DEPARTMENT OF THE TREASURY

Citizens' Report

Office of Financial Stability – Troubled Asset Relief Program

FISCAL YEAR 2017


THE TRE PARTMENT
ALEXANDER HAMILTON

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER FOR THE OFFICE OF FINANCIAL STABILITY

November 21, 2017

I am pleased to present the Office of Financial Stability's (OFS) Citizens' Report for Fiscal Year 2017. This report describes our financial and performance results for the ninth year of the Troubled Asset Relief Program (TARP). The Emergency Economic Stabilization Act of 2008 (EESA) established OFS within the Office of Domestic Finance at the Department of the Treasury (Treasury) to implement TARP. With the nation in the midst of the worst financial crisis since the Great Depression, TARP was created to "restore the liquidity and stability of the financial system." It was an extraordinary response to an extraordinary crisis.

OFS has made significant progress towards winding down TARP investments. As of September 30, 2017, OFS had collected 103 percent of the $412.1 billion in program funds that were disbursed under TARP investment programs, as well as an additional $17.5 billion from Treasury's equity stake in American International Group, Inc. Of the original ten investment programs, eight are effectively closed. Investment programs with remaining outstanding balances include the Capital Purchase Program ($48 million) and the Community Development Capital Initiative ($75 million). OFS continues to wind-down those positions as quickly as practicable.

In addition to winding down the investment programs under TARP, TARP's largest housing program, Making Home Affordable (MHA), closed to new applications as of December 30, 2016, as required by the Consolidated Appropriations Act, 2016 (the Act). More than 2.9 million homeowner assistance actions have taken place through the MHA, including 1.7 million permanent modifications through the Home Affordable Modification Program (HAMP). In addition, MHA has indirectly assisted millions more by setting new standards and changing industry practices that led to more affordable and sustainable private modifications. MHA has also demonstrated that a mortgage modification can be a sustainable option for homeowners seeking to avoid foreclosure. As we continue to execute the MHA wind-down, we are actively engaged with stakeholders on what the future of loss mitigation should include to ensure a smooth and successful transition for the mortgage servicing industry to life after MHA.

To date, our efforts through the Hardest Hit Fund (HHF) have assisted approximately 319,000 American homeowners in preventing avoidable foreclosures, and helped stabilize neighborhoods in 18 states and the District of Columbia. In the last year alone, HHF programs assisted approximately 50,000 households. Notwithstanding these accomplishments and recent improvements in the economy, the recovery of the housing market remains uneven. While state unemployment rates and home prices have generally improved, many homeowners and neighborhoods continue to face obstacles. Many of the states participating in the HHF continue to exceed the national average for underemployment and negative equity and many experience higher than average rates of serious mortgage delinquency. In addition, blighted and vacant properties depress property values in many communities that would otherwise benefit from the rise in home prices, while other communities are unable to attract new homebuyers to stimulate market activity. Recognizing the current and persistent need among HHF states, the Act included a provision that allowed OFS to commit an additional $2.0 billion in TARP funds to the program. On February 19, 2016, OFS announced that the $2.0 billion would be allocated to existing HHF program participants. By June 2016, OFS had completed the allocation process and made available the additional funds to Housing Finance Agencies (HFAs).

The financial and performance data contained in this report are reliable and complete. For the ninth consecutive year, OFS has earned an unmodified opinion from the GAO on its financial statements for TARP, and its internal control over financial reporting for TARP.

Sincerely,

Lorenzo Rasetti

Lorenzo Rasetti
Chief Financial Officer for the Office of Financial Stability

Program Background and OFS Organization Structure

Program Background

Legal Authority

In response to the worst financial crisis since the Great Depression, the Troubled Asset Relief Program (TARP) was created on October 3, 2008 pursuant to the Emergency Economic Stabilization Act (EESA). To carry out the authorities given to the Secretary of the Treasury to implement TARP, the U.S. Department of the Treasury (Treasury) established the Office of Financial Stability (OFS) within the Office of Domestic Finance. EESA authorized the Secretary of the Treasury to establish TARP to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on terms and conditions as are determined by the Secretary" to restore the liquidity and stability of the financial system. The terms "troubled assets" and "financial institution" are defined within EESA, which can be found at:

http://www.gpo.gov/fdsys/pkg/BILLS-110hr1424enr/pdf/BILLS-110hr1424enr.pdf

In addition, Section 109 of EESA provides the authority to assist homeowners.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), signed into law in July 2010, reduced total TARP purchase authority from $700.0 billion to a cumulative $475.0 billion. OFS's authority to make new program commitments under TARP originally expired on October 3, 2010. The Consolidated Appropriations Act, 2016 (the Act), gave the Secretary of the Treasury the ability to commit an additional $2.0 billion in TARP funds to current Hardest Hit Fund (HHF) participants. The additional $2.0 billion was obligated by Treasury as of June 2016. OFS currently does not have the authority to commit new program funds.

Bank Support Programs (CPP, TIP, AGP, CDCI, SCAP)

Capital Purchase Program

The Capital Purchase Program (CPP) was launched in October 2008 to help stabilize the financial system by providing capital to viable financial institutions of all sizes throughout the nation. With the additional capital that OFS offered, CPP participants were better equipped to undertake new lending and continue to provide other services to consumers and businesses. OFS received preferred stock or subordinated debt securities in exchange for the CPP investments. Most financial institutions participating in the CPP issued preferred stock with an initial dividend rate of five percent for the first five years, stepping up to a nine percent rate thereafter. In addition, OFS received warrants to purchase common shares or other securities from the banks to enable OFS to receive additional returns on its investments as banks recovered. OFS continues to wind-down the remaining CPP investments through repayments by those institutions that are able to repay, restructurings and sales of common stock, where OFS's investment shares were converted to common stock holdings.

Targeted Investment Program

OFS established the Targeted Investment Program (TIP) in December 2008. OFS invested a total of $40.0 billion in two institutions – Bank of America (BofA) and Citigroup – under the TIP. Similar to the CPP, OFS invested in preferred stock and received warrants to purchase common stock in each institution. The TIP investments provided for annual dividends of eight percent. The program also imposed greater reporting requirements and other restrictions on BofA and Citigroup. OFS completed the wind-down of the TIP in December 2009 when both BofA and Citigroup repaid their TIP investments in full. OFS received net proceeds of $4.4 billion in excess of disbursements.

Asset Guarantee Program

Under the Asset Guarantee Program (AGP), TARP commitments were used to support two institutions – BofA and Citigroup. BofA, however, ultimately decided not to participate in this program, and paid OFS a termination fee of $276 million. In January 2009, OFS, the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) agreed to share potential losses on a $301.0 billion pool of Citigroup's covered assets. As a premium for the guarantee to Citigroup, OFS received $4.0 billion of Citigroup preferred stock, which was reduced by $1.8 billion upon early termination of the agreement. OFS completed the wind-down of the AGP in February 2013, and received more than $4.1 billion in proceeds from the AGP without disbursing any claim payments.

Community Development Capital Initiative

On February 3, 2010, OFS created the Community Development Capital Initiative (CDCI) to help viable certified Community Development Financial Institutions (CDFIs) and the communities they serve cope with effects of the financial crisis. Since many CDFIs don't have the same access to capital markets as larger banks, the program was designed with more generous terms than the CPP. Under this program, CDFI banks, thrifts, and credit unions received investments aggregating $570 million in capital with an initial dividend or interest rate of two percent. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate increases to nine percent after eight years. In August 2016, OFS announced an early repurchase option for CDCI institutions to allow remaining participants to repurchase their outstanding securities at a fair value ahead of the dividend rate step-ups currently set to take place in 2018. OFS completed the last of the early repurchases in January 2017. In total, there were 27 full and partial repurchases at fair value under the early repurchase option.

Supervisory Capital Assessment Program

In 2009, Treasury worked with federal banking regulators to develop a comprehensive "stress test" known as the Supervisory Capital Assessment Program (SCAP). The purpose of the SCAP was to determine the health of the nation's 19 largest bank holding companies with unprecedented transparency and thereby help restore confidence in the banking system. In conjunction with the SCAP, Treasury announced that it would provide capital under TARP through the Capital Assistance Program (CAP) to those institutions that needed additional capital but were unable to raise it through private sources. The CAP closed on November 9, 2009, without making any investments.

For additional information on the bank support programs please visit the OFS website at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/bank-investment-programs/Pages/default.aspx

Credit Market Programs (PPIP, TALF, SBA 7(a))

OFS has completed the wind-down of all three credit market programs that were launched under TARP. A total of $19.1 billion was disbursed through these programs and a total of $23.6 billion has been collected.

Public-Private Investment Program

On March 23, 2009, OFS launched the Legacy Securities Public-Private Investment Program (PPIP) to help restart the market for non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). Using up to $22.1 billion of TARP funds alongside equity capital raised from private investors, PPIP was designed to generate significant purchasing power and demand for troubled RMBS and CMBS. OFS completed the wind-down of the PPIP during fiscal year 2015, with no debt or equity investments outstanding after the final equity repayment was made in June 2013. OFS received $22.5 billion of repayment, sales and investment income that exceeded the original investment by $3.9 billion.

Term Asset-Backed Securities Loan Facility

The Term Asset-Backed Securities Loan Facility (TALF) was a joint OFS-Federal Reserve program that was designed to restart the markets for asset-backed securities (ABS) and CMBS, which had ground to a virtual standstill during the early months of the financial crisis. OFS originally committed to provide credit protection of up to $20.0 billion in the form of a subordinated loan commitment to TALF, LLC to support up to $200.0 billion of lending by the Federal Reserve Bank of New York (FRBNY). In 2013, the commitment was reduced to $100 million – the loan amount that was ultimately disbursed by OFS to fund the TALF, LLC. As of September 30, 2015, all TALF loans provided by FRBNY had been repaid in full and the program closed. Since inception, accumulated income earned from investments in TALF, LLC totaled $685 million.

Small Business Administration 7(a) Securities Purchase Program

OFS launched the Small Business Administration (SBA) 7(a) Securities Purchase Program to help facilitate the recovery of the secondary market for small business loans, and thus help free up credit for small businesses. Under this program, OFS purchased securities comprised of the guaranteed portion of SBA 7(a) loans, which finance a wide range of small business needs. OFS invested approximately $367 million in 31 SBA 7(a) securities between March and September 2010. Investments under the SBA 7(a) program were fully liquidated by January 2012, resulting in proceeds in excess of cost of $9 million.

For additional information on the credit market programs, please visit the OFS website at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/Pages/default.aspx

Automotive Industry Financing Program

The Automotive Industry Financing Program (AIFP) was launched in December 2008 to help prevent the disorderly liquidations of General Motors (GM) and Chrysler, which would have resulted in a significant disruption of the U.S. auto industry. Recognizing that both GM and Chrysler were on the verge of collapse, OFS disbursed $79.7 billion in loans and equity investments to GM, Chrysler, and General Motors Acceptance Corporation (now known as Ally Financial). As of September 30, 2017, OFS has collected $70.5 billion through sales, repayments, dividends, interest, recoveries, and other income, compared to the original disbursement. Recoveries from the bankruptcy liquidation of Old Chrysler and Old GM remain possible.

For additional information on the AIFP, please visit the OFS website at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/automotive-programs/Pages/default.aspx

American International Group, Inc. Investment Program

In 2008, with American International Group, Inc. (AIG) facing potentially fatal liquidity problems and with the crisis threatening to intensify and spread more broadly throughout the economy, Treasury and the Federal Reserve provided assistance to AIG. In December 2012, Treasury exited all remaining holdings in AIG through the sale of common stock and AIG's repurchase of warrants. During the financial crisis, the Treasury's and the FRBNY's peak support for AIG totaled $182.3 billion. That included $69.8 billion in TARP funds that OFS committed and $112.5 billion committed by the FRBNY, including $22.1 billion in commitments which were later canceled. As a result of the combined efforts of AIG, Treasury, and the FRBNY, $22.7 billion in excess of the total of funds disbursed were recovered through sales and other income. OFS's cumulative net proceeds from repayments, sales, dividends, interest, and other income related to AIG assets totaled $55.3 billion. While TARP recovered less than its $67.8 billion total investment, this was offset by the proceeds from the additional Treasury shares of AIG, resulting in overall proceeds in excess of disbursements of $5.0 billion for Treasury as a whole.

For additional information on the AIG Investment Program, please visit the Office of Financial Stability website at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/aig/Pages/default.aspx

Housing Programs

Making Home Affordable

In early 2009, OFS launched MHA to help struggling homeowners avoid foreclosure and stabilize the housing market. OFS has committed $27.8 billion to the MHA program. MHA is aimed at helping homeowners experiencing financial hardships to remain in their homes until their financial position improves or they relocate to a more sustainable living situation. At the same time, MHA protects the interests of taxpayers by disbursing funds only when transactions are completed and only as long as contracts remain in place.

The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable and sustainable levels to avoid foreclosure. In addition to HAMP, OFS introduced programs under MHA to help homeowners who are unemployed, "underwater" on their loan (i.e. those who owe more on their home than it is currently worth), or are struggling with a second lien. MHA also includes options for homeowners who would like to transition to a more affordable living situation through a short sale or deed-in-lieu of foreclosure.

In accordance with provisions of the Act, MHA terminated on December 31, 2016, except with respect to certain loan modification applications made before such date. Therefore, while applications submitted before the deadline continue to be evaluated and servicers may continue to offer HAMP trials (in accordance with program guidelines), the program is now closed to new applications. MHA has set new standards for mortgage assistance and consumer protection, which have contributed to millions of homeowners receiving assistance to avoid foreclosure through other government programs and proprietary mortgage modifications.

In addition to HAMP, MHA includes programs to help homeowners address specific types of mortgages, in conjunction with the Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA).

Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund)

The HHF was established in February 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn. In an effort to restore stability to housing markets, the HHF provides funding for state Housing Finance Agencies (HFAs) to develop locally-tailored foreclosure prevention solutions in areas that have been hardest hit by home price declines and high unemployment. In total, $9.6 billion in HHF funds has been allocated among 18 states and the District of Columbia. Seven years after program inception, homeowners continue to face ongoing economic challenges including negative equity and underemployment in hardest hit states in the wake of the financial crisis.

HHF programs vary state to state, but may include such programs as mortgage payment assistance for unemployed or underemployed homeowners, reinstatement to bring homeowners current on their mortgage or property taxes, principal reduction to help homeowners modify or refinance into more affordable mortgages, funding to eliminate homeowners' second lien loans, funding for blight elimination activities, funding for down payment assistance to homebuyers, and help for homeowners who are transitioning out of their homes into more affordable living situations.

For additional information on the housing programs, please visit the OFS website at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/default.aspx

Support for FHA-Refinance Program

In March 2010, enhancements were made to an existing FHA program that permitted lenders to provide additional refinancing options to homeowners who owe more than their homes are worth because of large declines in home prices in their local markets. This program, known as the FHA-Refinance program, is intended to provide more opportunities for qualifying mortgage loans to be restructured and refinanced into FHA-insured loans. On December 31, 2016, the application period for the FHA-Refinance Program ended. TARP funds have been made available up to $27 million to cover the maximum total amount of OFS coverage for the loans in the program.

OFS Organization Structure

OFS is currently headed by OFS's Chief Financial Officer (CFO). In the absence of an Assistant Secretary for Financial Stability (ASFS), OFS's CFO has been formally delegated the authorized duties of the ASFS. Reporting to the CFO are three major organizations: the Office of Finance and Operations, the Homeownership Preservation Office, and the Chief Investment Office. The Office of General Counsel and the Office of Financial Agents also report to the CFO as well as to other Departmental Offices.

OFS is not envisioned as a permanent organization, so to the maximum extent possible when economically efficient and appropriate, OFS utilizes private sector expertise to support the execution and liquidation of TARP programs. These firms assist in the areas of custodial services, accounting and internal controls, administrative support, legal advisory, financial advisory, program compliance, and information technology.

OFS Operational Goals

OFS's Operational Goals were developed by management to achieve our strategic objective to wind-down emergency financial crisis response programs under our strategic goal of promoting domestic economic growth and stability while continuing reforms of the financial system. The following discussion of OFS operational goals focuses on significant events that occurred during fiscal year 2017.

Operational Goal One: Complete the Wind-down of the Investment Programs

Bank Support Programs

OFS disbursed a total of $245.5 billion under the various TARP bank programs. As of September 30, 2017, OFS has collected more than $275.8 billion through repayments, dividends, interest, warrant sales, and other income, representing $30.4 billion in excess of disbursements. OFS is focused on recovering TARP funds in a manner that continues to promote the nation's financial stability while maximizing returns on behalf of the taxpayers.

Capital Purchase Program

In fiscal year 2017, OFS continued to make progress winding down the CPP. Each dollar collected from CPP participants now represents additional collections in excess of disbursements on behalf of taxpayers. From inception of the program through September 30, 2017, OFS has received $199.7 billion in CPP repayments/sales, along with $12.1 billion in dividends and interest, and $14.9 billion of proceeds in excess of cost, which totals $226.8 billion[1]. As of September 30, 2017, $48 million in CPP gross investments remained outstanding in 6 institutions.

OFS received preferred stock or debt in each bank in which it made an investment, as well as warrants. Under the terms of the CPP, participating financial institutions may repay the funds they received at any time, with the approval of their regulators.

However, since the majority of the institutions currently in the CPP portfolio remain a going concern, OFS continues to work with CPP institutions to restructure certain investments that will allow them to exit TARP. This is typically done in connection with a merger or the bank's plan to raise new capital and is generally proposed by the bank.

During fiscal years 2017 and 2016, one and two investments were repaid in full for a total of $2 million and $4 million, respectively. In addition, five and five investments were restructured resulting in proceeds of $80 million and $20 million in fiscal years 2017 and 2016, respectively.

At the beginning of the fiscal year, OFS held two of its remaining CPP positions in common stock, First Bancorp-Puerto Rico (FB-PR) and Broadway Financial Corporation (Broadway). During the fiscal year, OFS sold its remaining common stock in FB-PR for net proceeds of $58 million. In addition, OFS sold 7,450,998 shares of its Broadway common stock for total net proceeds of $13 million.

Under the CPP, OFS has also received warrants to purchase common shares or other securities from the banks. OFS has followed a policy of disposing of warrants as soon as practicable if no agreement is reached on a repurchase. OFS has received net warrant proceeds of $8.1 billion to date.

[1] Totals may not equal due to rounding.

Additional information on the CPP, including details on the program's purpose, overview, and status can be found at the following link:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/bank-investment-programs/cap/Pages/default.aspx

Community Development Capital Initiative

OFS completed funding through this program in September 2010 with a total investment amount of $570 million for 84 institutions. Of this amount, $363 million ($356 million from principal and $8 million from warrants) represented exchanges by 28 CPP institutions converting into the CDCI. During fiscal years 2017 and 2016, OFS collected a total of $327 million and $35 million, respectively, in repayments, early repayments, dividends, and interest from institutions in the CDCI program. As of September 30, 2017, $75 million in CDCI investments remained outstanding in 22 institutions.

In keeping with OFS's goal of exiting its crisis-era programs in a timely and responsible manner, in August 2016, OFS announced that it was offering an early repurchase option to eligible CDCI participants. Under the early repurchase option, CDCI institutions were permitted to submit proposals requesting early repurchase of between half and all of their outstanding CDCI securities held by OFS. These proposals were evaluated by a committee using fair market valuation estimates. CDCI institutions had until November 18, 2016 to submit their final proposals. By the end of January 2017, OFS completed 27 full and partial repurchases at fair value under the early repurchase option for a total of $268 million in repayments. The early repurchase option allowed OFS to dispose of investments at fair value in a manner that helped eliminate longer term credit and market risk exposure to taxpayers from the portfolio.

Additional information on CDCI, including details on the program's purpose, overview, and status can be found at the following link:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/bank-investment-programs/cdci/Pages/default.aspx

Automotive Industry Financing Program

OFS fully wound down the AIFP during fiscal year 2015, selling its remaining stake in Ally Financial. OFS disbursed $79.7 billion in loans and equity investments to the auto industry through the AIFP. As of September 30, 2017, OFS has collected $70.5 billion through sales, repayments, dividends, interest, recoveries, and other income. This includes $5 million collected during fiscal year 2017, related to the Motors Liquidation Company Debtor-in-Possession (DIP) Lenders Trust.

To further maximize the recovery of TARP funds for taxpayers, OFS, along with Export Development Canada (EDC), which jointly financed administration of the General Motors bankruptcy, entered into a settlement with the Unsecured Creditors Committee of General Motors Corporation to split any proceeds of the Avoidance Action Trust (AAT) litigation, with OFS and EDC receiving 30 percent and the unsecured creditors receiving 70 percent. As a condition of the settlement, OFS and EDC provided an advance of $15 million ($13 million provided by OFS) in September 2016 to the AAT to fund the ongoing litigation against certain lenders to Old GM. This settlement yields the most favorable attainable economic outcome to ensure OFS is repaid some portion of any assets recovered through the pending lawsuit.

Additional information on the AIFP, including details on the program's purpose, overview, and status can be found at the following link:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/automotive-programs/Pages/default.aspx

Operational Goal Two: Continue Helping Families in Need to Avoid Foreclosure

Making Home Affordable

Consistent with OFS's goal of continuing to help struggling homeowners find solutions to avoid foreclosure whenever possible, OFS has developed and is implementing a process to seamlessly transition the program from an active to steady state, while assisting as many homeowners as possible that applied by the program's statutory sunset date of December 31, 2016. As of September 30, 2017, 65 servicers are participating in OFS's MHA program for non-Government Sponsored Enterprise (GSE) loans. As of September 30, 2017, OFS has commitments to fund up to $27.8 billion in MHA payments and has disbursed $17.9 billion since inception.

OFS publishes assessments of servicer performance containing data on compliance with program guidelines, as well as metrics on program results. OFS believes that these assessments have set a new standard for transparency about mortgage servicer efforts to assist homeowners at risk of foreclosure, and have helped encourage servicers to improve processes and performance of their foreclosure prevention activities.

MHA performance highlights for fiscal year 2017 can be found at:

http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx

The largest program within MHA is HAMP. HAMP offered eligible homeowners at risk of foreclosure the opportunity to modify their monthly mortgage payments to a more affordable and sustainable level.

As of September 30, 2017, approximately 1.7 million homeowners have received permanent modifications through HAMP[2]. Homeowners participating in HAMP have collectively experienced nearly a 35 percent median reduction in their mortgage payments—representing more than $466 per month. MHA has also encouraged the mortgage industry to offer their own similar programs, which have helped millions more at no cost to taxpayers.

Additional information on MHA, including details on the program's purpose, overview, and status can be found at the following link:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/mha/Pages/default.aspx

Hardest Hit Fund

In addition to MHA, OFS operates the HHF, which allows participating state HFAs in the nation's hardest hit housing and unemployment markets to design innovative, locally-targeted foreclosure prevention programs.

In fiscal year 2017, state HFAs continued to adapt their programs to best meet borrower needs in evolving economic and housing markets. Notwithstanding the HFAs' efforts and recent improvements in the economy, the recovery of the housing market remains uneven. Recognizing the current and persistent need among HHF states, the Act included a provision that allowed OFS to commit an additional $2.0 billion in TARP funds to current HHF program participants.

A total of 16 HFAs offer principal reduction to facilitate a loan modification, refinance, recast, or eliminate subordinate liens. Seven HFAs offer property tax reinstatement for elderly

[2] Includes modifications on both non-GSE loans and GSE loans. 1,194,261 of these modifications are OFS funded consisting of 1,072,312 non-GSE modifications and 121,949 GSE modifications.

homeowners with reverse mortgages. Additionally, eight HFAs allocate a portion of their HHF funds to blight elimination in an effort to stabilize neighborhoods and prevent foreclosures. Finally, nine HFAs now offer Down Payment Assistance Programs, making assistance available to moderate-income homebuyers in targeted counties that continue to demonstrate housing market distress.

As of September 30, 2017, the 19 HFAs have collectively drawn approximately $8.4 billion (88 percent) of the $9.6 billion allocated under the program. For fiscal years 2017 and 2016, this program has disbursed $1.7 billion and $1.0 billion, respectively. Each state draws down funds as they are needed, but must have no more than five percent of their allocation on hand before they can draw down additional funds. States have until December 31, 2021 to utilize all HHF funding.

Each HFA submits a quarterly report on the progress of its programs. These reports measure the states' performance against metrics set by OFS for various aspects of their programs. Direct links to each state's most recent performance report can be found at:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/Program-Documents.aspx

OFS also publishes a Quarterly Performance Summary, a companion reference to the HFAs' Quarterly Performance Reports. The Summary contains performance data and trends, key economic and loan performance indicators, and brief program descriptions for each HFA. The Quarterly Performance Summary can be found at:

https://www.treasury.gov/initiatives/financial-stability/reports/Pages/HHF.aspx

Additional information on the HHF, including details on the program's purpose, overview, and status can be found at the following link:

http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/hhf/Pages/default.aspx

FHA-Refinance Program

On March 26, 2010, FHA and OFS announced enhancements to the FHA-Refinance Program, designed to make homeownership more affordable for borrowers whose homes are worth less than the remaining amounts on their mortgage loans (negative equity). TARP funds were made available by OFS through an $8.0 billion letter of credit facility (incrementally reduced to $27 million, OFS's maximum liability for loans covered by the program as of December 31, 2016), in order to fund a share of the losses associated with this program. The program closed to new borrowers on December 31, 2016; however, OFS will continue to cover potential loss claim payments through December 31, 2022. As of September 30, 2017, FHA has guaranteed 7,234 refinance loans with a total face value of approximately $1.0 billion, of which 4,200 loans are subject to OFS coverage with a face value of $620 million.

Operational Goal Three: Minimize Cost to Taxpayer

OFS manages TARP investments to minimize costs to taxpayers by managing the timely exit of these investments to reduce taxpayers' exposure, return TARP funds to reduce the federal debt, and continue to replace government assistance with private capital in the financial system. OFS has taken a number of steps during fiscal years 2017 and 2016 to dispose of OFS's outstanding investments in a manner that balances speed of exit with maximizing returns for taxpayers. OFS continues to take steps to ensure that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

OFS takes a disciplined portfolio approach – reviewing each investment and closely monitoring risk and performance. In addition to repayments by participants, OFS has disposed of investments to third parties through public and private offerings and auctions with approval from regulators.

Risk Assessment

OFS has developed procedures to identify and mitigate investment risk. These procedures are designed to identify TARP recipients that face a heightened financial risk and determine appropriate responses to preserve OFS's investment on behalf of taxpayers, while maintaining financial stability. Specifically, OFS's external asset managers review publicly available information to identify recipients for which pre-tax, pre-provision earnings and capital may be insufficient to offset future losses and maintain required capital. For certain institutions, OFS and its external asset managers engage in heightened monitoring and due diligence that reflects the severity and timing of the challenges.

Compliance

OFS monitors certain TARP-related statutory and contractual obligations of remaining TARP recipients. Statutory obligations include certification and disclosures related to executive compensation restrictions. Contractual obligations vary by investment type. For most of OFS's preferred stock investments, TARP recipients need to comply with restrictions on payment of dividends and on repurchases of junior securities. Recipients of exceptional assistance (none of which remain in the program) were required to comply with additional restrictions on executive compensation, lobbying, and corporate expenses.

OFS also performs periodic reviews of the 19 HFAs participating in the HHF program to evaluate each HFA's ongoing compliance with their contractual agreement with OFS, as well as their compliance with HHF program terms and underwriting requirements.

In addition, all mortgage servicers participating in MHA are subject to program guidelines that require the servicer to offer MHA assistance to all eligible borrowers and to have effective systems, processes, and controls to administer the programs. Servicers are subject to periodic, on-site compliance reviews by OFS's compliance agent, Making Home Affordable-Compliance (MHA-C), a separate, independent division of Freddie Mac, to monitor whether servicers' obligations under MHA requirements are being met.

In fiscal year 2011, OFS began publishing quarterly assessments for the largest servicers that currently comprise approximately 83 percent of the HAMP mortgage servicing. These assessments have been used to ensure focus on emerging areas of interest, draw servicer attention to higher risk areas, and prompt the industry to improve its practices. As the program has evolved and servicers have significantly improved their performance, OFS has updated the assessment to ensure it includes metrics that address current areas of interest and concern.

Currently, OFS is utilizing its third iteration of quarterly assessments, which rely on enhanced loan file review testing. The updated assessment provides additional insight into the impact of servicer performance on the borrower experience and fosters further improvement in servicer performance by tightening performance benchmarks. Beginning in early 2018, compliance testing will transition to a delegated servicer testing model.

Operational Goal Four: Continue to Operate with the Highest Standards of Transparency, Accountability, and Integrity

To protect taxpayers and help ensure that every dollar is directed towards promoting financial stability, OFS established comprehensive accountability and transparency measures. OFS is committed to operating its investment and housing programs in full view of the public. This includes providing regular and comprehensive information about how TARP funds are being spent, who has received them and on what terms, and how much has been collected to date.

All of this information, along with numerous reports of different frequencies, is posted in the Financial Stability section of the Treasury.gov website, which can be found at:

http://www.treasury.gov/initiatives/financial-stability/reports/Pages/default.aspx

These reports include:

- A Monthly TARP Update (formerly the Daily TARP Update) that features detailed financial data related to each TARP investment program, including the status of disbursements and all collections by category;
- A monthly report to Congress that details how TARP funds have been used, the status of recovery of such funds by program, and information on the estimated cost of TARP;
- A monthly report on dividend and interest payments;
- A quarterly report on Making Home Affordable;
- A report of each transaction (such as an investment or repayment) within two business days of each transaction;
- A quarterly report on the Hardest Hit Fund; and
- A quarterly report to Congress on administrative expense activities.

In addition, OFS regularly publishes data files related to MHA and transaction reports that show activity related to MHA and HHF. The release of the data file fulfills a requirement within the Dodd-Frank Act to make available loan-level data about the program. OFS updates the file monthly. Researchers interested in using the MHA Data File can access the file and user guide at:

http://www.treasury.gov/initiatives/financial-stability/reports/Pages/mha_publicfile.aspx

Audited Financial Statements

OFS prepares separate financial statements for TARP on an annual basis. This is the ninth OFS Agency Financial Report (AFR), which includes the audited financial statements for the fiscal years ended September 30, 2017 and September 30, 2016. Additional reports for prior periods are available at:

http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Annual-Agency-Financial-Reports.aspx

In its nine years of operation, TARP's financial statements have received nine unmodified audit opinions from its auditor, the Government Accountability Office (GAO).

TARP Tracker

Since 2013, OFS has offered an interactive tool called the TARP Tracker, which allows users to track the flow of TARP funds over the lifetime of each individual TARP investment area. The TARP Tracker allows users to view each investment area separately to get a clearer sense of what has occurred in a particular program, and includes a scroll of events, major transactions, and legislative actions that have impacted the program.

Readers are invited to refer to these documents at: http://www.treasury.gov/initiatives/financial-stability/reports/Pages/default.aspx

Oversight by Three Separate Agencies

OFS activities are currently reviewed by three oversight entities:

- The Financial Stability Oversight Board, established by EESA Section 104;
- Specific responsibilities for the GAO as set out in EESA Section 116; and
- The Special Inspector General for TARP, established by EESA Section 121.

OFS has productive working relationships with all of these bodies, and cooperates with each oversight agency's effort to produce periodic audits and reports that focus on the many aspects of TARP. Individually and collectively, the oversight bodies' audits and reports have made and continue to make important contributions to the development, strengthening, and transparency of TARP programs.

Congressional Hearings and Testimony

OFS officials have testified in numerous Congressional hearings since TARP was created. Copies of their written testimony are available at:

http://www.treasury.gov/initiatives/financial-stability/news-room/Pages/default.aspx

Analysis of Fiscal Years 2017 and 2016 Financial Summary and Cumulative Net Income

OFS's fiscal year 2017 net cost of operations of $4.1 billion includes the reported net income related to TARP investment and FHA-Refinance programs, as well as expenses for the Treasury housing programs under TARP and administrative expenses. For the fiscal year ended September 30, 2017, OFS reported net subsidy income for four programs – CPP, CDCI, AIFP and FHA-Refinance. These programs collectively reported net subsidy income of $14 million. Fiscal year 2017 costs for the Treasury housing programs under TARP are $4.0 billion and administrative costs are $97 million. For the fiscal year ended September 30, 2016, the net cost of operations was $4.1 billion. These net cost amounts reported in the Agency Financial Report reflect only transactions through September 30, 2017 and September 30, 2016, and therefore are different than lifetime cost estimates made for budgetary purposes. Over time the cost of TARP programs will change. As described in the OFS audited financial statements, these estimates are based in part on currently projected economic factors. These economic factors will likely change, either increasing or decreasing the lifetime cost of TARP.

TARP Program Summary

Table 1 provides a financial summary for TARP programs since its inception on October 3, 2008, through September 30, 2017. For each program, the table provides utilized TARP authority (which includes purchases made, legal commitments to make future purchases, and offsets for guarantees made), the amount actually disbursed, repayments to OFS from program participants or from sales of the investments, write-offs and losses, net outstanding balance as of September 30, 2017, and cash inflows on the investments in the form of dividends, interest or other fees.

Table 1: TARP Summary[1]
From TARP Inception through September 30, 2017
(Dollars in millions)

	Purchase Price or Guarantee Amounts	Total $ Disbursed	Investment Repayments	Write-offs and Losses[6]	Outstanding Balance[7]	Received from Investments
Bank Support Programs						
Capital Purchase Program[2]	$ 204,895	$ 204,895	$ (199,663)[5]	$ (5,184)	$ 48	$ 27,090
Targeted Investment Program	40,000	40,000	(40,000)	-	-	4,432
Asset Guarantee Program	5,000	-	-	-	-	4,126
Community Development Capital Initiative	570	570	(468)	(27)	75	64
Credit Market Programs						
Public Private Investment Program	18,625	18,625	(18,625)	-	-	3,852
Term Asset-Backed Securities Loan Facility	100	100	(100)	-	-	685
SBA 7(a) Securities Purchase Program	367	367	(363)	(4)	-	13
Other Programs						
Automotive Industry Financing Program	79,692	79,692	(63,037)	(16,656)	-	7,500
American International Group Investment Program[3]	67,835	67,835	(54,350)	(13,485)	-	959
Subtotal for Investment Programs	417,085	412,085	(376,606)	(35,356)	123	48,719
Treasury Housing Programs under TARP	37,425[4]	26,410	N/A	N/A	N/A	-
Total for TARP Program	**$ 454,510**	**$ 438,494**	**$ (376,606)**	**$ (35,356)**	**$ 123**	**$ 48,719**

Note: Figures may not foot due to rounding.

[1] This table shows TARP activity for the period from inception through September 30, 2017, on a cash basis. Received from investments includes dividends and interest income reported in the Statement of Net Cost, and Proceeds from sale and repurchases of assets in excess of costs.

[2] OFS received $31.9 billion in proceeds from sales of Citigroup common stock, of which $25.0 billion is included at cost in Investment Repayments, and $6.9 billion of net proceeds in excess of cost is included in Received from Investments.

[3] The amounts for AIG reflect only the operations of TARP and do not reflect proceeds received from the sale of shares of AIG common stock held by Treasury outside of TARP (additional Treasury shares).

[4] Individual obligation amounts are $27.8 billion for the Making Home Affordable Program, $9.6 billion for the Hardest Hit Fund, and $45 million committed for the FHA-Refinance Program.

[5] Includes $2.2 billion of Small Business Lending Fund (SBLF) refinancing outside of TARP and CDCI exchanges from CPP of $363 million.

[6] Losses represent proceeds less than cost on sales of assets, which are reflected under "net proceeds from sales and repurchases of assets in excess of (less than) cost" in Note 6 of the Agency Financial Report.

[7] Total disbursements less repayments, write-offs and losses do not equal the total outstanding balance because the disbursements for the Treasury housing programs under TARP do not require (and OFS does not expect) repayments.

Most TARP funds were used to make investments in preferred stock or to make loans. OFS has generally received dividends on the preferred stock and interest payments on the loans from the institutions participating in TARP programs. These payments represent additional proceeds received on OFS's TARP investments. From inception through September 30, 2017 OFS received a total of $24.5 billion in dividends and interest.

OFS has conducted several sales of its investments in banking institutions as part of its exit strategy for winding down TARP. As of September 30, 2017, OFS has sold its investments in 190 banks for combined principal receipts of $3.1 billion through individual private auctions. These auctions resulted in net proceeds less than cost of to date of $774 million.

OFS also received warrants in connection with most of its investments, which provides an opportunity for OFS on behalf of taxpayers to realize additional proceeds on investments. Since the program's inception through September 30, 2017, OFS has received $9.7 billion in gross proceeds from the disposition of warrants associated with CPP, TIP, AGP, and AIG, consisting of (i) $4.0 billion from issuer repurchases at agreed upon values and (ii) $5.6 billion from auctions.

Summary of TARP Equity Investments

Table 2 provides information on the estimated values of TARP investment programs, as of the end of fiscal years 2017 and 2016. OFS housing programs under TARP are excluded from the chart because no repayments are expected. The Outstanding Balance column represents the amounts disbursed by OFS relating to the loans and equity investments that were outstanding as of September 30, 2017 and 2016. The Estimated Value of Investment column represents the present value of net cash inflows that OFS estimates it will receive from the programs. These estimates include market risk assumptions. For equity investments, this amount represents fair value. The total difference of $30 million (2017) and $140 million (2016) between the two columns is considered the "subsidy cost allowance" under the Federal Credit Reform Act methods OFS follows for budget and accounting purposes.

See Note 6 in the Agency Financial Report for further discussion.

Table 2: Summary of TARP Equity Investments (Dollars in millions)				
Program	Outstanding Balance as of September 30, 2017[1]	Estimated Value of Investment as of September 30, 2017	Outstanding Balance as of September 30, 2016[1]	Estimated Value of Investment as of September 30, 2016
Bank Support Programs				
Capital Purchase Program	$ 48	$ 35	$ 210	$ 111
Community Development Capital Initiative	75	58	420	379
Credit Market Programs				
Public-Private Investment Program	0	0	0	0
Term Asset-Backed Securities Loan Facility	0	0	0	0
SBA 7(a) Securities Purchase Program	0	0	0	0
Other Programs				
Automotive Industry Financing Program	0	0	0	0
American International Group Investment Program	0	0	0	0
Total	**$ 123**	**$ 93**	**$ 630**	**$ 490**

[1] Before subsidy cost allowance.

The ultimate cost of TARP will not be known for some time, but it is not expected to change significantly as only a few investment programs remain open with many of the original disbursed investments repaid. The financial performance of the remaining programs will depend on many factors, such as future economic and financial conditions and the business prospects of specific institutions. The cost estimates are sensitive to slight changes in model assumptions, such as general economic conditions, specific stock price volatility of the entities in which OFS has an equity interest, estimates of expected defaults, and prepayments. Wherever possible, OFS uses market prices of tradable securities to estimate the fair value of TARP investments. Use of market prices is possible for TARP investments that trade in public markets or are closely related to tradable securities. For those TARP investments that do not have direct analogs in private markets, OFS uses internal market-based models to estimate the market value of these investments. All future cash flows are adjusted for market risk. Further details on asset valuation can be found in Note 6 of the Agency Financial Report.

Comparison of Estimated Lifetime TARP Costs over Time

Market conditions and the performance of specific financial institutions are critical determinants of TARP's estimated lifetime cost. The changes in OFS estimates since TARP's inception through September 30, 2017, provide a good illustration of this impact. Table 3 provides information on how OFS's estimated lifetime cost of TARP has changed over time. The cost estimates for the non-housing programs have fluctuated in large part due to changes in the market prices of common stock for AIG, GM and Ally. This table assumes that all expected investments and disbursements for Treasury housing programs under TARP are completed, and adhere to general government budgeting guidance. This table will not match the financial statements since the table includes repayments and disbursements expected to be made in the future. Table 3 is consistent with the estimated TARP lifetime cost disclosures on the OFS website at:

http://www.treasury.gov/initiatives/financial-stability/Pages/default.aspx

The cost amounts in Table 3 are based on assumptions regarding future events, which are inherently uncertain.

Table 3: Estimated Lifetime TARP Costs (Income)[1]
(Dollars in billions)

Program	Estimated Lifetime Cost (Income) as of September 30								
	2009 [5]	2010	2011	2012	2013	2014	2015	2016	2017
Bank Support Programs									
Capital Purchase Program	($14.6)	($11.2)	($13.0)	($14.9)	($16.1)	($16.1)	($16.3)	($16.3)	($16.3)
Targeted Investment Program	(1.9)	(3.8)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Asset Guarantee Program[2]	(2.2)	(3.7)	(3.7)	(3.9)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Community Development Capital Initiative	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Credit Market Programs									
Public Private Investment Program	1.4	(0.7)	(2.4)	(2.4)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
Term Asset-Backed Securities Loan Facility	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
SBA 7(a) Securities Purchase Program	N/A	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other Programs									
Automotive Industry Financing Program	34.5	14.7	23.6	24.3	14.7	12.2	12.1	12.2	12.2
American International Group Investment Program[3]	56.8	36.9	24.3	15.3	15.2	15.2	15.2	15.2	15.2
Subtotal	74.1	32.1	24.6	14.1	2.6	0.1	(0.2)	(0.2)	(0.3)
Treasury Housing Programs under TARP[4]	50.0	45.6	45.6	45.6	37.7	37.4	37.4	34.7	32.6
Total	**$124.1**	**$77.7**	**$70.2**	**$59.7**	**$40.3**	**$37.5**	**$37.2**	**$34.5**	**$32.3**

Note: Figures may not foot due to rounding.

1 Estimated program costs (+) or savings (in parentheses) over the life of the program, including interest on reestimates and excluding administrative costs.

2 Prior to the termination of the guarantee agreement, OFS guaranteed up to $5.0 billion of potential losses on a $301.0 billion portfolio of loans.

3 The amounts for AIG reflect only the operations of TARP and do not reflect proceeds received from the sale of shares of AIG common stock held by Treasury outside of TARP (additional Treasury shares).

4 The estimated lifetime cost for Treasury Housing Programs under TARP consist of the MHA, HHF, and FHA-Refinance programs. The estimated lifetime cost of the FHA-Refinance Program (which is accounted for under credit reform) represents the total estimated subsidy cost associated with total obligated amount.

5 Estimated lifetime cost for 2009 includes funds for projected disbursements and anticipated obligations.

Key Factors Affecting TARP Future Activities and Ultimate Cost

TARP investment programs are nearly wound down with only $123 million of the total $412.1 billion disbursed still outstanding, representing 28 small banks in the CPP and CDCI portfolios. The estimated lifetime income associated with investment programs is currently $254 million and may fluctuate in the future. Going forward, the expenditures for Treasury housing programs under TARP are expected to most significantly affect changes to the lifetime cost of TARP. The ultimate cost of Treasury housing programs will depend on macroeconomic factors, including real-estate values, financing available in capital markets, and the market demand for housing.

TARP Glossary

Asset-Backed Security (ABS): A financial instrument representing an interest in a pool of other assets, typically consumer loans. Most ABS are backed by credit card receivables, auto loans, student loans, or other loan and lease obligations.

Asset Guarantee Program (AGP): A TARP program under which OFS, together with the Federal Reserve and the FDIC, agreed to share losses on certain pools of assets held by systemically significant financial institutions that faced a high risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets.

Automotive Industry Financing Program (AIFP): A TARP program under which OFS provided loans or equity investments in order to avoid a disorderly bankruptcy of one or more auto companies that would have posed a systemic risk to the country's financial system.

Capital Purchase Program (CPP): A TARP program pursuant to which OFS invested in preferred equity securities and other securities issued by financial institutions.

Commercial Mortgage-Backed Securities (CMBS): A financial instrument representing an interest in a commercial real estate mortgage or a group of commercial real estate mortgages.

Community Development Capital Initiative (CDCI): A TARP program that provides low-cost capital to Community Development Financial Institutions to encourage lending to small businesses and help facilitate the flow of credit to individuals in underserved communities.

Community Development Financial Institution (CDFI): A financial institution that focuses on providing financial services to low- and moderate- income, minority and other underserved communities, and is certified by the CDFI Fund, an office within OFS that promotes economic revitalization and community development.

Consolidated Appropriations Act, 2016: The law which included provisions that i.) the MHA program will terminate on December 31, 2016, except with respect to certain loan modification applications made before such date and ii.) allowed Treasury to commit an additional $2.0 billion in TARP funds to the HHF program.

Debtor-In-Possession (DIP): A debtor-in-possession in U.S. bankruptcy law has filed a bankruptcy petition but still remains in possession of its property. DIP financing usually has priority over existing debt, equity and other claims.

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act): The law that limited Treasury's authority to purchase or guarantee troubled assets to a maximum of $475.0 billion.

Emergency Economic Stabilization Act (EESA): The law that created the Troubled Asset Relief Program (TARP).

Government Sponsored Enterprises (GSEs): Private corporations created by the U.S. Government. Fannie Mae and Freddie Mac are GSEs.

Hardest Hit Fund (HHF): A TARP program to help 18 hardest hit states, plus the District of Columbia, to develop locally-tailored programs to assist struggling homeowners in their communities.

Home Affordable Modification Program (HAMP): A TARP program OFS established to help responsible, but struggling, homeowners reduce their mortgage payments to affordable levels and avoid foreclosure.

Housing Finance Agencies (HFAs): State-charted authorities established to help meet the affordable housing needs of the residents of their states.

Legacy Securities: CMBS and non-agency RMBS issued prior to 2009 that were originally rated AAA or an equivalent rating by two or more nationally recognized statistical rating organizations without ratings enhancement and that are secured directly by actual mortgage loans, leases or other assets and not other securities.

Making Home Affordable (MHA): A comprehensive plan to stabilize the U.S. housing market and help responsible, but struggling, homeowners reduce their monthly mortgage payments to more affordable levels and avoid foreclosure. HAMP is part of MHA.

Non-Agency Residential Mortgage-Backed Securities: RMBS that are not guaranteed or issued by Freddie Mac, Fannie Mae, any other GSE, Ginnie Mae, or a U.S. federal government agency.

Preferred Stock: Equity ownership that usually pays a fixed dividend and gives the holder a claim on corporate earnings superior to common stock owners. Preferred stock also has priority in the distribution of assets in the case of liquidation of a bankrupt company.

Public-Private Investment Fund (PPIF): An investment fund established to purchase Legacy Securities from financial institutions under PPIP.

Public-Private Investment Program (PPIP): A TARP program designed to support the secondary market in mortgage-backed securities. The program is designed to increase the flow of credit throughout the economy by partnering with private investors to purchase Legacy Securities from financial institutions.

Residential Mortgage-Backed Securities (RMBS): A financial instrument representing an interest in a group of residential real estate mortgages.

Small Business Administration (SBA) 7(a) Securities Purchase Program: A TARP program under which OFS purchased securities backed by the guaranteed portions of the SBA 7(a) loans.

Servicer: An administrative third party that collects mortgage payments, handles tax and insurance escrows, and may even bring foreclosure proceedings on past due mortgages for institutional loan owners or originators. The loan servicer also generates reports for borrowers and mortgage owners on the collections.

Targeted Investment Program (TIP): A TARP program created to stabilize the financial system by making investments in institutions that are critical to the functioning of the financial system.

Term Asset-Backed Securities Loan Facility (TALF): A program under which the Federal Reserve Bank of New York made term non-recourse loans to buyers of AAA-rated Asset-Backed Securities in order to stimulate consumer and business lending.

Troubled Asset Relief Program (TARP): The Troubled Asset Relief Program, which was established under EESA to stabilize the financial system and help prevent a systemic collapse.

Warrant: A financial instrument that represents the right, but not the obligation, to purchase a certain number of shares of common stock of a company at a fixed price.

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Making Home Affordable Program........ www.makinghomeaffordable.gov

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