Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Final Report on the Troubled Asset Relief Program

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The Emergency Economic Stabilization Act of 2008 (division A of Public Law 110-343) established the Troubled Asset Relief Program (TARP) to enable the Department of the Treasury to promote stability in financial markets by purchasing and guaranteeing "troubled assets."[1] Section 202 of that legislation, as amended, requires annual reports from the Office of Management and Budget (OMB) on the costs of the program.[2] The law also requires the Congressional Budget Office to submit its own report within 45 days of the issuance of OMB's report each year. CBO's assessment must discuss three elements:

- The costs of purchases and guarantees of troubled assets,
- Information CBO collects and the valuation methods it uses to calculate those costs, and
- The program's effects on the federal budget deficit and debt.

1. That law defines troubled assets as "(A) residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary [of the Treasury] determines promotes financial market stability; and (B) any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, but only upon transmittal of such determination, in writing, to the appropriate committees of Congress" (sec. 3 of P.L. 110-343, 122 Stat. 3767).

2. Originally, the law required OMB and the Congressional Budget Office to submit semiannual reports. That provision was changed to an annual reporting requirement by P.L. 112-204. OMB's most recent report on the TARP was submitted on March 11, 2024, as part of *Budget of the United States Government, Fiscal Year 2025: Analytical Perspectives* (March 2024), pp. 72–73, www.govinfo.gov/app/details/BUDGET-2025-PER.

In September 2023, the last remaining investment made by the Treasury through the TARP was repaid, thereby ending the program. The Treasury no longer holds any assets related to the program and is not authorized to make further disbursements. Consequently, this report is CBO's final assessment of the costs of the TARP's transactions.

By CBO's estimate, $444 billion of the $700 billion initially authorized was disbursed through the TARP (see Table 1). (About $410 billion of the total amount was disbursed by March 2011.) CBO estimates that the government's total subsidy cost was $31 billion.[3]

The estimated cost of the TARP stems largely from grant programs aimed at preventing foreclosures on home mortgages, assistance that was provided to American International Group (AIG), and aid that was provided to the automotive industry. Taken together, other transactions with financial institutions yielded a net gain to the federal government from dividends, interest, and capital gains.

CBO's assessment of the TARP's costs is about the same as what the agency last reported in April 2023.[4] It is also similar to OMB's latest estimate.

The U.S. financial system was in a precarious condition when the TARP was created, and the transactions envisioned and ultimately undertaken entailed substantial financial risk for the federal government. Nevertheless,

3. The subsidy costs for the various types of transactions were determined by calculating the net present value of the resulting cash flows.

4. Congressional Budget Office, *Report on the Troubled Asset Relief Program—April 2023* (April 2023), www.cbo.gov/publication/59091.

Notes: All years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers in the text and table may not add up to totals because of rounding.

Table 1.

Cash Disbursements and Subsidy Cost or Gain of the Troubled Asset Relief Program

Billions of dollars

		Estimated subsidy cost or gain (-)	
	Principal disbursed	CBO	OMB
Support for financial institutions			
Capital purchase program	205	-16	-16
Additional assistance to Citigroup and Bank of America[a]	40	-8	-8
Community development capital initiative	1	*	*
Assistance to American International Group	68	15	15
Subtotal	313	-9	-9
Assistance to the automotive industry	80	12	12
Investment partnerships			
Term asset-backed securities loan facility[b]	*	-1	-1
Public-private investment program	19	-3	-3
SBA 7(a) securities purchase program	*	*	*
Subtotal	19	-3	-3
Mortgage programs[c]	31	31	32
Total	**444**	**31**	**31**

Data sources: Congressional Budget Office; Department of the Treasury. See www.cbo.gov/publication/59919#data.

Amounts shown reflect data available as of September 30, 2023.

OMB = Office of Management and Budget; SBA = Small Business Administration; * = between -$500 million and $500 million.

a. The Treasury agreed to provide an additional $5 billion to cover potential losses on Citigroup's assets; however, those losses did not occur, so no disbursements were made.

b. The Treasury committed $4 billion to absorb losses on loans made by the Federal Reserve through the Term Asset-Backed Securities Loan Facility; however, no losses occurred, and the Treasury recouped all of the $100 million in initial funding.

c. Of the $50 billion initially announced for the mortgage modification programs, which includes funding for state housing finance agencies and the Federal Housing Administration, $31 billion was disbursed, net of amounts returned by various state agencies.

the TARP's net realized costs have proved to be near the low end of the range of possible outcomes anticipated at the program's outset.

Costs of the TARP

To assess the value of the TARP's asset purchases and guarantees, CBO used procedures similar to those specified in the Federal Credit Reform Act of 1990 but with an adjustment to account for market risk, as directed by the Emergency Economic Stabilization Act of 2008. Because all transactions undertaken through the TARP are now completed and no programs have outstanding investments, CBO's current report reflects the realized costs or gains.

Transactions of the TARP

The TARP's transactions fall into four broad categories. Two of them resulted in net costs to the government:

- Mortgage programs (estimated net cost: $31 billion), and
- Assistance to the automotive industry (estimated net cost: $12 billion).

And two yielded net gains:

- Capital purchases and other support for financial institutions (estimated net gain: $9 billion), and
- Investment partnerships designed to increase liquidity in securitization markets (estimated net gain: $3 billion).

All of the support provided by the TARP has been repaid or terminated. Details of the transactions—including capital purchases and other support to financial institutions (AIG, Citigroup, and Bank of America, among others) and assistance to the automotive industry—are discussed in previous editions of this report (the most recent detailed report was published in May 2022).[5]

About 70 percent of the disbursements went to support financial institutions. All told, those transactions yielded a net gain to the government.

The largest cost was for the mortgage programs, which stemmed from an initial commitment by the Treasury of $50 billion in TARP funds for programs to help homeowners avoid foreclosure. Subsequent legislation reduced that amount, and the final $642 million of available funding was deobligated on May 31, 2023, closing the mortgage programs.[6]

Net disbursements of TARP funds for all mortgage programs were $31.4 billion. Because most of those funds were in the form of direct grants that do not require repayment, the government's cost was close to the full amount disbursed (which is to say that the program had almost a 100 percent subsidy rate). The cost for the mortgage programs was largely equal to what CBO reported in April 2023.

Comparison of CBO's and OMB's Estimates

CBO has adopted most of the cost assessments for completed transactions that OMB published in its March 2024 report. CBO and OMB have used similar approaches to evaluate the TARP's programs for purchasing assets and making grants. OMB's most recent estimate of the program's total cost is $0.4 billion higher than CBO's current estimate, which includes an adjustment to account for funds returned to the Treasury from various states administering housing programs. Specifically, OMB estimates a cost of $31.8 billion for the Treasury's mortgage programs, whereas CBO estimates a cost of $31.4 billion.

Changes in CBO's Estimates Since April 2023

In its *Report on the Troubled Asset Relief Program—April 2023*, CBO projected that the TARP would cost $31 billion over its lifetime. CBO's final estimate is about the same.

5. Congressional Budget Office, *Report on the Troubled Asset Relief Program—May 2022* (May 2022), www.cbo.gov/publication/58029.

6. Deobligation is the cancellation of previously incurred obligations.

The Congressional Budget Office prepared this report in response to the requirements of the Emergency Economic Stabilization Act of 2008, as amended. Previous editions are available at https://tinyurl.com/c85sn8pv. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

Avi Lerner prepared the report with contributions from Zunara Naeem and guidance from Christina Hawley Anthony and Barry Blom. Robert Sunshine reviewed the report, Caitlin Verboon edited it, and R. L. Rebach prepared the text for publication. The report is available at www.cbo.gov/publication/59919.

CBO seeks feedback to make its work as useful as possible. Please send any comments to communications@cbo.gov.

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