, CA [3]	Preferred Stock	$1,747,000													$21,838
05/29/09	Community Bank Shares of Indiana, Inc., New Albany, IN	Preferred Stock w/ Warrants	$19,468,000							$6.53	$21.3	$7.56	386,270	($1.03)	OUT	$448,845
12/19/08	Community Bankers Trust Corporation, Glen Allen, VA	Preferred Stock w/ Warrants	$17,680,000							$3.26	$70.0	$3.40	780,000	($0.14)	OUT	$800,511
02/27/09	Community Business Bank, West Sacramento, CA [2]	Preferred Stock w/ Exercised Warrants	$3,976,000													$155,309
12/19/08	Community Financial Corporation, Staunton, VA	Preferred Stock w/ Warrants	$12,643,000							$4.34	$18.9	$5.40	351,194	($1.06)	OUT	$572,447
05/15/09	Community Financial Shares, Inc., Glen Ellyn, IL [2]	Preferred Stock w/ Exercised Warrants	$6,970,000													$189,955
03/20/09	Community First Bancshares Inc., Union City, TN [2]	Preferred Stock w/ Exercised Warrants	$20,000,000													$711,528
04/03/09	Community First Bancshares, Inc., Harrison, AR [2]	Preferred Stock w/ Exercised Warrants	$12,725,000													$427,652
02/27/09	Community First Inc., Columbia, TN [2]	Preferred Stock w/ Exercised Warrants	$17,806,000													$695,453
02/06/09	Community Holding Company of Florida, Inc., Miramar Beach, FL [2]	Preferred Stock w/ Exercised Warrants	$1,050,000													$44,176
12/23/08	Community Investors Bancorp, Inc., Bucyrus, OH [2]	Preferred Stock w/ Exercised Warrants	$2,600,000													$126,743
01/30/09	Community Partners Bancorp, Middletown, NJ [a]	Preferred Stock w/ Warrants	$9,000,000							$3.11	$22.3	$4.54	297,116	($1.43)	OUT	$356,250
11/13/09	Community Pride Bank Corporation, Ham Lake, MN [8, 10]	Subordinated Debentures w/ Exercised Warrants	$4,400,000													
01/09/09	Community Trust Financial Corporation, Ruston, LA [2]	Preferred Stock w/ Exercised Warrants	$24,000,000													$1,111,800
12/19/08	Community West Bancshares, Goleta, CA	Preferred Stock w/ Warrants	$15,600,000							$2.75	$16.3	$4.49	521,158	($1.74)	OUT	$706,333
01/09/09	Congaree Bancshares, Inc., Cayce, SC [2]	Preferred Stock w/ Exercised Warrants	$3,285,000													$152,159

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
02/13/09	Corning Savings and Loan Association, Corning, AR [2]	Preferred Stock w/ Exercised Warrants	$638,000													$26,278
01/30/09	Country Bank Shares, Inc., Milford, NE [2]	Preferred Stock w/ Exercised Warrants	$7,525,000													$324,655
06/05/09	Covenant Financial Corporation, Clarksdale, MS [2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$121,111
02/20/09	Crazy Woman Creek Bancorp, Inc., Buffalo, WY [2]	Preferred Stock w/ Exercised Warrants	$3,100,000													$124,366
01/09/09	Crescent Financial Corporation, Cary, NC	Preferred Stock w/ Warrants	$24,900,000							$3.18	$30.6	$4.48	833,705	($1.30)	OUT	$1,058,250
01/23/09	Crosstown Holding Company, Blaine, MN [2]	Preferred Stock w/ Exercised Warrants	$10,650,000													$470,826
03/27/09	CSRA Bank Corp., Wrens, GA [2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$82,840
12/05/08	CVB Financial Corp, Ontario, CA [4, 9, c]	Preferred Stock w/ Warrants	$130,000,000	08/26/09	$97,500,000	$32,500,000	10/28/09	R	$1,307,000	$8.64	$917.8					$4,739,583
				09/02/09	$32,500,000	$0										
02/27/09	D.L. Evans Bancorp, Burley, ID [2]	Preferred Stock w/ Exercised Warrants	$19,891,000													$776,939
05/15/09	Deerfield Financial Corporation, Deerfield, WI [8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$110,710
12/04/09	Delmar Bancorp, Delmar, MD [2]	Preferred Stock w/ Exercised Warrants	$9,000,000													
02/13/09	DeSoto County Bank, Horn Lake, MS [2, c]	Preferred Stock w/ Exercised Warrants	$1,173,000													$48,325
12/29/09	DeSoto County Bank, Horn Lake, MS [2, 10a, c]	Preferred Stock	$1,508,000													
05/22/09	Diamond Bancorp, Inc., Washington, MO [8]	Subordinated Debentures w/ Exercised Warrants	$20,445,000													$824,302
01/16/09	Dickinson Financial Corporation II, Kansas City, MO [2]	Preferred Stock w/ Exercised Warrants	$146,053,000													$2,631,197
03/13/09	Discover Financial Services, Riverwoods, IL	Preferred Stock w/ Warrants	$1,224,558,000							$14.71	$7,986.4	$8.96	20,500,413	$5.75	IN	$41,158,754
01/30/09	DNB Financial Corporation, Downingtown, PA	Preferred Stock w/ Warrants	$11,750,000							$6.15	$16.1	$9.46	186,311	($3.31)	OUT	$465,104
06/19/09	Duke Financial Group, Inc., Minneapolis, MN [8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$408,316
12/05/08	Eagle Bancorp, Inc., Bethesda, MD [5, b]	Preferred Stock w/ Warrants	$38,235,000	12/23/09	$15,000,000	$23,235,000				$10.47	$204.3	$7.44	385,434	$3.03	IN	$1,884,709
12/05/08	East West Bancorp, Pasadena, CA [b]	Preferred Stock w/ Warrants	$306,546,000							$15.80	$1,449.4	$15.15	1,517,555	$0.65	IN	$14,475,783
01/09/09	Eastern Virginia Bankshares, Inc., Tappahannock, VA	Preferred Stock w/ Warrants	$24,000,000							$7.10	$42.1	$9.63	373,832	($2.53)	OUT	$1,020,000
01/16/09	ECB Bancorp, Inc., Engelhard, NC	Preferred Stock w/ Warrants	$17,949,000							$11.11	$31.6	$18.57	144,984	($7.46)	OUT	$745,383
12/23/08	Emclaire Financial Corp., Emlenton, PA	Preferred Stock w/ Warrants	$7,500,000							$13.85	$19.8	$22.45	50,111	($8.60)	OUT	$335,417
12/05/08	Encore Bancshares Inc., Houston, TX	Preferred Stock w/ Warrants	$34,000,000							$8.02	$84.2	$14.01	364,026	($5.99)	OUT	$1,605,556
12/19/08	Enterprise Financial Services Corp., St. Louis, MO	Preferred Stock w/ Warrants	$35,000,000							$7.71	$99.0	$16.20	324,074	($8.49)	OUT	$1,584,722
06/12/09	Enterprise Financial Services Group, Inc., Allison Park, PA [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$92,650
01/30/09	Equity Bancshares, Inc., Wichita, KS [2]	Preferred Stock w/ Exercised Warrants	$8,750,000													$377,562
12/19/08	Exchange Bank, Santa Rosa, CA [2]	Preferred Stock w/ Exercised Warrants	$43,000,000													$2,122,169
05/22/09	F & C Bancorp, Inc., Holden, MO [8]	Subordinated Debentures w/ Exercised Warrants	$2,993,000													$120,698

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/30/09	F & M Bancshares, Inc., Trezevant, TN[2, c]	Preferred Stock w/ Exercised Warrants	$4,609,000													$198,827
11/06/09	F & M Bancshares, Inc., Trezevant, TN[2, 10a, c]	Preferred Stock	$3,535,000													
02/06/09	F & M Financial Corporation, Salisbury, NC[2]	Preferred Stock w/ Exercised Warrants	$17,000,000													$718,038
02/13/09	F&M Financial Corporation, Clarksville, TN[2]	Preferred Stock w/ Exercised Warrants	$17,243,000													$710,018
01/09/09	F.N.B. Corporation, Hermitage, PA[4, b]	Preferred Stock w/ Warrants	$100,000,000	09/09/09	$100,000,000	$0				$6.79	$774.0	$11.52	651,042	($4.73)	OUT	$3,333,333
03/06/09	Farmers & Merchants Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$11,000,000													$414,655
03/20/09	Farmers & Merchants Financial Corporation, Argonia, KS[2]	Preferred Stock w/ Exercised Warrants	$442,000													$15,719
01/23/09	Farmers Bank, Windsor, VA[2]	Preferred Stock w/ Exercised Warrants	$8,752,000													$386,916
01/09/09	Farmers Capital Bank Corporation, Frankfort, KY	Preferred Stock w/ Warrants	$30,000,000							$10.22	$75.3	$20.09	223,992	($9.87)	OUT	$1,275,000
06/19/09	Farmers Enterprises, Inc., Great Bend, KS[8]	Subordinated Debentures w/ Exercised Warrants	$12,000,000													$408,316
03/20/09	Farmers State Bankshares, Inc., Holton, KS[2, 10]	Preferred Stock w/ Exercised Warrants	$700,000													$25,197
12/29/09	FBHC Holding Company, Boulder, CO[8,10]	Subordinated Debentures w/ Exercised Warrants	$3,035,000													
06/26/09	FC Holdings, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$21,042,000													$156,090
12/19/08	FCB Bancorp, Inc., Louisville, KY[2]	Preferred Stock w/ Exercised Warrants	$9,294,000													$458,710
12/19/08	FFW Corporation, Wabash, IN[2]	Preferred Stock w/ Exercised Warrants	$7,289,000													$359,696
05/29/09	Fidelity Bancorp, Inc, Baton Rouge, LA[8]	Subordinated Debentures w/ Exercised Warrants	$3,942,000													$152,500
12/12/08	Fidelity Bancorp, Inc., Pittsburgh, PA	Preferred Stock w/ Warrants	$7,000,000							$5.01	$15.3	$8.65	121,387	($3.64)	OUT	$323,750
11/13/09	Fidelity Federal Bancorp, Evansville, IN[2, 10]	Preferred Stock w/ Exercised Warrants	$6,657,000													
12/19/08	Fidelity Financial Corporation, Wichita, KS[2]	Preferred Stock w/ Exercised Warrants	$36,282,000													$1,790,609
06/26/09	Fidelity Resources Company, Plano, TX[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$63,129
12/19/08	Fidelity Southern Corporation, Atlanta, GA[a]	Preferred Stock w/ Warrants	$48,200,000							$3.60	$35.8	$3.13	2,312,128	$0.47	IN	$2,182,389
12/31/08	Fifth Third Bancorp, Cincinnati, OH	Preferred Stock w/ Warrants	$3,408,000,000							$9.75	$7,754.3	$11.72	43,617,747	($1.97)	OUT	$170,400,000
12/23/08	Financial Institutions, Inc., Warsaw, NY	Preferred Stock w/ Warrants	$37,515,000							$11.78	$127.5	$14.88	378,175	($3.10)	OUT	$1,677,755
02/13/09	Financial Security Corporation, Basin, WY[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$205,889
07/31/09	Financial Services of Winger, Inc., Winger, MN[8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,742,000													$88,547
05/22/09	First Advantage Bancshares Inc., Coon Rapids, MN[2]	Preferred Stock w/ Exercised Warrants	$1,177,000													$30,832
06/26/09	First Alliance Bancshares, Inc., Cordova, TN[2]	Preferred Stock w/ Exercised Warrants	$3,422,000													$72,006
07/24/09	First American Bank Corporation, Elk Grove Village, IL[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$1,293,475
03/13/09	First American International Corp., Brooklyn, NY[3]	Preferred Stock	$17,000,000													$571,389
01/09/09	First Bancorp, Troy, NC	Preferred Stock w/ Warrants	$65,000,000							$13.97	$233.0	$15.82	616,308	($1.85)	OUT	$2,762,500

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/16/09	First BanCorp, San Juan, PR	Preferred Stock w/ Warrants	$400,000,000							$2.30	$212.9	$10.27	5,842,259	($7.97)	OUT	$6,611,111
02/20/09	First BancTrust Corporation, Paris, IL [2]	Preferred Stock w/ Exercised Warrants	$7,350,000													$294,901
02/06/09	First Bank of Charleston, Inc., Charleston, WV [2]	Preferred Stock w/ Exercised Warrants	$3,345,000													$141,267
01/16/09	First Bankers Trustshares, Inc., Quincy, IL [2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$452,653
12/31/08	First Banks, Inc., Clayton, MO [2]	Preferred Stock w/ Exercised Warrants	$295,400,000													$6,037,238
03/06/09	First Busey Corporation, Urbana, IL [b]	Preferred Stock w/ Warrants	$100,000,000							$3.89	$258.1	$13.07	573,833	($9.18)	OUT	$3,458,333
04/10/09	First Business Bank, N.A., San Diego, CA [2, c]	Preferred Stock w/ Exercised Warrants	$2,211,000													$71,989
12/11/09	First Business Bank, N.A., San Diego, CA [2, 10a, c]	Preferred Stock	$2,032,000													
12/19/08	First California Financial Group, Inc, Westlake Village, CA	Preferred Stock w/ Warrants	$25,000,000							$2.74	$31.9	$6.26	599,042	($3.52)	OUT	$1,131,944
04/03/09	First Capital Bancorp, Inc., Glen Ellen, VA	Preferred Stock w/ Warrants	$10,958,000							$4.80	$14.3	$6.55	250,947	($1.75)	OUT	$337,872
02/13/09	First Choice Bank, Cerritos, CA [2, c]	Preferred Stock w/ Exercised Warrants	$2,200,000													$90,591
12/22/09	First Choice Bank, Cerritos, CA [2, 10a, c]	Preferred Stock	$2,836,000													
01/23/09	First Citizens Banc Corp, Sandusky, OH	Preferred Stock w/ Warrants	$23,184,000							$4.65	$35.8	$7.41	469,312	($2.76)	OUT	$940,240
03/20/09	First Colebrook Bancorp, Inc., Colebrook, NH [2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$160,094
05/15/09	First Community Bancshares, Inc, Overland Park, KS [2]	Preferred Stock w/ Exercised Warrants	$14,800,000													$403,300
12/23/08	First Community Bank Corporation of America, Pinellas Park, FL	Preferred Stock w/ Warrants	$10,685,000							$2.41	$10.0	$7.02	228,312	($4.62)	OUT	$477,857
11/21/08	First Community Bankshares Inc., Bluefield, VA [5, b]	Preferred Stock w/ Warrants	$41,500,000	07/08/09	$41,500,000	$0				$12.05	$212.9	$35.26	88,273	($23.21)	OUT	$1,308,403
11/21/08	First Community Corporation, Lexington, SC	Preferred Stock w/ Warrants	$11,350,000							$6.30	$20.5	$8.69	195,915	($2.39)	OUT	$558,042
12/11/09	First Community Financial Partners, Inc., Joliet, IL [2]	Preferred Stock w/ Exercised Warrants	$22,000,000													
12/05/08	First Defiance Financial Corp., Defiance, OH	Preferred Stock w/ Warrants	$37,000,000							$11.29	$91.7	$10.08	550,595	$1.21	IN	$1,747,222
09/11/09	First Eagle Bancshares, Inc., Hanover Park, IL [8]	Subordinated Debentures w/ Exercised Warrants	$7,500,000													$111,867
02/06/09	First Express of Nebraska, Inc., Gering, NE [2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$211,188
03/06/09	First Federal Bancshares of Arkansas, Inc., Harrison, AR	Preferred Stock w/ Warrants	$16,500,000							$2.29	$11.1	$7.69	321,847	($5.40)	OUT	$570,625
12/23/08	First Financial Bancorp, Cincinnati, OH [b]	Preferred Stock w/ Warrants	$80,000,000							$14.56	$748.8	$12.90	465,117	$1.66	IN	$3,577,778
06/12/09	First Financial Bancshares, Inc., Lawrence, KS [8, 10]	Subordinated Debentures w/ Exercised Warrants	$3,756,000													$129,543
12/05/08	First Financial Holdings Inc., Charleston, SC [b]	Preferred Stock w/ Warrants	$65,000,000							$13.00	$214.8	$20.17	241,696	($7.17)	OUT	$3,069,444
01/09/09	First Financial Service Corporation, Elizabethtown, KY	Preferred Stock w/ Warrants	$20,000,000							$9.06	$42.7	$13.89	215,983	($4.83)	OUT	$850,000
12/22/09	First Freedom Bancshares, Inc., Lebanon, TN [2, 10]	Preferred Stock w/ Exercised Warrants	$8,700,000													
02/27/09	First Gothenburg Bancshares, Inc., Gothenburg, NE [2]	Preferred Stock w/ Exercised Warrants	$7,570,000													$295,704

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
08/28/09	First Guaranty Bancshares, Inc., Hammond, LA[2]	Preferred Stock w/ Exercised Warrants	$20,699,000													$241,192
11/14/08	First Horizon National Corporation, Memphis, TN[a]	Preferred Stock w/ Warrants	$866,540,000							$13.40	$2,973.8	$9.45	13,748,944	$3.95	IN	$43,447,353
08/28/09	First Independence Corporation, Detroit, MI[2, 3]	Preferred Stock	$3,223,000													$34,468
03/13/09	First Intercontinental Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$6,398,000													$234,404
12/12/08	First Litchfield Financial Corporation, Litchfield, CT	Preferred Stock w/ Warrants	$10,000,000							$14.55	$34.3	$7.53	199,203	$7.02	IN	$462,500
02/27/09	First M&F Corporation, Kosciusko, MS	Preferred Stock w/ Warrants	$30,000,000							$2.21	$20.0	$8.77	513,113	($6.56)	OUT	$1,075,000
01/16/09	First Manitowoc Bancorp, Inc., Manitowoc, WI[2, 4, 7]	Preferred Stock w/ Exercised Warrants	$12,000,000	05/27/09	$12,000,000	$0	05/27/09	R	$600,000							$237,983
02/06/09	First Market Bank, FSB, Richmond, VA[2]	Preferred Stock w/ Exercised Warrants	$33,900,000													$1,431,851
02/13/09	First Menasha Bancshares, Inc., Neenah, WI[2]	Preferred Stock w/ Exercised Warrants	$4,797,000													$197,540
02/20/09	First Merchants Corporation, Muncie, IN	Preferred Stock w/ Warrants	$116,000,000							$5.94	$127.2	$17.55	991,453	($11.61)	OUT	$4,269,444
12/05/08	First Midwest Bancorp, Inc., Itasca, IL	Preferred Stock w/ Warrants	$193,000,000							$10.89	$596.8	$22.18	1,305,230	($11.29)	OUT	$9,113,889
03/13/09	First National Corporation, Strasburg, VA[2]	Preferred Stock w/ Exercised Warrants	$13,900,000													$509,242
03/20/09	First NBC Bank Holding Company, New Orleans, LA[2]	Preferred Stock w/ Exercised Warrants	$17,836,000													$634,552
11/21/08	First Niagara Financial Group, Lockport, NY[5-9]	Preferred Stock w/ Warrants	$184,011,000	05/27/09	$184,011,000	$0	06/24/09	R	$2,700,000	$13.91	$2,617.9					$4,753,618
03/13/09	First Northern Community Bancorp, Dixon, CA	Preferred Stock w/ Warrants	$17,390,000							$4.85	$43.7	$7.39	352,977	($2.54)	OUT	$584,497
11/21/08	First PacTrust Bancorp, Inc., Chula Vista, CA	Preferred Stock w/ Warrants	$19,300,000							$5.35	$22.7	$10.31	280,795	($4.96)	OUT	$948,917
03/13/09	First Place Financial Corp., Warren, OH	Preferred Stock w/ Warrants	$72,927,000							$2.77	$47.0	$2.98	3,670,822	($0.21)	OUT	$2,451,157
02/20/09	First Priority Financial Corp., Malvern, PA[2, c]	Preferred Stock w/ Exercised Warrants	$4,579,000													$183,704
12/18/09	First Priority Financial Corp., Malvern, PA[2, 10a, c]	Preferred Stock	$4,596,000													
03/06/09	First Reliance Bancshares, Inc., Florence, SC[2]	Preferred Stock w/ Exercised Warrants	$15,349,000													$578,566
01/30/09	First Resource Bank, Exton, PA[2, c]	Preferred Stock w/ Exercised Warrants	$2,600,000													$112,180
12/11/09	First Resource Bank, Exton, PA[2, 10a, c]	Preferred Stock	$2,417,000													
01/09/09	First Security Group, Inc., Chattanooga, TN	Preferred Stock w/ Warrants	$33,000,000							$2.38	$39.1	$6.01	823,627	($3.63)	OUT	$1,402,500
12/23/08	First Sound Bank, Seattle, WA	Preferred Stock w/ Warrants	$7,400,000							$0.65	$1.4	$9.73	114,080	($9.08)	OUT	$330,944
07/17/09	First South Bancorp, Inc., Lexington, TN[8]	Subordinated Debentures w/ Exercised Warrants	$50,000,000													$1,375,027
01/30/09	First Southern Bancorp, Inc., Boca Raton, FL[2]	Preferred Stock w/ Exercised Warrants	$10,900,000													$470,289
03/06/09	First Southwest Bancorporation, Inc., Alamosa, CO[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$207,327
02/27/09	First State Bank of Mobeetie, Mobeetie, TX[2]	Preferred Stock w/ Exercised Warrants	$731,000													$28,581
03/06/09	First Texas BHC, Inc., Fort Worth, TX[2]	Preferred Stock w/ Exercised Warrants	$13,533,000													$510,159

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
06/05/09	First Trust Corporation, New Orleans, LA [8]	Subordinated Debentures w/ Exercised Warrants	$17,969,000													$670,012
01/23/09	First ULB Corp., Oakland, CA [2, 4, 7]	Preferred Stock w/ Exercised Warrants	$4,900,000	04/22/09	$4,900,000	$0	04/22/09	R	$245,000							$66,021
01/30/09	First United Corporation, Oakland, MD	Preferred Stock w/ Warrants	$30,000,000							$6.00	$36.8	$13.79	326,323	($7.79)	OUT	$1,187,500
06/12/09	First Vernon Bancshares, Inc., Vernon, AL [2, 10]	Preferred Stock w/ Exercised Warrants	$6,000,000													$136,871
02/06/09	First Western Financial, Inc., Denver, CO [2, c]	Preferred Stock w/ Exercised Warrants	$8,559,000													$361,514
12/11/09	First Western Financial, Inc., Denver, CO [2, 10a, c]	Preferred Stock	$11,881,000													
01/30/09	Firstbank Corporation, Alma, MI	Preferred Stock w/ Warrants	$33,000,000							$8.42	$64.9	$8.55	578,947	($0.13)	OUT	$1,306,250
01/09/09	FirstMerit Corporation, Akron, OH [4]	Preferred Stock w/ Warrants	$125,000,000	04/22/09	$125,000,000	$0	05/27/09	R	$5,025,000	$20.14	$1,728.9					$1,788,194
01/30/09	Flagstar Bancorp, Inc., Troy, MI	Preferred Stock w/ Warrants	$266,657,000							$0.60	$281.3	$0.62	64,513,790	($0.02)	OUT	$10,555,172
07/24/09	Florida Bank Group, Inc., Tampa, FL [2]	Preferred Stock w/ Exercised Warrants	$20,471,000													$344,011
02/20/09	Florida Business BancGroup, Inc., Tampa, FL [2]	Preferred Stock w/ Exercised Warrants	$9,495,000													$380,938
12/19/08	Flushing Financial Corporation, Lake Success, NY [5, 9, b]	Preferred Stock w/ Warrants	$70,000,000	10/28/09	$70,000,000	$0	12/30/09	R	$900,000	$11.26	$350.5					$3,004,167
02/27/09	FNB Bancorp, South San Francisco, CA [2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$468,700
02/13/09	FNB United Corp., Asheboro, NC	Preferred Stock w/ Warrants	$51,500,000							$1.30	$14.9	$3.50	2,207,143	($2.20)	OUT	$1,945,555
05/15/09	Foresight Financial Group, Inc., Rockford, IL [2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$408,750
05/22/09	Fort Lee Federal Savings Bank, Fort Lee, NJ [2]	Preferred Stock w/ Exercised Warrants	$1,300,000													$34,047
04/03/09	Fortune Financial Corporation, Arnold, MO [2]	Preferred Stock w/ Exercised Warrants	$3,100,000													$104,186
12/05/08	FPB Bancorp, Inc., Port St. Lucie, FL	Preferred Stock w/ Warrants	$5,800,000							$1.15	$2.4	$4.75	183,158	($3.60)	OUT	$273,889
01/23/09	FPB Financial Corp., Hammond, LA [2, 4]	Preferred Stock w/ Exercised Warrants	$3,240,000	12/16/09	$1,000,000	$2,240,000										$147,532
05/22/09	Franklin Bancorp, Inc., Washington, MO [2]	Preferred Stock w/ Exercised Warrants	$5,097,000													$133,498
05/08/09	Freeport Bancshares, Inc., Freeport, IL [8]	Subordinated Debentures w/ Exercised Warrants	$3,000,000													$130,743
06/26/09	Fremont Bancorporation, Fremont, CA [8]	Subordinated Debentures w/ Exercised Warrants	$35,000,000													$1,133,830
01/23/09	Fresno First Bank, Fresno, CA [2]	Preferred Stock w/ Exercised Warrants	$1,968,000													$53,610
04/24/09	Frontier Bancshares, Inc., Austin, TX [8]	Subordinated Debentures w/ Exercised Warrants	$3,000,000	11/24/09	$1,600,000	$1,400,000										$143,612
12/23/08	Fulton Financial Corporation, Lancaster, PA	Preferred Stock w/ Warrants	$376,500,000							$8.72	$1,537.0	$10.25	5,509,756	($1.53)	OUT	$16,837,917
05/08/09	Gateway Bancshares, Inc., Ringgold, GA [2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$169,858
02/06/09	Georgia Commerce Bancshares, Inc., Atlanta, GA [2]	Preferred Stock w/ Exercised Warrants	$8,700,000													$367,466
05/01/09	Georgia Primary Bank, Atlanta, GA [2]	Preferred Stock w/ Exercised Warrants	$4,500,000													
03/06/09	Germantown Capital Corporation, Inc., Germantown, TN [2]	Preferred Stock w/ Exercised Warrants	$4,967,000													$187,213
06/26/09	Gold Canyon Bank, Gold Canyon, AZ [2, 10]	Preferred Stock w/ Exercised Warrants	$1,607,000													$32,692

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/30/09	Goldwater Bank, N.A., Scottsdale, AZ[2]	Preferred Stock w/ Exercised Warrants	$2,568,000													$110,770
04/24/09	Grand Capital Corporation, Tulsa, OK[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$121,717
09/25/09	Grand Financial Corporation, Hattiesburg, MS[8]	Subordinated Debentures w/ Exercised Warrants	$2,443,320													$28,467
05/29/09	Grand Mountain Bancshares, Inc., Granby, CO[2]	Preferred Stock w/ Exercised Warrants	$3,076,000													
01/09/09	GrandSouth Bancorporation, Greenville, SC[2, c]	Preferred Stock w/ Exercised Warrants	$9,000,000													$416,925
12/11/09	GrandSouth Bancorporation, Greenville, SC[2, 10a, c]	Preferred Stock	$6,319,000													
07/17/09	Great River Holding Company, Baxter, MN[8]	Subordinated Debentures w/ Exercised Warrants	$8,400,000													$231,005
12/05/08	Great Southern Bancorp, Springfield, MO	Preferred Stock w/ Warrants	$58,000,000							$21.36	$286.4	$9.57	909,091	$11.79	IN	$2,738,889
12/23/08	Green Bankshares, Inc., Greeneville, TN	Preferred Stock w/ Warrants	$72,278,000							$3.55	$46.8	$17.06	635,504	($13.51)	OUT	$3,232,433
02/27/09	Green Circle Investments, Inc., Clive, IA[2]	Preferred Stock w/ Exercised Warrants	$2,400,000													$93,740
02/27/09	Green City Bancshares, Inc., Green City, MO[2]	Preferred Stock w/ Exercised Warrants	$651,000													$25,456
01/30/09	Greer Bancshares Incorporated, Greer, SC[2]	Preferred Stock w/ Exercised Warrants	$9,993,000													$431,181
02/13/09	Gregg Bancshares, Inc., Ozark, MO[2]	Preferred Stock w/ Exercised Warrants	$825,000													$33,955
02/20/09	Guaranty Bancorp, Inc., Woodsville, NH[2]	Preferred Stock w/ Exercised Warrants	$6,920,000													$277,617
09/25/09	Guaranty Capital Corporation, Belzoni, MS[3, 8]	Subordinated Debentures	$14,000,000													$149,716
01/30/09	Guaranty Federal Bancshares, Inc., Springfield, MO	Preferred Stock w/ Warrants	$17,000,000							$5.08	$13.4	$5.55	459,459	($0.47)	OUT	$672,917
09/25/09	GulfSouth Private Bank, Destin, FL[8, 10]	Subordinated Debentures w/ Exercised Warrants	$7,500,000													$84,518
06/26/09	Gulfstream Bancshares, Inc., Stuart, FL[2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$157,823
02/20/09	Hamilton State Bancshares, Hoschton, GA[2]	Preferred Stock w/ Exercised Warrants	$7,000,000													$280,827
12/31/08	Hampton Roads Bankshares, Inc., Norfolk, VA	Preferred Stock w/ Warrants	$80,347,000							$1.73	$37.8	$9.09	1,325,858	($7.36)	OUT	$2,510,844
07/17/09	Harbor Bankshares Corporation, Baltimore, MD[2, 3]	Preferred Stock	$6,800,000													$111,444
06/26/09	Hartford Financial Services Group, Inc., Hartford, CT	Preferred Stock w/ Warrants	$3,400,000,000							$23.26	$8,908.8	$9.79	52,093,973	$13.47	IN	$65,638,889
03/13/09	Haviland Bancshares, Inc., Haviland, KS[2]	Preferred Stock w/ Exercised Warrants	$425,000													$15,556
12/19/08	Hawthorn Bancshares, Inc., Lee's Summit, MO[a]	Preferred Stock w/ Warrants	$30,255,000							$9.54	$41.0	$17.78	255,261	($8.24)	OUT	$1,369,880
03/06/09	HCSB Financial Corporation, Loris, SC	Preferred Stock w/ Warrants	$12,895,000							$11.00	$41.7	$21.09	91,714	($10.09)	OUT	$445,952
09/11/09	Heartland Bancshares, Inc., Franklin, IN[2, 10]	Preferred Stock w/ Exercised Warrants	$7,000,000													$66,190
12/19/08	Heartland Financial USA, Inc., Dubuque, IA	Preferred Stock w/ Warrants	$81,698,000							$14.35	$234.2	$20.10	609,687	($5.75)	OUT	$3,699,104
09/25/09	Heritage Bankshares, Inc., Norfolk, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,103,000													$73,947
11/21/08	Heritage Commerce Corp., San Jose, CA	Preferred Stock w/ Warrants	$40,000,000							$4.02	$47.5	$12.96	462,963	($8.94)	OUT	$1,466,667

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
11/21/08	Heritage Financial Corporation, Olympia, WA[b]	Preferred Stock w/ Warrants	$24,000,000							$13.78	$152.4	$13.04	138,037	$0.74	IN	$1,180,000
03/20/09	Heritage Oaks Bancorp, Paso Robles, CA	Preferred Stock w/ Warrants	$21,000,000							$5.00	$38.8	$5.15	611,650	($0.15)	OUT	$685,416
11/21/08	HF Financial Corp., Sioux Falls, SD[4]	Preferred Stock w/ Warrants	$25,000,000	06/03/09	$25,000,000	$0	06/30/09	R	$650,000	$9.72	$63.6					$666,667
03/06/09	Highlands Independent Bancshares, Inc., Sebring, FL[2]	Preferred Stock w/ Exercised Warrants	$6,700,000													$252,562
05/08/09	Highlands State Bank, Vernon, NJ[2, c]	Preferred Stock w/ Exercised Warrants	$3,091,000													$87,526
12/22/09	Highlands State Bank, Vernon, NJ[2, 10a, c]	Preferred Stock	$2,359,000													
01/30/09	Hilltop Community Bancorp, Inc., Summit, NJ[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$172,583
12/23/08	HMN Financial, Inc., Rochester, MN	Preferred Stock w/ Warrants	$26,000,000							$4.20	$17.8	$4.68	833,333	($0.48)	OUT	$1,162,778
01/16/09	Home Bancshares, Inc., Conway, AR[b]	Preferred Stock w/ Warrants	$50,000,000							$24.07	$618.2	$26.03	144,065	($1.96)	OUT	$2,076,389
02/20/09	Hometown Bancorp of Alabama, Inc., Oneonta, AL[2]	Preferred Stock w/ Exercised Warrants	$3,250,000													$130,417
02/13/09	Hometown Bancshares, Inc., Corbin, KY[2]	Preferred Stock w/ Exercised Warrants	$1,900,000													$78,238
09/18/09	HomeTown Bankshares Corporation, Roanoke, VA[2, 10]	Preferred Stock w/ Exercised Warrants	$10,000,000													$84,496
12/12/08	HopFed Bancorp, Hopkinsville, KY	Preferred Stock w/ Warrants	$18,400,000							$9.34	$33.6	$11.32	243,816	($1.99)	OUT	$851,000
12/19/08	Horizon Bancorp, Michigan City, IN	Preferred Stock w/ Warrants	$25,000,000							$16.22	$53.1	$17.68	212,104	($1.46)	OUT	$1,131,944
02/27/09	Howard Bancorp, Inc., Ellicott City, MD[2]	Preferred Stock w/ Exercised Warrants	$5,983,000													$233,676
05/01/09	HPK Financial Corporation, Chicago, IL[2, c]	Preferred Stock w/ Exercised Warrants	$4,000,000													$117,478
11/13/09	HPK Financial Corporation, Chicago, IL[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$5,000,000													
11/14/08	Huntington Bancshares, Columbus, OH	Preferred Stock w/ Warrants	$1,398,071,000							$3.65	$2,609.9	$8.90	23,562,994	($5.25)	OUT	$70,097,727
02/06/09	Hyperion Bank, Philadelphia, PA[2]	Preferred Stock w/ Exercised Warrants	$1,552,000													$65,581
09/18/09	IA Bancorp, Inc., Iselin, NJ[2, 10]	Preferred Stock w/ Exercised Warrants	$5,976,000													$49,861
05/15/09	IBC Bancorp, Inc., Chicago, IL[3, 8]	Subordinated Debentures	$4,205,000													$161,892
12/05/08	Iberiabank Corporation, Lafayette, LA[5, 9]	Preferred Stock w/ Warrants	$90,000,000	03/31/09	$90,000,000	$0	05/20/09	R	$1,200,000	$53.81	$1,111.0					$1,450,000
03/27/09	IBT Bancorp, Inc., Irving, TX[2]	Preferred Stock w/ Exercised Warrants	$2,295,000													$79,230
03/13/09	IBW Financial Corporation, Washington, DC[2, 3a - 11/13/09, l]	Preferred Stock	$6,000,000													$213,067
03/06/09	ICB Financial, Ontario, CA[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$226,175
01/16/09	Idaho Bancorp, Boise, ID[2]	Preferred Stock w/ Exercised Warrants	$6,900,000													$124,306
05/22/09	Illinois State Bancorp, Inc., Chicago, IL[2, c]	Preferred Stock w/ Exercised Warrants	$6,272,000													$164,283
12/29/09	Illinois State Bancorp, Inc., Chicago, IL[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$4,000,000													
01/09/09	Independence Bank, East Greenwich, RI[2]	Preferred Stock w/ Exercised Warrants	$1,065,000													$49,317

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/09/09	Independent Bank Corp., Rockland, MA[4]	Preferred Stock w/ Warrants	$78,158,000	04/22/09	$78,158,000	$0	05/27/09	R	$2,200,000	$20.86	$436.6					$1,118,094
12/12/08	Independent Bank Corporation, Ionia, MI	Preferred Stock w/ Warrants	$72,000,000							$0.72	$17.3	$3.12	3,461,538	($2.40)	OUT	$2,430,000
04/24/09	Indiana Bank Corp., Dana, IN[2]	Preferred Stock w/ Exercised Warrants	$1,312,000													$39,944
12/12/08	Indiana Community Bancorp, Columbus, IN	Preferred Stock w/ Warrants	$21,500,000							$7.60	$25.5	$17.09	188,707	($9.49)	OUT	$994,375
02/27/09	Integra Bank Corporation, Evansville, IN	Preferred Stock w/ Warrants	$83,586,000							$0.74	$15.5	$1.69	7,418,876	($0.95)	OUT	$1,950,340
12/19/08	Intermountain Community Bancorp, Sandpoint, ID	Preferred Stock w/ Warrants	$27,000,000							$2.40	$20.1	$6.20	653,226	($3.80)	OUT	$1,222,500
12/23/08	International Bancshares Corporation, Laredo, TX	Preferred Stock w/ Warrants	$216,000,000							$18.91	$1,290.4	$24.43	1,326,238	($5.52)	OUT	$9,660,000
12/23/08	Intervest Bancshares Corporation, New York, NY	Preferred Stock w/ Warrants	$25,000,000							$3.28	$27.1	$5.42	691,882	($2.14)	OUT	$1,118,056
05/08/09	Investors Financial Corporation of Pettis County, Inc., Sedalia, MO[8]	Subordinated Debentures w/ Exercised Warrants	$4,000,000													$174,325
10/28/08	JPMorgan Chase & Co., New York, NY[4, h]	Preferred Stock w/ Warrants	$25,000,000,000	06/17/09	$25,000,000,000	$0	12/10/09	A	$950,318,243	$41.67	$171,052.6					$795,138,889
01/30/09	Katahdin Bankshares Corp., Houlton, ME[2]	Preferred Stock w/ Exercised Warrants	$10,449,000													$450,799
11/14/08	KeyCorp, Cleveland, OH	Preferred Stock w/ Warrants	$2,500,000,000							$5.55	$4,876.2	$10.64	35,244,361	($5.09)	OUT	$125,347,222
03/20/09	Kirksville Bancorp, Inc., Kirksville, MO[2]	Preferred Stock w/ Exercised Warrants	$470,000													$16,750
08/21/09	KS Bancorp, Inc., Smithfield, NC[2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$50,867
02/20/09	Lafayette Bancorp, Inc., Oxford, MS[2, c]	Preferred Stock w/ Exercised Warrants	$1,998,000													$80,162
12/29/09	Lafayette Bancorp, Inc., Oxford, MS[2, 10a, c]	Preferred Stock	$2,453,000													
02/06/09	Lakeland Bancorp, Inc., Oak Ridge, NJ	Preferred Stock w/ Warrants	$59,000,000							$6.39	$152.3	$9.32	949,571	($2.93)	OUT	$2,286,250
02/27/09	Lakeland Financial Corporation, Warsaw, IN[b]	Preferred Stock w/ Warrants	$56,044,000							$17.25	$273.3	$21.20	198,269	($3.95)	OUT	$2,008,243
12/18/09	Layton Park Financial Group, Milwaukee, WI[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													
01/09/09	LCNB Corp., Lebanon, OH[4]	Preferred Stock w/ Warrants	$13,400,000	10/21/09	$13,400,000	$0				$10.50	$70.2	$9.26	217,063	$1.24	IN	$524,833
12/23/08	Leader Bancorp, Inc., Arlington, MA[2]	Preferred Stock w/ Exercised Warrants	$5,830,000													$284,237
01/30/09	Legacy Bancorp, Inc., Milwaukee, WI[3]	Preferred Stock	$5,498,000													$217,629
12/04/09	Liberty Bancshares, Inc., Fort Worth, TX[2, 10]	Preferred Stock w/ Exercised Warrants	$6,500,000													
01/23/09	Liberty Bancshares, Inc., Jonesboro, AR[2]	Preferred Stock w/ Exercised Warrants	$57,500,000													$2,541,820
02/13/09	Liberty Bancshares, Inc., Springfield, MO[2]	Preferred Stock w/ Exercised Warrants	$21,900,000													$901,793
02/06/09	Liberty Financial Services, Inc., New Orleans, LA[3]	Preferred Stock	$5,645,000													$218,744
02/20/09	Liberty Shares, Inc., Hinesville, GA[2]	Preferred Stock w/ Exercised Warrants	$17,280,000													$693,240
07/10/09	Lincoln National Corporation, Radnor, PA	Preferred Stock w/ Warrants	$950,000,000							$24.88	$7,518.4	$10.92	13,049,451	$13.96	IN	$16,493,054
12/12/08	LNB Bancorp Inc., Lorain, OH	Preferred Stock w/ Warrants	$25,223,000							$4.31	$31.4	$6.74	561,343	($2.43)	OUT	$1,166,564

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
02/06/09	Lone Star Bank, Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$3,072,000													
12/12/08	LSB Corporation, North Andover, MA[4]	Preferred Stock w/ Warrants	$15,000,000	11/18/09	$15,000,000	$0	12/16/09	R	$560,000	$9.71	$43.7					$700,000
06/26/09	M&F Bancorp, Inc., Durham, NC[2, 3, 10]	Preferred Stock	$11,735,000													$226,551
12/23/08	M&T Bank Corporation, Buffalo, NY	Preferred Stock w/ Warrants	$600,000,000							$66.89	$7,899.1	$73.86	1,218,522	($6.97)	OUT	$26,833,333
04/24/09	Mackinac Financial Corporation, Manistique, MI	Preferred Stock w/ Warrants	$11,000,000							$4.64	$15.9	$4.35	379,310	$0.29	IN	$307,083
03/13/09	Madison Financial Corporation, Richmond, KY[2]	Preferred Stock w/ Exercised Warrants	$3,370,000													$123,494
12/23/08	Magna Bank, Memphis, TN[2,4]	Preferred Stock w/ Exercised Warrants	$13,795,000	11/24/09	$3,455,000	$10,340,000										$676,807
12/29/09	Mainline Bancorp, Inc., Ebensburg, PA[2]	Preferred Stock w/ Exercised Warrants	$4,500,000													
01/16/09	MainSource Financial Group, Inc., Greensburg, IN	Preferred Stock w/ Warrants	$57,000,000							$4.78	$96.3	$14.95	571,906	($10.17)	OUT	$2,367,083
12/05/08	Manhattan Bancorp, El Segundo, CA[4]	Preferred Stock w/ Warrants	$1,700,000	09/16/09	$1,700,000	$0	10/14/09	R	$63,364	$7.00	$27.9					$66,347
06/19/09	Manhattan Bancshares, Inc., Manhattan, IL[8]	Subordinated Debentures w/ Exercised Warrants	$2,639,000													$89,798
03/06/09	Marine Bank & Trust Company, Vero Beach, FL[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$113,088
02/20/09	Market Bancorporation, Inc., New Market, MN[2]	Preferred Stock w/ Exercised Warrants	$2,060,000													$82,643
05/15/09	Market Street Bancshares, Inc., Mt. Vernon, IL[8]	Subordinated Debentures w/ Exercised Warrants	$20,300,000													$851,585
12/19/08	Marquette National Corporation, Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$35,500,000													$1,752,024
11/14/08	Marshall & Ilsley Corporation, Milwaukee, WI	Preferred Stock w/ Warrants	$1,715,000,000							$5.45	$2,859.6	$18.62	13,815,789	($13.17)	OUT	$85,988,194
03/27/09	Maryland Financial Bank, Towson, MD[2]	Preferred Stock w/ Exercised Warrants	$1,700,000													$35,516
12/05/08	MB Financial Inc., Chicago, IL[b]	Preferred Stock w/ Warrants	$196,000,000							$19.71	$997.1	$29.05	506,024	($9.34)	OUT	$9,255,556
11/20/09	McLeod Bancshares, Inc., Shorewood, MN[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													
02/27/09	Medallion Bank, Salt Lake City, UT[2, c]	Preferred Stock w/ Exercised Warrants	$11,800,000													$460,888
12/22/09	Medallion Bank, Salt Lake City, UT[2, 10a, c]	Preferred Stock w/ Exercised Warrants	$9,698,000													
05/15/09	Mercantile Bank Corporation, Grand Rapids, MI	Preferred Stock w/ Warrants	$21,000,000							$3.08	$26.5	$5.11	616,438	($2.03)	OUT	$525,000
02/06/09	Mercantile Capital Corp., Boston, MA[2]	Preferred Stock w/ Exercised Warrants	$3,500,000													$147,831
06/19/09	Merchants and Manufacturers Bank Corporation, Joliet, IL[2]	Preferred Stock w/ Exercised Warrants	$3,510,000													$77,599
03/06/09	Merchants and Planters Bancshares, Inc., Toone, TN[2]	Preferred Stock w/ Exercised Warrants	$1,881,000													$70,903
02/13/09	Meridian Bank, Devon, PA[2, c]	Preferred Stock w/ Exercised Warrants	$6,200,000													$255,302
12/11/09	Meridian Bank, Devon, PA[2, 10a, c]	Preferred Stock	$6,335,000													
01/30/09	Metro City Bank, Doraville, GA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$332,223
01/16/09	MetroCorp Bancshares, Inc., Houston, TX	Preferred Stock w/ Warrants	$45,000,000							$3.50	$38.2	$8.75	771,429	($5.25)	OUT	$1,868,750
06/26/09	Metropolitan Bank Group, Inc., Chicago, IL[2]	Preferred Stock w/ Exercised Warrants	$71,526,000													$1,505,115

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
04/10/09	Metropolitan Capital Bancorp, Inc., Chicago, IL [2, c]	Preferred Stock w/ Exercised Warrants	$2,040,000													$66,400
11/20/09	Metropolitan Capital Bancorp, Inc., Chicago, IL [2, 10a, c]	Preferred Stock	$2,348,000													
12/19/08	Mid Penn Bancorp, Inc., Millersburg, PA	Preferred Stock w/ Warrants	$10,000,000							$10.29	$35.8	$20.52	73,099	($10.23)	OUT	$452,778
01/30/09	Middleburg Financial Corporation, Middleburg, VA [5, b]	Preferred Stock w/ Warrants	$22,000,000	12/23/09	$22,000,000	$0				$12.10	$83.5	$15.85	104,101	($3.75)	OUT	$986,944
01/23/09	Midland States Bancorp, Inc., Effingham, IL [2, 4]	Preferred Stock w/ Exercised Warrants	$10,189,000	12/23/09	$10,189,000	$0	12/23/09	R	$509,000							$508,989
01/09/09	MidSouth Bancorp, Inc., Lafayette, LA [b]	Preferred Stock w/ Warrants	$20,000,000							$13.90	$129.5	$14.37	104,384	($0.47)	OUT	$850,000
02/27/09	Midtown Bank & Trust Company, Atlanta, GA [2]	Preferred Stock w/ Exercised Warrants	$5,222,000													$203,957
12/05/08	Midwest Banc Holdings, Inc., Melrose Park, IL	Preferred Stock w/ Warrants	$84,784,000							$0.36	$10.1	$2.97	4,282,020	($2.61)	OUT	$824,289
02/13/09	Midwest Regional Bancorp, Inc., Festus, MO [2, 4]	Preferred Stock w/ Exercised Warrants	$700,000	11/10/09	$700,000	$0	11/10/09	R	$35,000							$28,294
02/06/09	MidWestOne Financial Group, Inc., Iowa City, IA	Preferred Stock w/ Warrants	$16,000,000							$8.74	$75.2	$12.08	198,675	($3.34)	OUT	$620,000
02/20/09	Mid-Wisconsin Financial Services, Inc., Medford, WI [2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$401,181
04/03/09	Millennium Bancorp, Inc., Edwards, CO [2]	Preferred Stock w/ Exercised Warrants	$7,260,000													$243,997
01/09/09	Mission Community Bancorp, San Luis Obispo, CA [3]	Preferred Stock	$5,116,000													$217,430
12/23/08	Mission Valley Bancorp, Sun Valley, CA [3]	Preferred Stock	$5,500,000													$245,972
12/19/08	Monadnock Bancorp, Inc., Peterborough, NH [2]	Preferred Stock w/ Exercised Warrants	$1,834,000													$90,537
02/06/09	Monarch Community Bancorp, Inc., Coldwater, MI	Preferred Stock w/ Warrants	$6,785,000							$2.70	$5.5	$3.90	260,962	($1.20)	OUT	$262,919
12/19/08	Monarch Financial Holdings, Inc., Chesapeake, VA [5, b]	Preferred Stock w/ Warrants	$14,700,000	12/23/09	$14,700,000	$0				$6.10	$35.3	$8.33	132,353	($2.23)	OUT	$743,167
03/13/09	Moneytree Corporation, Lenoir City, TN [2]	Preferred Stock w/ Exercised Warrants	$9,516,000													$348,641
01/30/09	Monument Bank, Bethesda, MD [2]	Preferred Stock w/ Exercised Warrants	$4,734,000													$204,273
10/28/08	Morgan Stanley, New York, NY [4]	Preferred Stock w/ Warrants	$10,000,000,000	06/17/09	$10,000,000,000	$0	08/12/09	R	$950,000,000	$29.60	$40,239.2					$318,055,555
01/16/09	Morrill Bancshares, Inc., Merriam, KS [2]	Preferred Stock w/ Exercised Warrants	$13,000,000													$588,449
01/23/09	Moscow Bancshares, Inc., Moscow, TN [2]	Preferred Stock w/ Exercised Warrants	$6,216,000													$274,797
09/25/09	Mountain Valley Bancshares, Inc., Cleveland, GA [2]	Preferred Stock w/ Exercised Warrants	$3,300,000													$24,979
03/27/09	MS Financial, Inc., Kingwood, TX [2]	Preferred Stock w/ Exercised Warrants	$7,723,000													$266,564
12/23/08	MutualFirst Financial, Inc., Muncie, IN	Preferred Stock w/ Warrants	$32,382,000							$5.98	$41.8	$7.77	625,135	($1.79)	OUT	$1,448,195
03/27/09	Naples Bancorp, Inc., Naples, FL [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$138,067
11/21/08	Nara Bancorp, Inc., Los Angeles, CA [b]	Preferred Stock w/ Warrants	$67,000,000							$11.34	$428.9	$9.64	521,266	$1.70	IN	$3,294,167
02/27/09	National Bancshares, Inc., Bettendorf, IA [2]	Preferred Stock w/ Exercised Warrants	$24,664,000													$963,322
12/12/08	National Penn Bancshares, Inc., Boyertown, PA [b]	Preferred Stock w/ Warrants	$150,000,000							$5.79	$727.8	$15.30	735,294	($9.51)	OUT	$6,937,500
12/11/09	Nationwide Bankshares, Inc., West Point, NE [8]	Subordinated Debentures w/ Exercised Warrants	$2,000,000													

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
06/26/09	NC Bancorp, Inc., Chicago, IL [2]	Preferred Stock w/ Exercised Warrants	$6,880,000													$144,776
12/19/08	NCAL Bancorp, Los Angeles, CA [2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$493,528
06/19/09	NEMO Bancshares Inc., Madison, MO [8]	Subordinated Debentures w/ Exercised Warrants	$2,330,000													$79,309
01/16/09	New Hampshire Thrift Bancshares, Inc., Newport, NH	Preferred Stock w/ Warrants	$10,000,000							$9.69	$55.9	$8.14	184,275	$1.55	IN	$415,278
01/09/09	New York Private Bank & Trust Corporation, New York, NY [2]	Preferred Stock w/ Exercised Warrants	$267,274,000													$12,381,491
12/12/08	NewBridge Bancorp, Greensboro, NC	Preferred Stock w/ Warrants	$52,372,000							$2.22	$34.8	$3.06	2,567,255	($0.84)	OUT	$2,422,205
12/23/08	Nicolet Bankshares, Inc., Green Bay, WI [2]	Preferred Stock w/ Exercised Warrants	$14,964,000													$729,437
01/09/09	North Central Bancshares, Inc., Fort Dodge, IA	Preferred Stock w/ Warrants	$10,200,000							$15.97	$21.5	$15.43	99,157	$0.54	IN	$433,500
12/12/08	Northeast Bancorp, Lewiston, ME	Preferred Stock w/ Warrants	$4,227,000							$8.45	$19.6	$9.33	67,958	($0.88)	OUT	$195,499
05/15/09	Northern State Bank, Closter, NJ [2, c]	Preferred Stock w/ Exercised Warrants	$1,341,000													$36,540
12/18/09	Northern State Bank, Closter, NJ [2, 10a, c]	Preferred Stock	$1,230,000													
02/20/09	Northern States Financial Corporation, Waukegan, IL	Preferred Stock w/ Warrants	$17,211,000							$4.43	$18.0	$4.42	584,084	$0.01	IN	$418,322
11/14/08	Northern Trust Corporation, Chicago, IL [4]	Preferred Stock w/ Warrants	$1,576,000,000	06/17/09	$1,576,000,000	$0	08/26/09	R	$87,000,000	$52.40	$12,654.9					$46,623,333
01/30/09	Northway Financial, Inc., Berlin, NH [2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$431,458
02/13/09	Northwest Bancorporation, Inc., Spokane, WA [2]	Preferred Stock w/ Exercised Warrants	$10,500,000													$432,367
02/13/09	Northwest Commercial Bank, Lakewood, WA [2]	Preferred Stock w/ Exercised Warrants	$1,992,000													$82,053
01/30/09	Oak Ridge Financial Services, Inc., Oak Ridge, NC	Preferred Stock w/ Warrants	$7,700,000							$4.25	$7.6	$7.05	163,830	($2.80)	OUT	$304,792
12/05/08	Oak Valley Bancorp, Oakdale, CA	Preferred Stock w/ Warrants	$13,500,000							$4.41	$33.9	$5.78	350,346	($1.37)	OUT	$637,500
01/16/09	OceanFirst Financial Corp., Toms River, NJ [5, b]	Preferred Stock w/ Warrants	$38,263,000	12/30/09	$38,263,000	$0				$11.29	$203.1	$15.07	190,427	($3.78)	OUT	$1,828,122
01/30/09	Ojai Community Bank, Ojai, CA [2]	Preferred Stock w/ Exercised Warrants	$2,080,000													$89,743
12/05/08	Old Line Bancshares, Inc., Bowie, MD [4]	Preferred Stock w/ Warrants	$7,000,000	07/15/09	$7,000,000	$0	09/02/09	R	$225,000	$6.59	$25.5					$213,889
12/12/08	Old National Bancorp, Evansville, IN [4]	Preferred Stock w/ Warrants	$100,000,000	03/31/09	$100,000,000	$0	05/08/09	R	$1,200,000	$12.43	$1,083.6					$1,513,889
01/16/09	Old Second Bancorp, Inc., Aurora, IL	Preferred Stock w/ Warrants	$73,000,000							$6.89	$95.2	$13.43	815,339	($6.54)	OUT	$3,031,528
04/17/09	Omega Capital Corp., Lakewood, CO [2]	Preferred Stock w/ Exercised Warrants	$2,816,000													$50,310
05/08/09	One Georgia Bank, Atlanta, GA [2]	Preferred Stock w/ Exercised Warrants	$5,500,000													
06/05/09	OneFinancial Corporation, Little Rock, AR [8, 10]	Subordinated Debentures w/ Exercised Warrants	$17,300,000													$623,995
12/19/08	OneUnited Bank, Boston, MA [3]	Preferred Stock	$12,063,000													$93,823
04/24/09	Oregon Bancorp, Inc., Salem, OR [2]	Preferred Stock w/ Exercised Warrants	$3,216,000													$97,870
05/01/09	OSB Financial Services, Inc., Orange, TX [8]	Subordinated Debentures w/ Exercised Warrants	$6,100,000													$147,848
11/21/08	Pacific Capital Bancorp, Santa Barbara, CA	Preferred Stock w/ Warrants	$180,634,000							$0.96	$44.9	$17.92	1,512,003	($16.96)	OUT	$2,107,397

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
12/19/08	Pacific City Financial Corporation, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$16,200,000													$358,065
12/23/08	Pacific Coast Bankers' Bancshares, San Francisco, CA[2]	Preferred Stock w/ Exercised Warrants	$11,600,000													$565,468
01/16/09	Pacific Coast National Bancorp, San Clemente, CA[2]	Preferred Stock w/ Exercised Warrants	$4,120,000													$18,088
12/23/08	Pacific Commerce Bank, Los Angeles, CA[2]	Preferred Stock w/ Exercised Warrants	$4,060,000													$165,952
12/12/08	Pacific International Bancorp, Seattle, WA	Preferred Stock w/ Warrants	$6,500,000							$4.00	$8.0	$7.63	127,785	($3.63)	OUT	$138,125
03/06/09	Park Bancorporation, Inc., Madison, WI[2]	Preferred Stock w/ Exercised Warrants	$23,200,000													$874,543
12/23/08	Park National Corporation, Newark, OH	Preferred Stock w/ Warrants	$100,000,000							$58.88	$840.0	$65.97	227,376	($7.09)	OUT	$4,472,222
01/30/09	Parke Bancorp, Inc., Sewell, NJ	Preferred Stock w/ Warrants	$16,288,000							$8.49	$34.2	$8.15	299,779	$0.34	IN	$644,733
12/23/08	Parkvale Financial Corporation, Monroeville, PA	Preferred Stock w/ Warrants	$31,762,000							$6.95	$37.7	$12.66	376,327	($5.71)	OUT	$1,420,467
02/06/09	Pascack Community Bank, Westwood, NJ[2]	Preferred Stock w/ Exercised Warrants	$3,756,000													$158,658
12/19/08	Patapsco Bancorp, Inc., Dundalk, MD[2]	Preferred Stock w/ Exercised Warrants	$6,000,000													$296,117
09/11/09	Pathfinder Bancorp, Inc., Oswego, NY	Preferred Stock w/ Warrants	$6,771,000							$5.60	$13.9	$6.58	154,354	($0.98)	OUT	$60,187
03/27/09	Pathway Bancorp, Cairo, NE[2]	Preferred Stock w/ Exercised Warrants	$3,727,000													$77,852
12/19/08	Patriot Bancshares, Inc., Houston, TX[2]	Preferred Stock w/ Exercised Warrants	$26,038,000													$1,285,056
04/17/09	Patterson Bancshares, Inc, Patterson, LA[2]	Preferred Stock w/ Exercised Warrants	$3,690,000													$15,645
01/09/09	Peapack-Gladstone Financial Corporation, Gladstone, NJ[a]	Preferred Stock w/ Warrants	$28,685,000							$12.68	$110.5	$28.63	150,296	($15.95)	OUT	$1,219,113
01/30/09	Peninsula Bank Holding Co., Palo Alto, CA	Preferred Stock w/ Warrants	$6,000,000							$7.75	$14.4	$11.02	81,670	($3.27)	OUT	
04/17/09	Penn Liberty Financial Corp., Wayne, PA[2]	Preferred Stock w/ Exercised Warrants	$9,960,000													$313,629
02/13/09	Peoples Bancorp, Lynden, WA[2]	Preferred Stock w/ Exercised Warrants	$18,000,000													$741,200
01/30/09	Peoples Bancorp Inc., Marietta, OH	Preferred Stock w/ Warrants	$39,000,000							$9.68	$101.5	$18.66	313,505	($8.98)	OUT	$1,543,750
12/23/08	Peoples Bancorp of North Carolina, Inc., Newton, NC	Preferred Stock w/ Warrants	$25,054,000							$4.95	$27.4	$10.52	357,234	($5.57)	OUT	$1,120,471
04/24/09	Peoples Bancorporation, Inc., Easley, SC[2]	Preferred Stock w/ Exercised Warrants	$12,660,000													$385,233
03/20/09	Peoples Bancshares of TN, Inc, Madisonville, TN[2]	Preferred Stock w/ Exercised Warrants	$3,900,000													$138,748
03/06/09	PeoplesSouth Bancshares, Inc., Colquitt, GA[2]	Preferred Stock w/ Exercised Warrants	$12,325,000													$464,586
09/11/09	PFSB Bancorporation, Inc., Pigeon Falls, WI[2, 10]	Preferred Stock w/ Exercised Warrants	$1,500,000													$14,469
02/06/09	PGB Holdings, Inc., Chicago, IL[3]	Preferred Stock	$3,000,000													$116,250
01/23/09	Pierce County Bancorp, Tacoma, WA[2]	Preferred Stock w/ Exercised Warrants	$6,800,000													$207,948
03/06/09	Pinnacle Bank Holding Company, Inc., Orange City, FL[2]	Preferred Stock w/ Exercised Warrants	$4,389,000													$165,419
12/12/08	Pinnacle Financial Partners, Inc., Nashville, TN[b]	Preferred Stock w/ Warrants	$95,000,000							$14.22	$468.6	$26.64	267,455	($12.42)	OUT	$4,393,750
12/19/08	Plains Capital Corporation, Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$87,631,000													$4,324,870

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
07/17/09	Plato Holdings Inc., Saint Paul, MN [8, 10]	Subordinated Debentures w/ Exercised Warrants	$2,500,000													$67,937
01/30/09	Plumas Bancorp, Quincy, CA	Preferred Stock w/ Warrants	$11,949,000							$3.00	$14.3	$7.54	237,712	($4.54)	OUT	$472,981
12/05/08	Popular, Inc., San Juan, PR [12, f]	Trust Preferred Securities w/ Warrants	$935,000,000							$2.26	$1,445.4	$6.70	20,932,836	($4.44)	OUT	$31,296,528
11/21/08	Porter Bancorp Inc., Louisville, KY [a]	Preferred Stock w/ Warrants	$35,000,000							$15.04	$131.7	$16.68	314,820	($1.64)	OUT	$1,720,833
04/03/09	Prairie Star Bancshares, Inc., Olathe, KS [2]	Preferred Stock w/ Exercised Warrants	$2,800,000													$94,103
05/08/09	Premier Bancorp, Inc., Wilmette, IL [3,8]	Subordinated Debentures	$6,784,000													$271,341
03/20/09	Premier Bank Holding Company, Tallahassee, FL [2]	Preferred Stock w/ Exercised Warrants	$9,500,000													$337,975
10/02/09	Premier Financial Bancorp, Inc., Huntington, WV	Preferred Stock w/ Warrants	$22,252,000							$6.70	$53.2	$5.31	628,588	$1.39	IN	$132,894
05/22/09	Premier Financial Corp, Dubuque, IA [8]	Subordinated Debentures w/ Exercised Warrants	$6,349,000													$255,953
02/20/09	Premier Service Bank, Riverside, CA [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													
02/13/09	PremierWest Bancorp, Medford, OR [a]	Preferred Stock w/ Warrants	$41,400,000							$1.42	$35.2	$5.70	1,090,385	($4.28)	OUT	$1,046,500
11/20/09	Presidio Bank, San Francisco, CA [2, 10]	Preferred Stock w/ Exercised Warrants	$10,800,000													
01/23/09	Princeton National Bancorp, Inc., Princeton, IL	Preferred Stock w/ Warrants	$25,083,000							$10.81	$35.7	$24.27	155,025	($13.46)	OUT	$1,017,255
02/27/09	Private Bancorporation, Inc., Minneapolis, MN [2, c]	Preferred Stock w/ Exercised Warrants	$4,960,000													$193,729
12/29/09	Private Bancorporation, Inc., Minneapolis, MN [2, 10a, c]	Preferred Stock	$3,262,000													
01/30/09	PrivateBancorp, Inc., Chicago, IL [b]	Preferred Stock w/ Warrants	$243,815,000							$8.97	$640.5	$28.35	645,013	($19.38)	OUT	$9,651,010
10/02/09	Providence Bank, Rocky Mount, NC [2, 10]	Preferred Stock w/ Exercised Warrants	$4,000,000													$25,770
11/14/08	Provident Bancshares Corp., Baltimore, MD [d]	Preferred Stock w/ Warrants	$151,500,000									$9.57	2,374,608		NA	$7,596,042
03/13/09	Provident Community Bancshares, Inc., Rock Hill, SC	Preferred Stock w/ Warrants	$9,266,000							$2.35	$4.2	$7.77	178,880	($5.42)	OUT	$311,441
02/27/09	PSB Financial Corporation, Many, LA [2]	Preferred Stock w/ Exercised Warrants	$9,270,000													$362,103
01/16/09	Puget Sound Bank, Bellevue, WA [2]	Preferred Stock w/ Exercised Warrants	$4,500,000													$203,694
01/16/09	Pulaski Financial Corp, Creve Coeur, MO	Preferred Stock w/ Warrants	$32,538,000							$6.70	$69.9	$6.27	778,421	$0.43	IN	$1,351,231
02/13/09	QCR Holdings, Inc., Moline, IL	Preferred Stock w/ Warrants	$38,237,000							$8.35	$38.0	$10.99	521,888	($2.64)	OUT	$1,444,509
10/30/09	Randolph Bank & Trust Company, Asheboro, NC [2]	Preferred Stock w/ Exercised Warrants	$6,229,000													
06/19/09	RCB Financial Corporation, Rome, GA [2, 10]	Preferred Stock w/ Exercised Warrants	$8,900,000													$190,254
01/16/09	Redwood Capital Bancorp, Eureka, CA [2]	Preferred Stock w/ Exercised Warrants	$3,800,000													$172,008
01/09/09	Redwood Financial Inc., Redwood Falls, MN [2]	Preferred Stock w/ Exercised Warrants	$2,995,000													$138,763
03/06/09	Regent Bancorp, Inc., Davie, FL [2]	Preferred Stock w/ Exercised Warrants	$9,982,000													$376,274
02/27/09	Regent Capital Corporation, Nowata, OK [2]	Preferred Stock w/ Exercised Warrants	$2,655,000													$103,716

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
10/23/09	Regents Bancshares, Inc., Vancouver, WA [2, 10]	Preferred Stock w/ Exercised Warrants	$12,700,000													$40,901
02/13/09	Regional Bankshares, Inc., Hartsville, SC [2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$61,767
11/14/08	Regions Financial Corporation, Birmingham, AL	Preferred Stock w/ Warrants	$3,500,000,000							$5.29	$6,284.7	$10.88	48,253,677	($5.59)	OUT	$175,486,111
02/13/09	Reliance Bancshares, Inc., Frontenac, MO [2]	Preferred Stock w/ Exercised Warrants	$40,000,000													$1,647,111
02/27/09	Ridgestone Financial Services, Inc., Brookfield, WI [2]	Preferred Stock w/ Exercised Warrants	$10,900,000													$277,224
01/09/09	Rising Sun Bancorp, Rising Sun, MD [2]	Preferred Stock w/ Exercised Warrants	$5,983,000													$195,637
06/12/09	River Valley Bancorporation, Inc., Wausau, WI [8]	Subordinated Debentures w/ Exercised Warrants	$15,000,000													$534,862
05/15/09	Riverside Bancshares, Inc., Little Rock, AR [8]	Subordinated Debentures w/ Exercised Warrants	$1,100,000													$46,145
01/30/09	Rogers Bancshares, Inc., Little Rock, AR [2]	Preferred Stock w/ Exercised Warrants	$25,000,000													$738,021
02/20/09	Royal Bancshares of Pennsylvania, Inc., Narberth, PA	Preferred Stock w/ Warrants	$30,407,000							$1.30	$16.8	$4.13	1,104,370	($2.83)	OUT	$358,971
01/16/09	S&T Bancorp, Indiana, PA	Preferred Stock w/ Warrants	$108,676,000							$17.01	$471.3	$31.53	517,012	($14.52)	OUT	$4,513,073
12/23/08	Saigon National Bank, Westminster, CA [2]	Preferred Stock w/ Exercised Warrants	$1,549,000													
03/13/09	Salisbury Bancorp, Inc., Lakeville, CT	Preferred Stock w/ Warrants	$8,816,000							$21.75	$36.7	$22.93	57,671	($1.18)	OUT	$296,316
12/05/08	Sandy Spring Bancorp, Inc., Olney, MD	Preferred Stock w/ Warrants	$83,094,000							$8.89	$146.4	$19.13	651,547	($10.24)	OUT	$3,923,883
02/13/09	Santa Clara Valley Bank, N.A., Santa Paula, CA [2]	Preferred Stock w/ Exercised Warrants	$2,900,000													$119,416
12/19/08	Santa Lucia Bancorp, Atascadero, CA [a]	Preferred Stock w/ Warrants	$4,000,000							$11.00	$21.6	$15.75	38,107	($4.75)	OUT	$181,111
03/27/09	SBT Bancorp, Inc., Simsbury, CT [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$138,067
01/16/09	SCBT Financial Corporation, Columbia, SC [4]	Preferred Stock w/ Warrants	$64,779,000	05/20/09	$64,779,000	$0	06/24/09	R	$1,400,000	$27.69	$352.4					$1,115,639
12/19/08	Seacoast Banking Corporation of Florida, Stuart, FL [b]	Preferred Stock w/ Warrants	$50,000,000							$1.63	$95.9	$6.36	589,623	($4.73)	OUT	$388,889
12/23/08	Seacoast Commerce Bank, Chula Vista, CA [2]	Preferred Stock w/ Exercised Warrants	$1,800,000													$87,745
02/13/09	Security Bancshares of Pulaski County, Inc., Waynesville, MO [2]	Preferred Stock w/ Exercised Warrants	$2,152,000													$88,642
01/09/09	Security Business Bancorp, San Diego, CA [2]	Preferred Stock w/ Exercised Warrants	$5,803,000													$268,813
01/09/09	Security California Bancorp, Riverside, CA [2]	Preferred Stock w/ Exercised Warrants	$6,815,000													$315,725
06/26/09	Security Capital Corporation, Batesville, MS [2, 10]	Preferred Stock w/ Exercised Warrants	$17,388,000													$353,824
12/19/08	Security Federal Corporation, Aiken, SC	Preferred Stock w/ Warrants	$18,000,000							$10.00	$24.6	$19.57	137,966	($9.57)	OUT	$815,000
02/20/09	Security State Bancshares, Inc., Charleston, MO [2]	Preferred Stock w/ Exercised Warrants	$12,500,000													$501,475
05/01/09	Security State Bank Holding-Company, Jamestown, ND [8]	Subordinated Debentures w/ Exercised Warrants	$10,750,000													$486,075
11/21/08	Severn Bancorp, Inc., Annapolis, MD	Preferred Stock w/ Warrants	$23,393,000							$2.52	$25.4	$6.30	556,976	($3.78)	OUT	$1,150,156
01/09/09	Shore Bancshares, Inc., Easton, MD [4]	Preferred Stock w/ Warrants	$25,000,000	04/15/09	$25,000,000	$0				$14.50	$122.1	$21.68	172,970	($7.18)	OUT	$333,333
06/26/09	Signature Bancshares, Inc., Dallas, TX [8]	Subordinated Debentures w/ Exercised Warrants	$1,700,000													$55,072

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
12/12/08	Signature Bank, New York, NY[4]	Preferred Stock w/ Warrants	$120,000,000	03/31/09	$120,000,000	$0				$31.90	$1,294.9	$30.21	595,829	$1.69	IN	$1,816,667
01/16/09	Somerset Hills Bancorp, Bernardsville, NJ[4]	Preferred Stock w/ Warrants	$7,414,000	05/20/09	$7,414,000	$0	06/24/09	R	$275,000	$7.75	$40.1					$127,686
02/20/09	Sonoma Valley Bancorp, Sonoma, CA[2]	Preferred Stock w/ Exercised Warrants	$8,653,000													$347,164
01/09/09	Sound Banking Company, Morehead City, NC[2]	Preferred Stock w/ Exercised Warrants	$3,070,000													$142,256
12/05/08	South Financial Group, Inc., Greenville, SC	Preferred Stock w/ Warrants	$347,000,000							$0.64	$138.9	$5.15	10,106,796	($4.51)	OUT	$16,386,111
07/17/09	SouthCrest Financial Group, Inc., Fayetteville, GA[2]	Preferred Stock w/ Exercised Warrants	$12,900,000													$230,444
01/16/09	Southern Bancorp, Inc., Arkadelphia, AR[3]	Preferred Stock	$11,000,000													$456,806
12/05/08	Southern Community Financial Corp., Winston-Salem, NC	Preferred Stock w/ Warrants	$42,750,000							$2.27	$38.1	$3.95	1,623,418	($1.68)	OUT	$2,018,750
02/27/09	Southern First Bancshares, Inc., Greenville, SC	Preferred Stock w/ Warrants	$17,299,000							$6.60	$20.3	$7.85	330,554	($1.25)	OUT	$619,881
05/15/09	Southern Heritage Bancshares, Inc., Cleveland, TN[2]	Preferred Stock w/ Exercised Warrants	$4,862,000													$132,485
01/23/09	Southern Illinois Bancorp, Inc., Carmi, IL[2]	Preferred Stock w/ Exercised Warrants	$5,000,000													$221,028
12/05/08	Southern Missouri Bancorp, Inc., Poplar Bluff, MO	Preferred Stock w/ Warrants	$9,550,000							$11.75	$24.5	$12.53	114,326	($0.78)	OUT	$450,972
06/12/09	SouthFirst Bancshares, Inc., Sylacauga, AL[2]	Preferred Stock w/ Exercised Warrants	$2,760,000													$63,928
12/05/08	Southwest Bancorp, Inc., Stillwater, OK	Preferred Stock w/ Warrants	$70,000,000							$6.94	$102.4	$14.92	703,753	($7.98)	OUT	$3,305,556
03/13/09	Sovereign Bancshares, Inc., Dallas, TX[2]	Preferred Stock w/ Exercised Warrants	$18,215,000													$667,342
03/27/09	Spirit BankCorp, Inc., Bristow, OK[2]	Preferred Stock w/ Exercised Warrants	$30,000,000													$1,035,500
03/13/09	St. Johns Bancshares, Inc., St. Louis, MO[2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$109,908
04/24/09	Standard Bancshares, Inc., Hickory Hills, IL[2]	Preferred Stock w/ Exercised Warrants	$60,000,000													$1,825,750
12/05/08	State Bancorp, Inc., Jericho, NY	Preferred Stock w/ Warrants	$36,842,000							$7.11	$104.1	$11.87	465,569	($4.76)	OUT	$1,739,761
01/16/09	State Bankshares, Inc., Fargo, ND[2, 4]	Preferred Stock w/ Exercised Warrants	$50,000,000	08/12/09	$12,500,000	$37,500,000										$2,101,806
02/13/09	State Capital Corporation, Greenwood, MS[2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$617,667
10/28/08	State Street Corporation, Boston, MA[5, 9]	Preferred Stock w/ Warrants	$2,000,000,000	06/17/09	$2,000,000,000	$0	07/08/09	R	$60,000,000	$43.54	$21,537.7					$63,611,111
06/26/09	Stearns Financial Services, Inc., St. Cloud, MN[8]	Subordinated Debentures w/ Exercised Warrants	$24,900,000													$806,628
09/25/09	Steele Street Bank Corporation, Denver, CO[8, 10]	Subordinated Debentures w/ Exercised Warrants	$11,019,000													$124,186
12/19/08	StellarOne Corporation, Charlottesville, VA	Preferred Stock w/ Warrants	$30,000,000							$9.96	$226.4	$14.87	302,623	($4.91)	OUT	$1,358,333
12/23/08	Sterling Bancorp, New York, NY	Preferred Stock w/ Warrants	$42,000,000							$7.14	$129.3	$12.19	516,817	($5.05)	OUT	$1,878,333
12/12/08	Sterling Bancshares, Inc., Houston, TX[4]	Preferred Stock w/ Warrants	$125,198,000	05/05/09	$125,198,000	$0				$5.13	$419.4	$7.18	2,615,557	($2.05)	OUT	$2,486,571
12/05/08	Sterling Financial Corporation, Spokane, WA	Preferred Stock w/ Warrants	$303,000,000							$0.62	$32.4	$7.06	6,437,677	($6.44)	OUT	$6,733,333
01/30/09	Stewardship Financial Corporation, Midland Park, NJ[a]	Preferred Stock w/ Warrants	$10,000,000							$8.42	$46.8	$11.24	133,475	($2.82)	OUT	$395,833

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
02/06/09	Stockmens Financial Corporation, Rapid City, SD [2]	Preferred Stock w/ Exercised Warrants	$15,568,000													$657,526
01/23/09	Stonebridge Financial Corp., West Chester, PA [2]	Preferred Stock w/ Exercised Warrants	$10,973,000													$485,094
06/19/09	Suburban Illinois Bancorp, Inc., Elmhurst, IL [8]	Subordinated Debentures w/ Exercised Warrants	$15,000,000													$510,395
12/19/08	Summit State Bank, Santa Rosa, CA	Preferred Stock w/ Warrants	$8,500,000							$5.49	$26.1	$5.33	239,212	$0.16	IN	$384,861
01/09/09	Sun Bancorp, Inc., Vineland, NJ [4]	Preferred Stock w/ Warrants	$89,310,000	04/08/09	$89,310,000	$0	05/27/09	R	$2,100,000	$3.75	$87.0					$1,103,971
11/14/08	SunTrust Banks, Inc., Atlanta, GA [c]	Preferred Stock w/ Warrants	$3,500,000,000							$20.29	$10,127.8	$44.15	11,891,280	($23.86)	OUT	$254,756,944
12/31/08	SunTrust Banks, Inc., Atlanta, GA [c]	Preferred Stock w/ Warrants	$1,350,000,000									$33.70	6,008,902	($13.41)	OUT	
12/05/08	Superior Bancorp Inc., Birmingham, AL [17]	Trust Preferred Securities w/ Warrants	$69,000,000							$3.29	$38.2	$5.24	1,975,688	($2.09)	OUT	$3,507,500
01/09/09	Surrey Bancorp, Mount Airy, NC [2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$92,650
12/12/08	Susquehanna Bancshares, Inc, Lititz, PA	Preferred Stock w/ Warrants	$300,000,000							$5.89	$508.9	$14.86	3,028,264	($8.97)	OUT	$13,875,000
04/10/09	SV Financial, Inc., Sterling, IL [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$130,194
12/12/08	SVB Financial Group, Santa Clara, CA [5,b]	Preferred Stock w/ Warrants	$235,000,000	12/23/09	$235,000,000	$0				$41.66	$1,708.4	$49.78	354,058	($8.12)	OUT	$12,109,028
05/08/09	Sword Financial Corporation, Horicon, WI [8]	Subordinated Debentures w/ Exercised Warrants	$13,644,000													$594,610
12/19/08	Synovus Financial Corp., Columbus, GA	Preferred Stock w/ Warrants	$967,870,000							$2.05	$984.8	$9.36	15,510,737	($7.31)	OUT	$43,823,003
01/16/09	Syringa Bancorp, Boise, ID [2]	Preferred Stock w/ Exercised Warrants	$8,000,000													$253,122
11/21/08	Taylor Capital Group, Rosemont, IL	Preferred Stock w/ Warrants	$104,823,000							$11.39	$126.2	$10.75	1,462,647	$0.64	IN	$5,153,798
08/28/09	TCB Corporation, Greenwood, SC [8, 10]	Subordinated Debentures w/ Exercised Warrants	$9,720,000													$168,702
01/16/09	TCB Holding Company, Texas Community Bank, The Woodlands, TX [2]	Preferred Stock w/ Exercised Warrants	$11,730,000													$531,000
11/14/08	TCF Financial Corporation, Wayzata, MN [4, i]	Preferred Stock w/ Warrants	$361,172,000	04/22/09	$361,172,000	$0	12/15/09	A	$9,599,964	$13.62	$1,757.1					$7,925,719
12/23/08	TCNB Financial Corp., Dayton, OH [2]	Preferred Stock w/ Exercised Warrants	$2,000,000													$97,494
12/19/08	Tennessee Commerce Bancorp, Inc., Franklin, TN	Preferred Stock w/ Warrants	$30,000,000							$4.37	$20.7	$9.75	461,538	($5.38)	OUT	$1,358,333
12/23/08	Tennessee Valley Financial Holdings, Inc., Oak Ridge, TN [2]	Preferred Stock w/ Exercised Warrants	$3,000,000													$146,242
01/16/09	Texas Capital Bancshares, Inc., Dallas, TX [4]	Preferred Stock w/ Warrants	$75,000,000	05/13/09	$75,000,000	$0				$13.96	$499.8	$14.84	758,086	($0.88)	OUT	$1,218,750
01/09/09	Texas National Bancorporation, Jacksonville, TX [2]	Preferred Stock w/ Exercised Warrants	$3,981,000													$184,417
08/07/09	The ANB Corporation, Terrell, TX [2]	Preferred Stock w/ Exercised Warrants	$20,000,000													$296,722
12/12/08	The Bancorp, Inc., Wilmington, DE [b]	Preferred Stock w/ Warrants	$45,220,000							$6.86	$179.6	$3.46	980,203	$3.40	IN	$2,091,425
02/06/09	The Bank of Currituck, Moyock, NC [2]	Preferred Stock w/ Exercised Warrants	$4,021,000													$169,834
02/13/09	The Bank of Kentucky Financial Corporation, Crestview Hills, KY	Preferred Stock w/ Warrants	$34,000,000							$18.78	$105.5	$18.56	274,784	$0.22	IN	$1,284,444
10/28/08	The Bank of New York Mellon Corporation, New York, NY [4]	Preferred Stock w/ Warrants	$3,000,000,000	06/17/09	$3,000,000,000	$0	08/05/09	R	$136,000,000	$27.97	$33,682.7					$95,416,667

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CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/16/09	The Baraboo Bancorporation, Baraboo, WI [2]	Preferred Stock w/ Exercised Warrants	$20,749,000													$939,177
12/19/08	The Connecticut Bank and Trust Company, Hartford, CT	Preferred Stock w/ Warrants	$5,448,000							$4.35	$15.5	$4.65	175,742	($0.30)	OUT	$68,100
12/19/08	The Elmira Savings Bank, FSB, Elmira, NY	Preferred Stock w/ Warrants	$9,090,000							$16.75	$32.0	$11.70	116,538	$5.05	IN	$411,575
01/09/09	The First Bancorp, Inc., Damariscotta, ME	Preferred Stock w/ Warrants	$25,000,000							$15.42	$150.2	$16.60	225,904	($1.18)	OUT	$1,062,500
02/06/09	The First Bancshares, Inc., Hattiesburg, MS	Preferred Stock w/ Warrants	$5,000,000							$7.02	$21.2	$13.71	54,705	($6.69)	OUT	$193,750
02/06/09	The Freeport State Bank, Harper, KS [2]	Preferred Stock w/ Exercised Warrants	$301,000													$8,610
10/28/08	The Goldman Sachs Group, Inc., New York, NY [4]	Preferred Stock w/ Warrants	$10,000,000,000	06/17/09	$10,000,000,000	$0	07/22/09	R	$1,100,000,000	$168.84	$86,869.9					$318,055,555
05/22/09	The Landrum Company, Columbia, MO [2]	Preferred Stock w/ Exercised Warrants	$15,000,000													$392,854
12/23/08	The Little Bank, Incorporated, Kinston, NC [2]	Preferred Stock w/ Exercised Warrants	$7,500,000													$365,605
12/31/08	The PNC Financial Services Group Inc., Pittsburgh, PA	Preferred Stock w/ Warrants	$7,579,200,000							$52.79	$24,351.5	$67.33	16,885,192	($14.54)	OUT	$331,590,000
02/20/09	The Private Bank of California, Los Angeles, CA [2]	Preferred Stock w/ Exercised Warrants	$5,450,000													$218,677
01/09/09	The Queensborough Company, Louisville, GA [2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$555,900
09/04/09	The State Bank of Bartley, Bartley, NE [8, 10]	Subordinated Debentures w/ Exercised Warrants	$1,697,000													$27,159
12/11/09	The Victory Bancorp, Inc., Limerick, PA [2, 10a, c]	Preferred Stock w/ Exercised Warrants	$1,505,000													$21,128
02/27/09	The Victory Bancorp, Inc. (T he Victory Bank), Limerick, PA [2, 13 - 12/4/09, c]	Preferred Stock w/ Exercised Warrants	$541,000													
01/23/09	Three Shores Bancorporation, Inc. (Seaside National Bank & Trust), Orlando, FL [2, 13 - 12/4/09]	Preferred Stock w/ Exercised Warrants	$5,677,000													$250,966
12/05/08	TIB Financial Corp, Naples, FL [a]	Preferred Stock w/ Warrants	$37,000,000							$0.64	$9.6	$5.02	1,106,389	($4.37)	OUT	$1,284,722
12/19/08	Tidelands Bancshares, Inc, Mt. Pleasant, SC	Preferred Stock w/ Warrants	$14,448,000							$3.70	$15.8	$3.79	571,821	($0.09)	OUT	$654,173
04/17/09	Tifton Banking Company, Tifton, GA [2]	Preferred Stock w/ Exercised Warrants	$3,800,000													$119,658
12/23/08	Timberland Bancorp, Inc., Hoquiam, WA	Preferred Stock w/ Warrants	$16,641,000							$4.44	$31.3	$6.73	370,899	($2.29)	OUT	$744,223
04/03/09	Titonka Bancshares, Inc, Titonka, IA [2]	Preferred Stock w/ Exercised Warrants	$2,117,000													$71,157
02/06/09	Todd Bancshares, Inc., Hopkinsville, KY [2]	Preferred Stock w/ Exercised Warrants	$4,000,000													$168,950
12/12/08	TowneBank, Portsmouth, VA	Preferred Stock w/ Warrants	$76,458,000							$11.68	$274.2	$21.31	538,184	($9.63)	OUT	$3,536,182
01/16/09	Treaty Oak Bancorp, Inc., Austin, TX [2]	Preferred Stock w/ Exercised Warrants	$3,268,000													$147,898
03/27/09	Triad Bancorp, Inc., Frontenac, MO [2]	Preferred Stock w/ Exercised Warrants	$3,700,000													$127,712
12/19/08	Tri-County Financial Corporation, Waldorf, MD [2]	Preferred Stock w/ Exercised Warrants	$15,540,000													$766,943
03/27/09	Trinity Capital Corporation, Los Alamos, NM [2]	Preferred Stock w/ Exercised Warrants	$35,539,000													$1,226,691
04/03/09	Tri-State Bank of Memphis, Memphis, TN [2, 3]	Preferred Stock	$2,795,000													$86,179
02/27/09	TriState Capital Holdings, Inc., Pittsburgh, PA [2]	Preferred Stock w/ Exercised Warrants	$23,000,000													$584,967

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
04/03/09	TriSummit Bank, Kingsport, TN[2, c]	Preferred Stock w/ Exercised Warrants	$2,765,000													$92,913
12/22/09	TriSummit Bank, Kingsport, TN[2, 10a, c]	Preferred Stock	$4,237,000													
11/21/08	Trustmark Corporation, Jackson, MS[4]	Preferred Stock w/ Warrants	$215,000,000	12/09/09	$215,000,000	$0	12/30/09	R	$10,000,000	$22.54	$1,416.5					$11,287,500
05/29/09	Two Rivers Financial Group, Burlington, IA[2]	Preferred Stock w/ Exercised Warrants	$12,000,000													$301,567
11/14/08	U.S. Bancorp, Minneapolis, MN[4]	Preferred Stock w/ Warrants	$6,599,000,000	06/17/09	$6,599,000,000	$0	07/15/09	R	$139,000,000	$22.51	$43,048.7					$195,220,417
08/07/09	U.S. Century Bank, Miami, FL[2]	Preferred Stock w/ Exercised Warrants	$50,236,000													$745,312
01/30/09	UBT Bancshares, Inc., Marysville, KS[2]	Preferred Stock w/ Exercised Warrants	$8,950,000													$386,334
11/14/08	UCBH Holdings, Inc., San Francisco, CA[14]	Preferred Stock w/ Warrants	$298,737,000							$0.03	$4.0	$5.71	7,847,732	($5.68)	OUT	$7,509,920
11/14/08	Umpqua Holdings Corp., Portland, OR[b]	Preferred Stock w/ Warrants	$214,181,000							$13.41	$1,163.7	$14.46	1,110,898	($1.05)	OUT	$10,738,797
05/01/09	Union Bank & Trust Company, Oxford, NC[2, c]	Preferred Stock w/ Exercised Warrants	$3,194,000													$93,821
12/18/09	Union Bank & Trust Company, Oxford, NC[2, 10a, c]	Preferred Stock	$2,997,000													
12/19/08	Union Bankshares Corporation, Bowling Green, VA[5, 9, b]	Preferred Stock w/ Warrants	$59,000,000	11/18/09	$59,000,000	$0	12/23/09	R	$450,000	$12.39	$227.2					$2,695,972
12/29/09	Union Financial Corporation, Albuquerque, NM[2, 10]	Preferred Stock w/ Exercised Warrants	$2,179,000													
02/20/09	United American Bank, San Mateo, CA[2]	Preferred Stock w/ Exercised Warrants	$8,700,000													
01/16/09	United Bancorp, Inc., Tecumseh, MI	Preferred Stock w/ Warrants	$20,600,000							$5.25	$26.6	$9.92	311,492	($4.67)	OUT	$855,472
12/23/08	United Bancorporation of Alabama, Inc., Atmore, AL	Preferred Stock w/ Warrants	$10,300,000							$5.00	$11.4	$14.85	104,040	($9.85)	OUT	$460,639
05/22/09	United Bank Corporation, Barnesville, GA[8]	Subordinated Debentures w/ Exercised Warrants	$14,400,000													$580,591
12/05/08	United Community Banks, Inc., Blairsville, GA[b]	Preferred Stock w/ Warrants	$180,000,000							$3.39	$318.5	$12.28	1,099,542	($8.89)	OUT	$8,500,000
01/16/09	United Financial Banking Companies, Inc., Vienna, VA[2]	Preferred Stock w/ Exercised Warrants	$5,658,000													$256,119
12/05/08	Unity Bancorp, Inc., Clinton, NJ	Preferred Stock w/ Warrants	$20,649,000							$4.02	$28.6	$4.05	764,778	($0.03)	OUT	$975,092
05/22/09	Universal Bancorp, Bloomfield, IN[2]	Preferred Stock w/ Exercised Warrants	$9,900,000													$259,284
06/19/09	University Financial Corp, Inc., St. Paul, MN[3, 8]	Subordinated Debentures	$11,926,000													$372,422
02/06/09	US Metro Bank, Garden Grove, CA[2]	Preferred Stock w/ Exercised Warrants	$2,861,000													$120,838
12/23/08	Uwharrie Capital Corp, Albemarle, NC[2]	Preferred Stock w/ Exercised Warrants	$10,000,000													$487,472
01/30/09	Valley Commerce Bancorp, Visalia, CA[2]	Preferred Stock w/ Exercised Warrants	$7,700,000													$332,223
01/09/09	Valley Community Bank, Pleasanton, CA[2]	Preferred Stock w/ Exercised Warrants	$5,500,000													$254,788
12/12/08	Valley Financial Corporation, Roanoke, VA	Preferred Stock w/ Warrants	$16,019,000							$3.50	$16.4	$6.97	344,742	($3.47)	OUT	$740,879
12/18/09	Valley Financial Group, Ltd., 1st State Bank, Saginaw, MI[2]	Preferred Stock w/ Exercised Warrants	$1,300,000													
11/14/08	Valley National Bancorp, Wayne, NJ[4, a, c]	Preferred Stock w/ Warrants	$300,000,000	06/03/09	$75,000,000	$225,000,000				$14.13	$2,161.6	$18.7	$2,411,944.0	($4.53)	OUT	$12,979,167
				09/23/09	$125,000,000	$100,000,000										
				12/23/09	$100,000,000	$0										

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

Purchase Date	Institution	Investment Description	Investment Amount	Capital Repayment Details: Capital Repayment Date	Capital Repayment Details: Capital Repayment Amount	Capital Repayment Details: Remaining Capital Amount	Final Disposition: Final Disposition Date	Final Disposition: Note	Final Disposition: Final Disposition Proceeds	Warrant and Market Data for Publicly Traded Companies: Current Stock Price (as of 12/31/09)	Warrant and Market Data for Publicly Traded Companies: Market Capitalization (in millions)	Warrant and Market Data for Publicly Traded Companies: Current Strike Price[a]	Warrant and Market Data for Publicly Traded Companies: Current Outstanding Warrants[a]	Warrant and Market Data for Publicly Traded Companies: Amount "In the Money" or "Out of the Money"[e]	Warrant and Market Data for Publicly Traded Companies: In or Out of the Money[e]	Income Paid to Treasury (Dividends or Interest)
05/01/09	Village Bank and Trust Financial Corp, Midlothian, VA	Preferred Stock w/ Warrants	$14,738,000							$2.33	$9.9	$4.43	499,029	($2.10)	OUT	$397,107
12/12/08	Virginia Commerce Bancorp, Arlington, VA	Preferred Stock w/ Warrants	$71,000,000							$3.75	$100.1	$3.95	2,696,203	($0.20)	OUT	$3,283,750
06/12/09	Virginia Company Bank, Newport News, VA [2, 10]	Preferred Stock w/ Exercised Warrants	$4,700,000													$105,345
04/24/09	Vision Bank - Texas, Richardson, TX [2]	Preferred Stock w/ Exercised Warrants	$1,500,000													$45,644
12/19/08	VIST Financial Corp., Wyomissing, PA	Preferred Stock w/ Warrants	$25,000,000							$5.25	$30.4	$10.30	364,078	($5.05)	OUT	$1,131,944
01/30/09	W.T.B. Financial Corporation, Spokane, WA [2]	Preferred Stock w/ Exercised Warrants	$110,000,000													$4,746,041
12/11/09	Wachusett Financial Services, Inc., Clinton, MA [2, 10]	Preferred Stock w/ Exercised Warrants	$12,000,000													
12/19/08	Wainwright Bank & Trust Company, Boston, MA [4]	Preferred Stock w/ Warrants	$22,000,000	11/24/09	$22,000,000	$0	12/16/09	R	$568,700	$7.30	$53.2					$1,023,611
01/16/09	Washington Banking Company, Oak Harbor, WA [b]	Preferred Stock w/ Warrants	$26,380,000							$11.94	$173.7	$8.04	246,082	$3.90	IN	$1,095,503
11/14/08	Washington Federal, Inc., Seattle, WA [4]	Preferred Stock w/ Warrants	$200,000,000	05/27/09	$200,000,000	$0				$19.34	$2,173.4	$17.57	1,707,456	$1.77	IN	$5,361,111
10/30/09	WashingtonFirst Bankshares, Inc., Reston, VA [2, 10a, c]	Preferred Stock	$6,842,000													$286,211
01/30/09	WashingtonFirst Bankshares, Inc. (WashingtonFirst Bank), Reston, VA [2, 13 - 10/30/09, c]	Preferred Stock w/ Exercised Warrants	$6,633,000													
06/26/09	Waukesha Bankshares, Inc., Waukesha, WI [2, 10]	Preferred Stock w/ Exercised Warrants	$5,625,000													$114,466
11/21/08	Webster Financial Corporation, Waterbury, CT	Preferred Stock w/ Warrants	$400,000,000							$11.87	$844.8	$18.28	3,282,276	($6.41)	OUT	$19,666,667
10/28/08	Wells Fargo & Company, San Francisco, CA [4]	Preferred Stock w/ Warrants	$25,000,000,000	12/23/09	$25,000,000,000	$0				$26.99	$137,995.3	$34.01	110,261,688	($7.02)	OUT	$1,440,972,222
12/05/08	WesBanco, Inc., Wheeling, WV [4]	Preferred Stock w/ Warrants	$75,000,000	09/09/09	$75,000,000	$0	12/23/09	R	$950,000	$12.34	$327.8					$2,854,167
12/31/08	West Bancorporation, Inc., West Des Moines, IA	Preferred Stock w/ Warrants	$36,000,000							$4.93	$85.8	$11.39	474,100	($6.46)	OUT	$1,575,000
02/13/09	Westamerica Bancorporation, San Rafael, CA [4, c]	Preferred Stock w/ Warrants	$83,726,000	09/02/09	$41,863,000	$41,863,000				$55.37	$1,617.2	$50.92	246,640	$4.45	IN	$2,755,981
				11/18/09	$41,863,000	$0										
11/21/08	Western Alliance Bancorporation, Las Vegas, NV [b]	Preferred Stock w/ Warrants	$140,000,000							$3.78	$274.0	$13.34	787,107	($9.56)	OUT	$6,883,333
12/23/08	Western Community Bancshares, Inc., Palm Desert, CA [2]	Preferred Stock w/ Exercised Warrants	$7,290,000													$355,408
12/23/08	Western Illinois Bancshares Inc., Monmouth, IL [2, c]	Preferred Stock w/ Exercised Warrants	$6,855,000													$334,183
12/29/09	Western Illinois Bancshares Inc., Monmouth, IL [2, 10a, c]	Preferred Stock	$4,567,000													
05/15/09	Western Reserve Bancorp, Inc, Medina, OH [2]	Preferred Stock w/ Exercised Warrants	$4,700,000													$128,075
02/20/09	White River Bancshares Company, Fayetteville, AR [2]	Preferred Stock w/ Exercised Warrants	$16,800,000													$673,983
12/19/08	Whitney Holding Corporation, New Orleans, LA	Preferred Stock w/ Warrants	$300,000,000							$9.11	$878.6	$17.10	2,631,579	($7.99)	OUT	$13,583,333
12/12/08	Wilmington Trust Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$330,000,000							$12.34	$856.3	$26.66	1,856,714	($14.32)	OUT	$15,262,500
12/12/08	Wilshire Bancorp, Inc., Los Angeles, CA	Preferred Stock w/ Warrants	$62,158,000							$8.19	$240.9	$9.82	949,460	($1.63)	OUT	$2,874,808
12/19/08	Wintrust Financial Corporation, Lake Forest, IL	Preferred Stock w/ Warrants	$250,000,000							$30.79	$744.0	$22.82	1,643,295	$7.97	IN	$11,319,444
05/15/09	Worthington Financial Holdings, Inc., Huntsville, AL [2]	Preferred Stock w/ Exercised Warrants	$2,720,000													$74,120

Continued on next page.

CPP TRANSACTION DETAIL, AS OF 12/31/2009 (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	Final Disposition Proceeds	Current Stock Price (as of 12/31/09)	Market Capitalization (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]	Income Paid to Treasury (Dividends or Interest)
01/23/09	WSFS Financial Corporation, Wilmington, DE	Preferred Stock w/ Warrants	$52,625,000							$25.63	$181.4	$45.08	175,105	($19.45)	OUT	$2,134,237
01/16/09	Yadkin Valley Financial Corporation, Elkin, NC[c]	Preferred Stock w/ Warrants	$36,000,000							$3.66	$59.0	$13.99	385,990	($10.33)	OUT	$1,700,227
07/24/09	Yadkin Valley Financial Corporation, Elkin, NC[c]	Preferred Stock w/ Warrants	$13,312,000									$7.30	273,534	($3.64)	OUT	
04/24/09	York Traditions Bank, York, PA[2]	Preferred Stock w/ Exercised Warrants	$4,871,000													$148,243
11/14/08	Zions Bancorporation, Salt Lake City, UT	Preferred Stock w/ Warrants	$1,400,000,000							$12.83	$1,790.4	$36.27	5,789,909	($23.44)	OUT	$70,194,444
		Total Purchase Amount	**$204,894,726,320**	**Total Capital Repayment Amount**	**$121,885,197,000**		**Total Warrant Disposition Proceeeds**		**$4,028,274,703**							
		Total Treasury CPP Investment Amount	**$83,009,529,320**													

Notes: Numbers affected by rounding. Data as of 12/31/09. Numeric notes were taken verbatim from Treasury's 1/4/2010 *Transactions Report*. All amounts and totals reflect cumulative receipts since inception through 12/31/2009.

[1] 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.

[2] Privately held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock (unless the institution is a CDFI), which it exercised immediately.

[3] To promote community development financial institutions (CDFIs), Treasury does not require warrants as part of its investment in certified CDFIs when the size of the investment is $50 million or less.

[3a] Treasury cancelled the warrants received from this institution due to its designation as a CDFI.

[4] Repayment pursuant to Title VII, Section 7001(g) of the American Recovery and Reinvestment Act of 2009.

[5] Redemption pursuant to a qualified equity offering.

[6] This amount does not include accrued and unpaid dividends, which must be paid at the time of capital repayment.

[7] The proceeds associated with the disposition of this investment do not include accrued and unpaid dividends.

[8] Subchapter S corporation; Treasury received a warrant to purchase additional subordinated debentures (unless the institution is a CDFI), which it exercised immediately.

[9] In its qualified equity offering, this institution raised more capital than Treasury's original investment, therefore, the number of Treasury's shares underlying the warrant was reduced by half.

[10] This institution participated in the expansion of CPP for small banks.

[10a] This institution received an additional investment through the expansion of CPP for small banks.

[11] Treasury made three separate investments in Citigroup Inc. ("Citigroup") under CPP, TIP, and AGP for a total of $49 billion. On 6/9/2009, Treasury entered into an agreement with Citigroup to exchange up to $25 billion of Treasury's investment in Fixed Rate Cumulative Perpetual Preferred Stock, Series H (CPP Shares) "dollar for dollar" in Citigroup's Private and Public Exchange Offerings. On 7/23/2009 and 7/30/2009, Treasury exchanged a total of $25 billion of the CPP shares for Series M Common Stock Equivalent ("Series M") and a warrant to purchase shares of Series M. On 9/11/2009, Series M automatically converted to 7,692,307,692 shares of common stock and the associated warrant terminated on receipt of certain shareholder approvals.

[12] On 8/24/2009, Treasury exchanged its Series C Preferred Stock issued by Popular, Inc. for a like amount of non tax-deductible Trust Preferred Securities issued by Popular Capital Trust III, administrative trustee for Popular, Inc. Popular, Inc. paid a $13 million exchange fee in connection with this transaction.

[13] This institution converted to a bank holding company structure and Treasury exchanged its securities for a like amount of securities that comply with the CPP terms applicable to bank holding companies. The institution in which Treasury's original investment was made is shown in parentheses.

[14] As of the date of this report, this institution is in bankruptcy proceedings.

[15] For final disposition of warrants, "R" represents proceeds from a repurchase of warrants by the financial institution, and "A" represents the proceeds to Treasury, before underwriting fees and selling expenses, from a sale by Treasury in a registered public offering of the warrants issued by the financial institution.

[16] On 12/10/2009, the bankruptcy reorganization plan of CIT Group Inc. became effective and Treasury's preferred stock and warrant investment were extinguished and replaced by Contingent Value Rights.

[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.

[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.

[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, Provident's "warrant detail will change" following the M&T/Provident merger.

[e] When a warrant's current market price rises above the strike price, it is considered "In the Money," otherwise it is considered "Out of the Money." Stock price is presented as of 12/31/2009.

[f] Income reported under Popular excludes $13 million fee income proceed that was paid to Treasury on 8/24/2009.

[g] Income reported under Capital One Financial Corp excludes a $100,000 fee income from public auction of warrants.

[h] Income reported under JPMorgan excludes a $100,000 fee income from public auction of warrants.

[i] Income reported under TCF Financial excludes a $100,000 fee income from public auction of warrants.

[j] According to Treasury, these institutions are "Pending Qualified Equity Offerings Approval."

[k] CIT's warrant shares were extinguished following its bankruptcy.

[l] According to Treasury, IBW's warrants were "changed to CDFI status so original warrant preferred extinguished."

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 1/6/2010.

Table D.2

SSFI (AIG INVESTMENT PROGRAM) TRANSACTION DETAIL, AS OF 12/31/2009

		Seller			Purchase Details				Exchange Details					Warrants and Market Data						
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Date	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Stock Price	Market Capitalization (in millions)	Strike Price	Outstanding Warrants	Amount In Out	In/Out	Income Paid to Treasury (Interest)
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	$29.98	$4,035.5	$50	2,689,938	$(20.02)	OUT	$0
3	4/17/2009	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$29,835,000,000	Par[2]						$29.98	$4,035.5	$0.00002	150	$29.98	IN	$0
						TOTAL	**$69,835,000,000**													

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 1/6/2010.

Table D.3

TIP TRANSACTION DETAIL, AS OF 12/31/2009

		Seller							Capital Repayment Details		Treasury Investment Remaining After Capital Repayment				Market and Warrants Data				
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Capital Repayment Amount	Repayment Date[2]	Remaining Capital Amount	Remaining Capital Description	Stock Price	Market Capitalization (in millions)	Strike Price	Outstanding Warrants	Amount In Out	In/Out	Income Paid to Treasury (Dividend)
1	12/31/2008	Citigroup Inc.	New York	NY	Purchase	Trust Preferred Securities w/ Warrants	$20,000,000,000	Par	$20,000,000,000	12/23/2009	$0	Warrants	$3.31	$75,679.7	$10.61	188,501,414	$(7.30)	OUT	$1,568,888,889
	1/16/2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par	$20,000,000,000	12/9/2009	$0	Warrants	$15.06	$130,273.1	$13.30	150,375,940	$1.76	IN	$1,435,555,556
						Total Investment	**$40,000,000,000**	**Total Capital Repayment**	**$40,000,000,000**										
					Total Treasury TIP Investment Amount		**$0**												

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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 Perpet 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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 1/6/2010.

Table D.4

AGP TRANSACTION DETAIL, AS OF 12/31/2009

		Initial Investment[b]				Premium											Market and Warrants Data						
Notes	Date	Institution	Transaction Type	Investment Description	Guarantee Limit	Description	Amount	Date	Type	Description	Amount	Date	Type	Amount	Remaining Premium Description	Remaining Premium Amount	Stock Price	Market Capitalization (in millions)	Strike Price	Outstanding Shares	Amount In Out[a]	In/ Out[a]	Income Paid to Treasury (Dividend)
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	$3.31	$75,679.7	$10.61	66,531,728	$(7.30)	Out	$276,686,667
3	12/23/2009	Citigroup Inc., New York, NY	Termination	Termination Agreement	($5,000,000,000)		$0																
				Total	**$0**																		

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes taken verbatim from 1/4/2010 *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.

[a] When a warrant's current market 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*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 1/6/2010.

Table D.5

TALF TRANSACTION DETAIL, AS OF 12/31/2009

		Seller						
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism
1	3/3/2009	TALF LLC	Wilmington	DE	Purchase	Debt Obligation w/ Additional Note	$20,000,000,000	N/A

Note: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010.

Table D.6

PPIP TRANSACTION DETAIL, AS OF 12/31/2009

		Seller							
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Income Paid to Treasury
1	9/30/2009	UST/TCW Senior Mortgage Securities Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$144,521
2	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	9/30/2009	Invesco Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$239,171
2	9/30/2009	Invesco Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
1	10/1/2009	Wellington Management Legacy Securities PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$131,549
2	10/1/2009	Wellington Management Legacy Securities PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
1	10/2/2009	AllianceBernstein Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$246,047
2	10/2/2009	AllianceBernstein Legacy Securities Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
1	10/2/2009	BlackRock PPIF, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$842,461
2	10/2/2009	BlackRock PPIF, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
1	10/30/2009	AG GECC PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	$126,154
2	10/30/2009	AG GECC PPIF Master Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
1	11/4/2009	RLJ Western Asset Public/Private Master Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	
2	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	
1	11/25/2009	Marathon Legacy Securities Public-Private Investment Partnership, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	
2	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	
1	12/18/2009	Oaktree PPIP Fund, L.P.	Wilmington	DE	Purchase	Membership Interest	$1,111,111,111	Par	
2	12/18/2009	Oaktree PPIP Fund, L.P.	Wilmington	DE	Purchase	Debt Obligation w/ Contingent Proceeds	$2,222,222,222	Par	
						Total	**$30,000,000,000**		

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010.

Table D.7

AIFP TRANSACTION DETAIL, AS OF 12/31/2009

	Initial Investment						Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Notes	Description	Amount/Equity %	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity %	Income Paid to Treasury (Interest/ Dividends)[a]
	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						
	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							
GMAC, Detroit, MI											GMAC	3	Common Stock	56.3%						$854,829,861
	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														
	12/29/ 2008	Purchase	General Motors Corporation	Debt Obligation	$884,024,131	2	5/29/ 2009	Exchange for equity interest in GMAC	$884,024,131	3										
	12/31/ 2008	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$13,400,000,000		7/10/ 2009	Exchange for preferred and common stock in New GM	$13,400,000,000	7										
	4/22/ 2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$2,000,000,000	4	7/10/ 2009	Exchange for preferred and common stock in New GM	$2,000,000,000	7	General Motors Company	10, 11	Preferred Stock	$2,100,000,000						
	5/20/ 2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$4,000,000,000	5	7/10/ 2009	Exchange for preferred and common stock in New GM	$4,000,000,000	7	General Motors Company	10, 11	Common Stock	60.8%						
General Motors,[b, d] Detroit, MI	5/27/ 2009	Purchase	General Motors Corporation	Debt Obligation w/ Additional Note	$360,624,198	6	7/10/ 2009	Exchange for preferred and common stock in New GM	$360,624,198	7	General Motors Holdings LLC	11, 12	Debt Obligation	$7,072,488,605	7/10/ 2009	Partial repayment	$360,624,198	Debt Obligation	$6,711,864,407	$361,618,975
															12/18/ 2009	Partial repayment	$1,000,000,000	Debt Obligation	$5,711,864,407	
	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						

Continued on next page.

AIFP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

	Initial Investment						Exchange/Transfer/Other Details				Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Notes	Description	Amount/Equity %	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity %	Income Paid to Treasury (Interest/ Dividends)[a]
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	$0	
															7/14/2009	Repayment	$15,000,000	None	-	
Chrysler,[c] Auburn Hills, MI	1/2/2009	Purchase	Chrysler Holding	Debt Obligation w/ Additional Note	$4,000,000,000		6/10/2009	Transfer of debt to New Chrysler	$500,000,000	19	Chrysler Holding	20	Debt Obligation	$3,500,000,000						$55,237,713
	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	Additional Note	$0	
	5/1/2009	Purchase	Chrysler LLC	Debt Obligation w/ Additional Note	$1,888,153,580	16														
	5/20/2009	Purchase	Chrysler LLC	Debt Obligation w/ Additional Note	$-	17														
	5/27/2009	Purchase	Chrysler Group LLC	Debt Obligation w/ Additional Note, Equity	$6,642,000,000	18	6/10/2009	Issuance of equity in New Chrysler	$-		Chrysler Group LLC	19	Debt obligation	$7,142,000,000						
											Chrysler Group LLC		Common equity	9.9%						
			Total Initial Investment Amount		**$81,344,932,551**											**Total Payments**	**$3,155,754,840**			
																Total Treasury Investment Amount	**$78,189,177,711**			

Continued on next page.

AIFP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

Initial Investment						Exchange/Transfer/Other Details					Treasury Investment After Exchange/Transfer/Other				Payment or Disposition[1]					
Institution	Date	Transaction Type	Seller	Description	Amount	Note	Date	Type	Amount	Note	Obligor	Notes	Description	Amount/Equity %	Date	Type	Amount/ Proceeds	Remaining Investment Description	Remaining Investment Amount/ Equity %	Income Paid to Treasury (Interest/ Dividends)[a]

Notes: Numbers affected by rounding. Data as of 12/31/2009. Definitions and numbered notes were taken verbatim from Treasury's 1/4/2010 *Transactions Report*. See www.financialstability.gov to see *Transactions Report* including colored lines referred to by Treasury.
As used in this table and its footnotes:
"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 [sic]. 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 7/09/2009, $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.
[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*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010

Table D.8

ASSP TRANSACTION DETAIL, AS OF 12/31/2009

	Seller								Adjustment Details			Repayment[4]			
Note	Date	Institution	City	State	Transaction Type	Investment Description	Investment Amount	Pricing Mechanism	Adjustment Date[3]	Adjustment Amount	Adjusted Investment Amount	Date	Type	Amount	Income Paid to Treasury
1	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	$140,000,000	$7,324,795
2	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				$3,988,232
						Total	$5,000,000,000			Adjusted Total	$3,500,000,000				

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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 [sic].
[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 [sic].
[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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010.

Table D.9

HAMP TRANSACTION DETAIL, AS OF 12/31/2009

Date	Servicer: 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)
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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	
						9/30/2009	$65,070,000	$2,475,080,000	Updated portfolio data from servicer & HPDP initial cap	$137,995.3
						12/30/2009	$1,213,310,000	$3,688,390,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
4/13/2009	Chase Home Finance, LLC, Iselin, NJ	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	
						9/30/2009	$102,580,000	$655,960,000	Updated portfolio data from servicer & HPDP initial cap	$955.4
						12/30/2009	$277,640,000	$933,600,000	Updated portfolio data from servicer & SS/DIL initial cap	
4/17/2009	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	
						9/30/2009	$162,680,000	$967,120,000	Updated portfolio data from servicer & HPDP initial cap	$130,273.1
						12/30/2009	$665,510,000	$1,632,630,000	Updated portfolio data from servicer & SS/DIL initial cap	
4/17/2009	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 & SS/DIL initial cap	
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 & SS/DIL initial cap	

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HAMP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

Date	Servicer: 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)
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	

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HAMP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

Servicer: Date	Servicer: 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	Adjustment Details: Cap Adjustment Amount	Adjustment Details: Adjusted Cap	Adjustment Details: Reason for Adjustment	Market Capitalization (in millions)
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 & SS/DIL initial cap	
7/1/2009	Wachovia Mortgage, FSB, Des Moines, IA	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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
7/10/2009	Lake National Bank, Mentor, OH	Purchase	Financial Instrument for Home Loan Modifications	$100,000	N/A	9/30/2009	$150,000	$250,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$130,000	$380,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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	$24,351.5
						12/30/2009	$19,280,000	$37,510,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
7/22/2009	American Home Mortgage Servicing, Inc, Coppeli, 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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	

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HAMP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

Date	Servicer: 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)
7/29/2009	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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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	$171,052.6
						12/30/2009	$1,178,180,000	$3,863,050,000	Updated portfolio data from servicer & SS/DIL initial cap	
7/31/2009	EMC Mortgage Corporation, Lewisville, TX	Purchase	Financial Instrument for Home Loan Modifications	$707,380,000	N/A	9/30/2009	$(10,000)	$707,370,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$502,430,000	$1,209,800,000	Updated portfolio data from servicer & SS/DIL initial cap	
8/5/2009	Lake City Bank, Warsaw, IN	Purchase	Financial Instrument for Home Loan Modifications	$420,000	N/A	9/30/2009	$180,000	$600,000	Updated portfolio data from servicer & HPDP initial cap	
						12/30/2009	$(350,000)	$250,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
8/28/2009	OneWest Bank, Pasadena, CA	Purchase	Financial Instrument for Home Loan Modifications	$668,440,000	N/A	10/2/2009	$145,800,000	$814,240,000	HPDP initial cap	
						12/30/2009	$1,355,930,000	$2,170,170,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	

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Date	Servicer: 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)
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
9/2/2009	Vantium Capital, Inc., Plano, TX	Purchase	Financial Instrument for Home Loan Modifications	$6,000,000	N/A	10/2/2009	$1,310,000	$7,310,000	HPDP initial cap	
						12/30/2009	$(3,390,000)	$3,920,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
9/11/2009	Franklin Credit Management Corporation	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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	

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HAMP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

	Servicer					Adjustment Details				
Date	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	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	$59.0
						12/30/2009	$350,000	$650,000	Updated portfolio data from servicer & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
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 & SS/DIL initial cap	
10/21/2009	United Bank Mortgage Corporation, Grand Rapids, MI	Purchase	Financial Instrument for Home Loan Modifications	$410,000	N/A					
10/23/2009	Bank United, Miami Lakes, FL	Purchase	Financial Instrument for Home Loan Modifications	$93,660,000	N/A					
10/23/2009	IC Federal Credit Union, Fitchburg, MA	Purchase	Financial Instrument for Home Loan Modifications	$760,000	N/A					
10/28/2009	Harleysville National Bank & Trust Company, Harleysville, PA	Purchase	Financial Instrument for Home Loan Modifications	$1,070,000	N/A					
10/28/2009	Members Mortgage Company, Inc, Woburn, MA	Purchase	Financial Instrument for Home Loan Modifications	$510,000	N/A					
10/30/2009	DuPage Credit Union, Naperville, IL	Purchase	Financial Instrument for Home Loan Modifications	$70,000	N/A					
11/6/2009	Los Alamos National Bank, Los Alamos, NM	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A					
11/18/2009	Quantum Servicing Corporation, Tampa, FL	Purchase	Financial Instrument for Home Loan Modifications	$18,960,000	N/A					
11/18/2009	Hillsdale County National Bank, Hillsdale, MI	Purchase	Financial Instrument for Home Loan Modifications	$1,670,000	N/A					
11/18/2009	QLending, Inc., Coral Gables, FL	Purchase	Financial Instrument for Home Loan Modifications	$20,000	N/A					
11/25/2009	Marix Servicing, LLC, Pheonix, AZ	Purchase	Financial Instrument for Home Loan Modifications	$20,360,000	N/A					
11/25/2009	Home Financing Center, Inc, Coral Gables, FL	Purchase	Financial Instrument for Home Loan Modifications	$230,000	N/A					
11/25/2009	First Keystone Bank, Media, PA	Purchase	Financial Instrument for Home Loan Modifications	$1,280,000	N/A					
12/4/2009	Community Bank & Trust Company, Clarks Summit, PA	Purchase	Financial Instrument for Home Loan Modifications	$380,000	N/A					
12/4/2009	Idaho Housing and Finance Association, Boise, ID	Purchase	Financial Instrument for Home Loan Modifications	$9,430,000	N/A					
12/9/2009	Spirit of Alaska Federal Credit Union, Fairbanks, AK	Purchase	Financial Instrument for Home Loan Modifications	$360,000	N/A					
12/9/2009	American Eagle Federal Credit Union, East Hartford, CT	Purchase	Financial Instrument for Home Loan Modifications	$1,590,000	N/A					
12/9/2009	Silver State Schools Credit Union, Las Vegas, NV	Purchase	Financial Instrument for Home Loan Modifications	$1,880,000	N/A					
12/9/2009	Fidelity Homestead Savings Bank, New Orleans, LA	Purchase	Financial Instrument for Home Loan Modifications	$2,940,000	N/A					
12/9/2009	Bay Gulf Credit Union, Tampa, FL	Purchase	Financial Instrument for Home Loan Modifications	$230,000	N/A					

Continued on next page.

HAMP TRANSACTION DETAIL, AS OF 12/31/2009 (CONTINUED)

	Servicer					Adjustment Details				
Date	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	The Golden 1 Credit Union, Sacramento, CA	Purchase	Financial Instrument for Home Loan Modifications	$6,160,000	N/A					
12/9/2009	Sterling Savings Bank, Spokane, WA	Purchase	Financial Instrument for Home Loan Modifications	$2,250,000	N/A					
12/11/2009	HomeStar Bank & Financial Services, Manteno, IL	Purchase	Financial Instrument for Home Loan Modifications	$310,000	N/A					
12/11/2009	Glenview State Bank, Glenview, IL	Purchase	Financial Instrument for Home Loan Modifications	$370,000	N/A					
12/11/2009	Verity Credit Union, Seattle, WA	Purchase	Financial Instrument for Home Loan Modifications	$600,000	N/A					
12/11/2009	Hartford Savings Bank, Hartford, WI	Purchase	Financial Instrument for Home Loan Modifications	$630,000	N/A					
12/11/2009	The Bryn Mawr Trust Co., Bryn Mawr, PA	Purchase	Financial Instrument for Home Loan Modifications	$150,000	N/A					
12/16/2009	Citizens 1st National Bank, Spring Valley, IL	Purchase	Financial Instrument for Home Loan Modifications	$620,000	N/A					
12/16/2009	Golden Plains Credit Union, Garden City, KS	Purchase	Financial Instrument for Home Loan Modifications	$170,000	N/A					
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					
12/16/2009	Sound Community Bank, Seattle, WA	Purchase	Financial Instrument for Home Loan Modifications	$440,000	N/A					
12/16/2009	Horizon Bank, NA, Michigan City, IN	Purchase	Financial Instrument for Home Loan Modifications	$700,000	N/A					
12/16/2009	Park View Federal Savings Bank, Solon, OH	Purchase	Financial Instrument for Home Loan Modifications	$760,000	N/A					
12/23/2009	Iberiabank, Sarasota, FL	Purchase	Financial Instrument for Home Loan Modifications	$4,230,000	N/A					
12/23/2009	Grafton Suburban Credit Union, North Grafton, MA	Purchase	Financial Instrument for Home Loan Modifications	$340,000	N/A					
12/23/2009	Eaton National Bank & Trust Company, Eaton, OH	Purchase	Financial Instrument for Home Loan Modifications	$60,000	N/A					
12/23/2009	Tempe Schools Credit Union, Tempe, AZ	Purchase	Financial Instrument for Home Loan Modifications	$110,000	N/A					
			Total Initial Cap	**$23,594,840,000**	**Total Cap Adjustments**	**$11,948,720,000**				
				Total Cap		**$35,543,560,000**				

Notes: Numbers affected by rounding. Data as of 12/31/2009. Numbered notes were taken verbatim from Treasury's 1/4/2010 *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.

Sources: Treasury, *Transactions Report*, 1/4/2010; Treasury, response to SIGTARP data call, 1/12/2010; Market Data: Capital IQ, Inc. (a division of Standard & Poor's), www.capitaliq.com, accessed 1/6/2010.

PUBLIC ANNOUNCEMENTS OF AUDITS

This appendix provides an announcement of new and ongoing public audits by the agencies listed below. See Appendix F: "Key Oversight Reports and Testimonies" for a listing of published reports. Italics style indicates narrative taken as verbatim from the agencies' responses to SIGTARP's data call.

- U.S. Department of the Treasury Office of the Inspector General ("Treasury OIG")
- Federal Reserve Board Office of Inspector General ("Federal Reserve OIG")
- Government Accountability Office ("GAO")
- Federal Deposit Insurance Corporation Office of the Inspector General ("FDIC OIG")

Treasury OIG[1]

Ongoing Audits

- None

Federal Reserve OIG[2]

Ongoing Audits

- *Review of the Federal Reserve's Lending Facilities and Special Programs (report is being drafted)*

GAO[3]

Ongoing Audits

- *TALF: evaluate oversight systems, monitor activities, and evaluate indicators of success. Likely late January/Early February issuance. Similar review of PPIP for later in year.*
- *Oversight of GM and Chrysler Pension plans. Probable late February/Early March issuance.*
- *CPP Approval and Return Process: Review Treasury's process as well as regulators' processes for approval, as well as Treasury and regulators' application of criteria for repayment. Probable spring issuance.*
- *Partnering with SIGTARP on oversight of government management of formerly private sector entities.*
- *Effect of TARP on Treasury's Debt Management. Likely May issuance.*
- *Effectiveness of HAMP and oversight of servicers. Likely June issuance.*
- *Review of SCAP. Likely August issuance.*

FDIC OIG[4]

Ongoing Evaluation

- *Evaluation of the FDIC's Loss Share Agreements and Public Private Partnerships. One of the objectives of this evaluation is to assess the FDIC's monitoring of the U.S. Federal Parties' open bank loss share agreement with Citigroup.*

Endnotes

1 Treasury OIG, response to SIGTARP data call, 1/4/2010.

2 Federal Reserve OIG, response to SIGTARP data call, 1/5/2010.

3 GAO, response to SIGTARP data call, 1/5/2010.

4 FDIC OIG, response to SIGTARP data call, 1/5/2010.

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*, 10/5/2009 – 12/31/2009, www.financialstability.gov/latest/reportsanddocs.html, accessed 1/8/2010. (released weekly)
Treasury, Section 105(a) Report, 10/9/2009 – 12/10/2009, www.financialstability.gov/latest/reportsanddocs.html, accessed 1/8/2010.
Treasury, "Summary Response to GAO Report, October 2009," 10/8/2009, www.financialstability.gov/docs/SummaryResponseGAO10-8-2009.pdf, accessed 1/8/2010.
Treasury, "TARP Warrants Valuation Methods by Robert A. Jarrow," 10/22/2009, www.financialstability.gov/docs/Jarrow%20TARP%20Warrants%20Valuation%20Method.pdf, accessed 1/8/2010.
Treasury, "Summary Response to GAO Report, October 2009,"12/7/2009, www.financialstability.gov/docs/Summary%20Response%20to%20GAO%20Anniversary%20Report%20(3).pdf, accessed 1/8/2010.
Treasury, "Audit Report SAFETY AND SOUNDNESS: City National Corporation Capital Purchase Program Case Study," 8/27/2009, www.ustreas.gov/inspector-general/audit-reports/2009/oig09044.pdf, accessed 1/8/2010.
RECORDED TESTIMONY
Treasury, "Assistant Secretary Allison Written Testimony for Congressional Oversight Panel," 10/22/2009, www.financialstability.gov/latest/tg_10222009.html, accessed 1/8/2010.
Treasury, "Special Master Feinberg Testimony Before the House Committee on Oversight and Government Reform," 10/28/2009, www.financialstability.gov/latest/tg_10282009.html, accessed 1/8/2010.
Treasury, "Secretary Timothy F. Geithner Written Testimony House Financial Services Committee," 10/29/2009, www.financialstability.gov/latest/tg_102909.html, accessed 1/8/2010.
Treasury, "Treasury Secretary Timothy F. Geithner Written Testimony Before the Joint Economic Committee," 11/19/2009, www.financialstability.gov/latest/tg_11192009.html, accessed 1/8/2010.
Treasury, "Assistant Secretary Herbert Allison Written Testimony, The Private Sector and Government Response to the Mortgage Foreclosure Crisis," 12/8/2009, www.financialstability.gov/latest/st_12082009.html, accessed 1/8/2010.
Treasury, "Secretary of Treasury Timothy F. Geithner Written Testimony Before the Congressional Oversight Panel," 12/10/2009, www.financialstability.gov/latest/st_12102009, accessed 1/8/2010.
Treasury, "Herbert M. Allison, Jr., Assistant Secretary for Financial Stability Domestic Policy Subcommittee of the Oversight and Government Reform Committee," 12/17/2009, www.financialstability.gov/latest/st_12172009.html, accessed 1/8/2010.

FINANCIAL STABILITY OVERSIGHT BOARD (FSOB)

ROLES AND MISSION

FSOB is responsible for reviewing the exercise of authority under programs developed in accordance with EESA, including:
- *policies implemented by the Secretary and the Office of Financial Stability, including the appointment of financial agents, the designation of asset classes to be purchased, and plans for the structure of vehicles used to purchase troubled assets*
- *the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers In addition, FSOB is responsible for making recommendations to the Secretary on the use of the authority under EESA, as well as for reporting any suspected fraud, misrepresentation, or malfeasance to SIGTARP or the U.S. Attorney General.*

OVERSIGHT REPORTS

FSOB, "The Special Master for TARP Executive Compensation Issues First Rulings," 10/22/2009, www.financialstability.gov/latest/tg_102220009e.html, accessed 1/8/2010.

FSOB, "The Special Master for TARP Executive Compensation Rules on Compensation Structures for Certain Executive Officers and Most Highly Compensated Employees 26 - 100," 12/11/2009, www.financialstability.gov/latest/tg_12112009.html, accessed 1/8/2010.

RECORDED TESTIMONY

None

SECURITIES AND EXCHANGE COMMISSION (SEC)

ROLES AND MISSION

SEC administers the federal securities laws, requires disclosure by public companies, and brings enforcement actions against violators of securities law. While other federal and state agencies are legally responsible for regulating mortgage lending and the credit markets, SEC has taken these decisive actions to address the extraordinary 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

SEC, "Semiannual Report to Congress, April 1, 2009 - September 30, 2009," www.sec-oig.gov/Reports/Semiannual/2009/semifall09.pdf, accessed 1/8/2010.

SEC, "Putting Investors First, 2009 Performance and Accountability Report," 11/16/2009, www.sec.gov/about/secpar/secpar2009.pdf#2009review, accessed 1/8/2010.

RECORDED TESTIMONY

SEC, "Testimony Concerning the Over-the-Counter Derivatives Markets Act of 2009," Henry T. C. Hu, Director of the Division of Risk, Strategy, and Financial Innovation, Before the House Committee on Financial Services, 10/7/2009, www.sec.gov/news/testimony/2009/ts100709hh.htm, accessed 1/8/2010.

SEC, "Testimony Concerning the Discussion Draft of The Financial Stability Improvement Act of 2009," Commissioner Elisse B. Walter, Before the Committee on Agriculture, United States House of Representatives, 11/17/2009, www.sec.gov/news/testimony/2009/ts111709ebw.htm, accessed 1/8/2010.

SEC, "Testimony Concerning Mortgage Fraud, Securities Fraud, and the Financial Meltdown: Prosecuting Those Responsible," Robert Khuzami, Director, Division of Enforcement, Before the United States Senate Committee on the Judiciary, 12/9/2009, www.sec.gov/news/testimony/2009/ts120909rk.htm, accessed 1/8/2010.

SEC, "Testimony Concerning Events Surrounding Bank of America's Acquisition of Merrill Lynch," Robert Khuzami, Director, Division of Enforcement, Before the House Oversight and Government Reform Committee and Domestic Policy Subcommittee, 12/11/2009, www.sec.gov/news/testimony/2009/ts121109rk.htm, accessed 1/8/2010.

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, One Year Later, Actions Are Needed to Address Remaining Transparency and Accountability Challenges," 10/8/2009, www.gao.gov/new.items/d116.pdf, accessed 1/8/2010.
GAO, "Troubled Asset Relief Program, Continued Stewardship Needed as Treasury Develops Strategies for Monitoring and Divesting Financial Interests in Chrysler and GM," 11/2/2009, www.gao.gov/new.items/d1151.pdf, accessed 1/8/2010.
GAO, "Financial Audit, Bureau of the Public Debt's Fiscal Years 2009 and 2008 Schedules of Federal Debt," 11/10/2009, www.gao.gov/new.items/d1088.pdf, accessed 1/8/2010.
GAO, "Financial Audit, Office of Financial Stability (Troubled Asset Relief Program) Fiscal Year 2009 Financial Statements," 12/9/2009, www.gao.gov/new.items/d1031.pdf, accessed 1/8/2010.
GAO, "Troubled Asset Relief Program: The U.S. Government Role as Shareholder in AIG, Citigroup, Chrysler, and General Motors and Preliminary Views on its Investment Management Activities," 12/16/2009, www.gao.gov/new.items/d10325t.pdf, accessed 1/8/2010.
RECORDED TESTIMONY
GAO, "Troubled Asset Relief Program, The U.S. Government Role as Shareholder in AIG, Citigroup, Chrysler, and General Motors and Preliminary Views on its Investment Management Activities," Orice Williams Brown, Director, Financial Market & Community Investment and Nicole Clowers, Acting Director, Physical Infrastructure, Testimony Before the Subcommittee on Domestic Policy, Committee on Oversight and Government Reform, House of Representatives, 12/16/2009, www.gao.gov/new.items/d10325t.pdf, accessed 1/8/2010.
GAO, "Fannie Mae and Freddie Mac, Analysis of Options for Revising the Housing Enterprises' Long-term Structures," William B. Shear, Director, Financial Markets and Community Investment, Testimony Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 10/8/2009, www.gao.gov/new.items/d1144t.pdf, accessed 1/8/2010.
GAO, "First-Time Homebuyers Tax Credit, Taxpayers' Use of the Credit and Implementation and Compliance Challenges," James R. White, Director, Testimony Before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, 10/22/2009, www.gao.gov/new.items/d1166t.pdf, accessed 1/8/2010.

CONGRESSIONAL OVERSIGHT PANEL (COP)

ROLES AND MISSION

COP is tasked with reviewing the current state of the financial markets and the regulatory system. As a by-product of these oversight activities, COP is required to produce the following reports to Congress:

- *regular reports every 30 days that cover a variety of issues, including administration of the program, the impact of purchases on the financial markets/financial institutions, market transparency, and the effectiveness of foreclosure mitigation, minimization of long-term costs, and maximization of benefits for taxpayers*
- *a special report on regulatory reform, published no later than January 20, 2009, analyzing the current state of the regulatory system and its effectiveness at overseeing the participants in the financial system and protecting consumers. The report is to provide recommendations for improvement regarding whether any participants in the financial markets that are currently outside the regulatory system should become subject to the regulatory system, the rationale underlying such recommendation, and whether there are any gaps in existing consumer protections.*

OVERSIGHT REPORTS

COP, "An Assessment of Foreclosure Mitigation Efforts After Six Months," 10/9/2009, http://cop.senate.gov/reports/library/report-100909-cop.cfm, accessed on 1/8/2010.

COP, "Guarantees and Contingent Payments in TARP and Related Programs," 11/6/2009, http://cop.senate.gov/reports/library/report-110609-cop.cfm, accessed on 1/8/2010.

COP, "Taking Stock: What Has the Troubled Asset Relief Program Achieved?," 12/9/2009, http://cop.senate.gov/reports/library/report-120909-cop.cfm, accessed on 1/8/2010.

RECORDED TESTIMONY

COP, "COP Hearing with Assistant Treasury Secretary Herb Allison," 10/22/2009, http://cop.senate.gov/hearings/library/hearing-102209-allison.cfm, accessed 1/8/2010.

COP, "Taking Stock: Independent Views on TARP's Effectiveness," 11/19/2009, http://cop.senate.gov/hearings/library/hearing-111909-economists.cfm, accessed 1/8/2010.

COP, "COP Hearing with Treasury Secretary Timothy Geithner," 12/10/2009, http://cop.senate.gov/hearings/library/hearing-1201009-geithner.cfm, accessed 1/8/2010.

OFFICE OF MANAGEMENT AND BUDGET (OMB)

ROLES AND MISSION

OMB's predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. In helping to formulate the President's spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President's Budget and with Administration policies.

In addition, OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies. In each of these areas, OMB's role is to help improve administrative management, to develop better performance measures and coordinating mechanisms, and to reduce any unnecessary burdens on the public.

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

None

CONGRESSIONAL BUDGET OFFICE (CBO)

ROLES AND MISSION

CBO's mandate is to provide the Congress with objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget, and the information and estimates required for the Congressional budget process.

CBO assists the House and Senate Budget Committees, and the Congress more generally, by preparing reports and analyses. In accordance with the CBO's mandate to provide objective and impartial analysis, CBO's reports contain no policy recommendations.

OVERSIGHT REPORTS

None

RECORDED TESTIMONY

None

FEDERAL RESERVE BOARD (FEDERAL RESERVE)

ROLES AND MISSION

Federal Reserve's duties fall into four general areas:

- *conducting the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates*
- *supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers*
- *maintaining the stability of the financial system and containing systemic risk that may arise in financial markets*
- *providing financial services to depository institutions, the U.S. government, and foreign official institutions, including playing a major role in operating the nation's payments system*

OVERSIGHT REPORTS

Federal Reserve Office of Inspector General, "Semiannual Report to Congress, April 1 - September 30, 2009," 10/29/2009, www.federalreserve.gov/oig/files/SAR_April_1_2009_September_30_2009.pdf, accessed 1/8/2010.

RECORDED TESTIMONY

Federal Reserve, "State of the Banking Industry," Governor Daniel K. Tarullo, Before the Subcommittee on Financial Institutions, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 10/14/2009, http://federalreserve.gov/newsevents/testimony/tarullo2009114a.htm, accessed 1/8/2010.

Federal Reserve, "Residential and Commercial Real Estate," Jon D. Greenlee, Associate Director, Division of Banking Supervision and Regulation, Before the Subcommittee on Domestic Policy, Committee on Oversight and Government Reform, U.S. House of Representatives, Atlanta, Georgia, 11/2/2009, http://federalreserve.gov/newsevents/testimony/greenlee20091102a.htm, accessed 1/8/2010.

Federal Reserve, "Small Business Lending," Jon D. Greenlee, Associate Director, Division of Banking Supervision and Regulation, Before the Subcommittee on Oversight and Investigations, Committee on Financial Services, U.S. House of Representatives, Southfield, Michigan, 11/30/2009, http://federalreserve.gov/newsevents/testimony/greenlee20091130a.htm, accessed 1/8/2010.

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, "Examining the State of the Banking Industry," Statement of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation, Before the Subcommittee on Financial Institutions, Committee on Banking, Housing and Urban Affairs, U.S. Senate, 10/14/2009, www.fdic.gov/news/news/speeches/archives/2009/spoct1409.html, accessed 1/8/2010.

FDIC, Statement on "Too Big to Fail: The Role of Bankruptcy and Antitrust Law in Financial Regulation Reform," Statement of Michael Krimminger, Special Advisor for Policy, Federal Deposit Insurance Corporation, Before the Committee on the Judiciary; Subcommittee on Commercial and Administrative Law; U.S. House of Representatives, 10/22/2009, www.fdic.gov/news/news/speeches/archives/2009/spoct2209.html, accessed 1/8/2010.

FDIC, "The Private Sector and Government Response to the Mortgage Foreclosure Crisis," Statement of Michael H. Krimminger, Special Advisor for Policy, Office of the Chairman; Federal Deposit Insurance Corporation, Before the Committee of Financial Services, U.S. House of Representatives, 12/8/2009, www.fdic.gov/news/news/speeches/archives/2009/spdec0809.html, accessed 1/8/2010.

FDIC, "Bank of America Acquisition of Merrill Lynch," Statement of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation, Before the Committee on Oversight and Government Reform and the Subcommittee on Domestic Policy; House of Representatives, 12/11/2009, www.fdic.gov/news/news/speeches/archives/2009/spdec1109.html, accessed 1/8/2010.

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

None

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 goal is to promote economic stability by assiduously protecting the interests of those who fund the TARP programs — i.e., the American taxpayers. This is achieved by facilitating transparency in TARP programs, providing effective oversight in coordination with other relevant oversight bodies, and through robust criminal and civil enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.
OVERSIGHT REPORTS
SIGTARP, "Emergency Capital Injections Provided to Support the Viability of Bank of America, Other Major Banks, and the U.S. Financial System," 10/5/2009, www.sigtarp.gov/reports/audit/2009/Emergency_Capital_Injections_Provided_to_Support_the_Viability_of_Bank_of_America..._100509.pdf, accessed 1/8/2010.
SIGTARP, "Extent of Federal Agencies' Oversight of AIG Compensation Varied, and Important Challenges Remain," 10/14/2009, www.sigtarp.gov/reports/audit/2009/Extent_of_Federal_Agencies'_Oversight_of_AIG_Compensation_Varied_and_Important_Challenges_Remain_10_14_09.pdf, accessed 1/8/2010.
SIGTARP, "Quarterly Report to Congress Additional Appendices F&G," 10/21/2009, www.sigtarp.gov/reports/congress/2009/October2009_Quarterly_Report_to_Congress_Appendices.pdf, accessed 1/8/2010.
SIGTARP, "Quarterly Report to Congress," 10/21/2009, www.sigtarp.gov/reports/congress/2009/October2009_Quarterly_Report_to_Congress.pdf, accessed 1/8/2010.
SIGTARP, "Factors Affecting Efforts to Limit Payments to AIG Counterparties," 11/17/2009, www.sigtarp.gov/reports/audit/2009/Factors_Affecting_Efforts_to_Limit_Payments_to_AIG_Counterparties.pdf, accessed 1/8/2010.
SIGTARP, "Additional Insight on Use of Troubled Asset Relief Program Funds," 12/10/2009, www.sigtarp.gov/reports/audit/2009/Additional_Insight_on_Use_of_Troubled_Asset_Relief_Program_Funds.pdf, accessed 1/8/2010.
RECORDED TESTIMONY
SIGTARP, "AIG Bonuses: Report of the Special Inspector General," 10/14/2009, www.oversight.house.gov/index.php?option=com_content&task=view&id=4618&itemid=2, accessed 1/8/2010.

Note: Italics style indicates verbatim narrative taken from source documents.

Sources: Treasury, www.treas.gov, accessed 1/8/2010; FSOB, www.treas.gov, accessed 1/8/2010; SEC, www.sec.gov, accessed 1/8/2010; GAO, www.gao.gov, accessed 1/8/2010; COP, www.cop.senate.gov, accessed 1/8/2010; OMB, www.whitehouse.gov, accessed 1/8/2010; CBO, www.cbo.gov, accessed 1/8/2010; Federal Reserve Board, www.federalreserve.gov, accessed 1/8/2010; FDIC, www.fdic.gov, accessed 1/8/2010; FDIC OIG, www.fdicoig.gov, accessed 1/8/2010.

CORRESPONDENCE

This appendix provides a copy of the following correspondence:

CORRESPONDENCE			
Date	**From**	**To**	**Regarding**
11/5/2009	SIGTARP	Treasury	Constitutionality of Special Master
1/28/2010	Treasury	SIGTARP	Response to SIGTARP Quarterly Report

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.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

January 28, 2010

Neil M. Barofsky
Special Inspector General
for the Troubled Asset Relief Program
United States Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

Re: Response to SIGTARP Quarterly Report

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) *Quarterly Report to Congress* to be issued on January 30, 2010. We wish to comment on your recommendation regarding the Legacy Securities Public-Private Investment Program (PPIP), which repeats a recommendation you made previously that the funds created under PPIP should have segregated investment teams. We also wish to clarify when the Office of the Special Master began working with the Federal Reserve Bank of New York (FRBNY) on the AIG compensation programs.

Public Private Investment Program: As detailed in previous letters to you, we believe that the PPIP compliance rules we have implemented to monitor trading activity effectively protect taxpayers without the need of segregated investment teams. We also believe that a requirement to have segregated investment teams is not necessary given the structure of the program and would be detrimental to the program because it would reduce our ability to retain experienced PPIP fund managers, and as a result, would reduce performance of the PPIP funds. While we respect the concerns that underlie your prior recommendation, we continue to believe that they are better addressed through the surveillance monitoring and other requirements that we have incorporated in our PPIP compliance program.

We note that SIGTARP initially became aware of the circumstances of the trading activity described in its report because Treasury discovered them through its PPIP compliance surveillance program and subsequently informed SIGTARP. Under the compliance rules, PPIP fund managers are required to provide updates on a short timeframe that detail, among other things, all transactions involving eligible assets across their entire fund complex. This requirement permits Treasury to detect and investigate unusual trading patterns, suspicious transactions and any other potential instances of fraud, collusion or violations of the compliance rules by the fund managers, regardless of whether or not fund managers employ information sharing walls.

The fact that SIGTARP learned about the activity mentioned above is a testament to the fact that our compliance rules and associated procedures appropriately flagged the trading activity by the fund manager for further review. After a detailed examination of the facts and circumstances surrounding the trade, including further discussion with the fund manager and review of supporting documentation, we concluded that the fund manager adhered to the PPIP compliance rules when executing the trade. Our view of the example described in your report is that the comprehensive controls established in our PPIP compliance rules are working properly.

Additionally, in the paragraph in which SIGTARP states that "three of the nine managers … operate similar walls in connection with their activities in Government programs," SIGTARP does not include any discussion of the significant distinction between the role of PPIP fund managers and the referenced activities that fund managers perform for other Government programs. For example, we understand that the FRBNY has required in certain of its programs a dedicated investment team separated by an informational wall from other employees at that fund manager partly because the investment team is in possession of material non-public information from FRBNY which could be inappropriately shared with other members of the fund manager's organization and possibly impact the market. The program is also different because the manager receives direct instructions from FRBNY prior to executing trading activity. By contrast, PPIP fund managers are not in possession of any material non-public information from Treasury and Treasury does not direct the fund managers to purchase and sell eligible assets in the PPIF. Fund managers must also adopt and follow a fair and equitable trade allocation policy, including executing trading activity through unaffiliated broker dealers, which Treasury monitors through its compliance surveillance program.

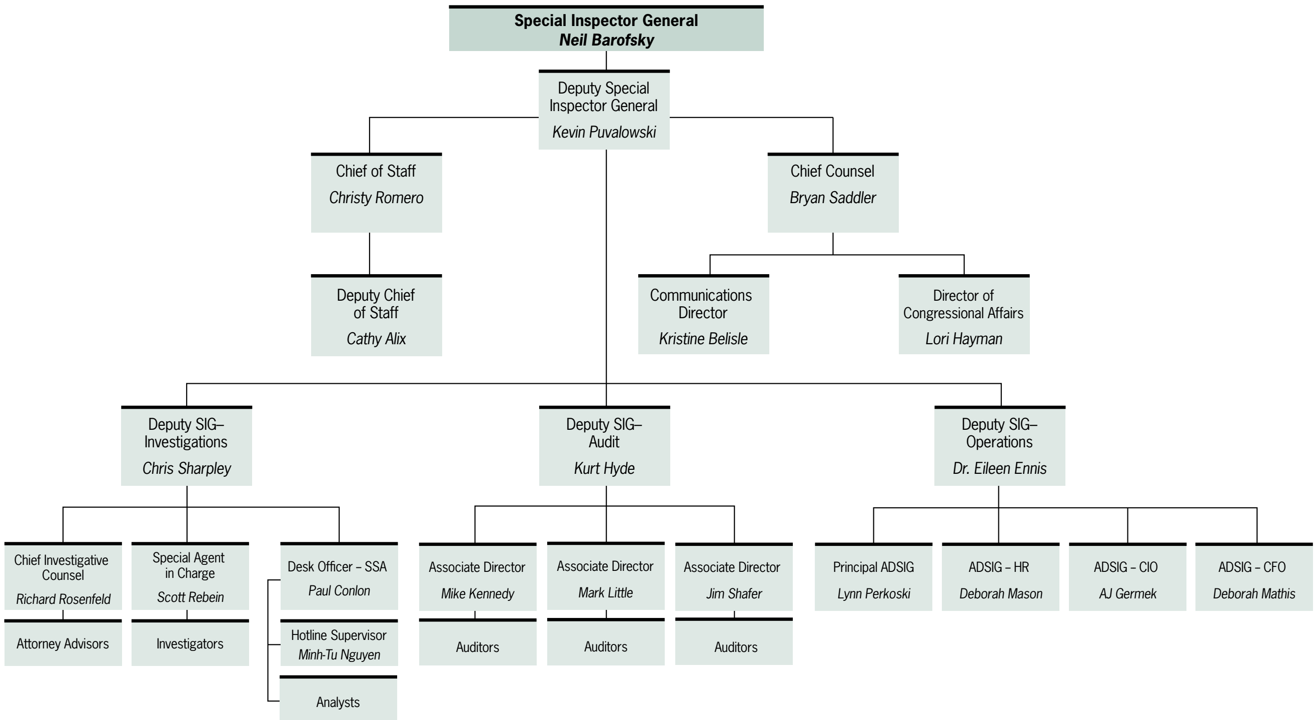
Contact between the Special Master and FRBNY: We disagree with your statement that the Special Master initiated contact with Federal Reserve officials "based on SIGTARP's audit work and after receipt of a draft report." The Office of the Special Master held conference calls with FRBNY officials and their counsel to discuss AIG as early as June 2009 shortly after the Special Master was appointed. This was well before receiving SIGTARP's draft report in September 2009.

We look forward to continuing to have an open and collaborative relationship with you and your team. We have implemented an effective compliance surveillance program for PPIP, which implements high standards for protecting taxpayers while carrying out our mandate of promoting financial stability. We look forward to working closely with you and your team as the program evolves.

Sincerely,

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

ORGANIZATIONAL CHART



Note: SIGTARP organizational chart as of 1/25/2010.

SIGTARP

SIG-QR-10-01

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