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U.S. Department of the Treasury
Written Testimony Before the
Senate Committee on Banking, Housing and Urban Affairs
March 17, 2011

Chairman Johnson, Ranking Member Shelby, and other members of the Committee, thank you for the opportunity to testify about the Troubled Asset Relief Program ("TARP"). As the Acting Assistant Secretary for Financial Stability, I am responsible for overseeing the program on a day-to-day basis. I would like to provide you today with Treasury's assessment of the impact of TARP on the U.S. economy and financial sector.

Introduction

Two and a half years after Congress created TARP through the Emergency Economic Stabilization Act ("EESA"), it is clear that this program has been remarkably effective by any objective measure.

First, TARP, in conjunction with the other emergency programs initiated by the government and the Federal Reserve, helped prevent a catastrophic collapse of our financial system and helped pave the way for an economic recovery. Today, banks are better capitalized, and the weakest parts of the financial system no longer exist. The credit markets on which small businesses and consumers depend—for auto loans, for credit cards, and other financing—have reopened. Businesses can raise capital, and mortgage rates are at historic lows. There is still more work ahead, of course. TARP was not a solution to all our economic problems, nor was it designed to be. Unemployment remains unacceptably high and the housing market remains weak. But the worst of the storm has passed and our economy is on the road to recovery.

Second, we accomplished all this with fewer funds than were originally appropriated, and we are unwinding TARP faster than anyone thought possible. Congress originally authorized $700 billion for the program. We will spend no more than $475 billion. Of the $411 billion disbursed to date, we have already received back a total of $287 billion. Taxpayers have now recovered an amount equal to 70 percent of total TARP disbursements, and I am hopeful that we will recover most of the outstanding amount within the next few years, market conditions permitting.

Third, the ultimate cost of TARP will be far less than ever contemplated. The total cost was initially projected to be approximately $356 billion. That number has steadily declined over the past two and a half years. The latest estimates, both from Treasury and from the Congressional Budget Office ("CBO"), are that the overall cost of TARP will be between $25 and $50 billion. The TARP investment programs taken as a whole—including financial support for banks, AIG, the domestic auto industry, and targeted initiatives to restart the credit markets—are expected to result in very little or no cost to the taxpayer.

And finally, our financial system is in better shape today than before the crisis. Congress has adopted the most sweeping overhaul of our regulatory structure in generations, which will give us tools we did not have in the fall of 2008. This work is not yet completed either, but great progress has been made since TARP's inception.

Overview of the Government's Actions

Before I review in more detail the impact of TARP and the results of our actions, I think it is helpful to go back to where we were in the fall of 2008 and review the actions taken.

In September 2008, we faced the risk of a second Great Depression. The forces that led to that moment had been building for years, but had accelerated in the preceding six months. As the crisis spread, the Bush Administration and the Federal Reserve took a series of unprecedented steps to stabilize a financial system that teetered at the edge of catastrophic collapse. These steps included:

- Provision of broad-based guarantees to the financial system through programs such as the Federal Deposit Insurance Corporation's ("FDIC") Temporary Liquidity Guarantee Program and the Treasury Money Market Fund guarantee program;
- Initiation of extraordinary facilities through the Federal Reserve to support liquidity across the financial system; and
- Support for Government-Sponsored Enterprises ("GSEs") pursuant to the Housing and Economic Recovery Act.

But, the severe conditions required additional resources and authorities. Therefore, the Bush Administration proposed EESA, which created TARP. It was enacted into law on October 3, 2008, with bipartisan support in Congress.

Actions Taken by the Bush Administration under TARP

The Bush Administration originally proposed TARP as a mechanism for the government to buy mortgage loans, mortgage-backed securities, and certain other "troubled assets" from banks. By early October 2008, lending between banks had practically stopped, credit markets had shut down, and many financial institutions were under severe stress. It was clear that there was insufficient time to implement a new program in order to buy mortgage-related assets. The Bush Administration determined that the financial system required immediate capital injections in order to stabilize the banks and to avert a potential catastrophe. EESA provided this authority because Congress had broadened the statute during the legislative process.

During the fall and winter of 2008, the Bush Administration employed approximately $300 billion of TARP authority as follows:

- $234 billion was invested in banks and thrifts, including $165 billion in eight of the largest financial institutions (plus commitments of additional funds to two of those banks);
- $40 billion was invested in American International Group ("AIG") along with additional funds from the Federal Reserve; and
- Approximately $20 billion was provided to the domestic auto industry.

The combined effect of the actions taken by Treasury, the Federal Reserve, and the FDIC helped to stop the panic and to slow the financial crisis. Despite these efforts, when President Obama took office in early 2009, the financial system remained paralyzed and the economy continued to contract at an accelerating rate.

The nation had already lost 3.5 million jobs in 2008, and was losing additional jobs at the rate of 750,000 per month. Home prices were falling and foreclosures were increasing. Household wealth had fallen by 20 percent from December 2007 to December 2008, more than five times the decline in 1929. Businesses were cutting back on investments and could not raise capital. For individual families who needed credit—to buy a house or a new car—it was more difficult to borrow money than at any time since the Great Depression.

Actions Taken by the Obama Administration under TARP

Against this backdrop, the Obama Administration, working alongside the Federal Reserve, adopted a broad strategy to restore economic growth, free up credit, and return private capital to the financial system. The Administration's strategy combined the American Recovery and Reinvestment Act ("Recovery Act"), a powerful mix of targeted tax measures and investments, with a comprehensive plan to repair the financial system.

The Administration's Financial Stability Plan had three central components:

- To recapitalize and rebuild confidence in the banking system;
- To restart the credit markets that are critical to borrowing for businesses, individuals, and state and local governments; and
- To stabilize the crisis in the housing market.

The Financial Stability Plan represented an important change in strategy. It shifted the focus from supporting individual institutions to restarting the broad markets for capital and credit that are critical for economic growth. It was designed to maximize the chance that private capital would bear the burden of solving the crisis. To facilitate broader economic recovery, we provided support for the housing market and for homeowners. And when we provided extraordinary assistance to individual firms, it came with tough conditions.

Recapitalizing the Banking System

Our financial system needed to be recapitalized. But private capital could not be raised until the condition of the major financial institutions was made clear. Treasury worked with the federal banking regulators to conduct the Supervisory Capital Assessment Program ("SCAP"), a comprehensive, forward-looking "stress test" for the nineteen largest U.S. owned bank holding companies. The stress test determined which institutions would need more capital to remain well-capitalized if economic conditions deteriorated significantly more than expected. It was conducted with unprecedented openness and transparency, which helped restore market confidence in our financial system. Treasury allowed banks needing capital to reapply for further assistance under TARP, but only one did so. Since completion of the stress test, these banks have raised $150 billion in private capital, saving hundreds of billions of TARP dollars, restoring market confidence, reopening credit markets, and laying the groundwork for recovery and economic growth.

Jumpstarting the Credit Markets

A second key aspect of the Financial Stability Plan was to commit resources to restart critical channels of credit to households and businesses.

- Through the Term Asset-Backed Securities Loan Facility ("TALF"), a joint program with the Federal Reserve, we helped to restart the asset-backed securitization markets that provide credit to consumers and small businesses. Since TALF was launched in March 2009, new issuances of asset-backed securities have averaged $10.5 billion per month, compared to less than $2 billion per month at the height of the crisis.
- Through the Public-Private Investment Program ("PPIP") for legacy securities, we matched TARP funds with private capital to purchase legacy mortgage-related securities. This program returned liquidity to key markets for financial assets and cleaned up the balance sheets of major financial institutions. Since the announcement of PPIP in March 2009, prices for eligible residential and commercial mortgage-backed securities have increased by as much as 75 percent. The program continues to mature. Each of the Public-Private Investment Funds are now approximately halfway through their investment periods and have each generated positive returns to the taxpayer to date.
- Through the SBA 7(a) Securities Purchase Program, we unlocked credit for small business by purchasing securities backed by small business loans. Markets for these securities have since returned to healthy levels.

Easing the Housing Crisis

Finally, the Administration took aggressive steps to address the crisis facing many American homeowners. Our strategy has focused on providing stability to housing markets and giving Americans who are struggling but, with a little help, could afford to stay in their homes a chance to do so. TARP provided sensible incentives for mortgage modifications to prevent avoidable foreclosures, and Treasury and the Federal Reserve worked to keep interest rates at historic lows. Together, these policies have put a floor under housing prices and have enabled millions of Americans to stay in their homes.

The Economic Impact of Our Policies

In any assessment of a response to a financial crisis, there are several important measures of success. What is the effect on availability of credit and economic growth? How quickly is the government able to return the financial system to private hands? What was the direct financial cost of the interventions? Has the response left the financial system able to support—rather than impede—economic growth? On all of these measures, I believe TARP and the government's other emergency actions have succeeded.

Macroeconomic Impact

Treasury has discussed various measures of the effectiveness of these programs in the TARP Retrospective that we published on the two-year anniversary of the program, as well as in recent testimony. Let me briefly recap our views, and then review in more detail the impact of the major TARP programs.

At the peak of the crisis, banks were not making new loans to businesses, or even to one another. Businesses could not get financing in our capital markets. Municipalities and state governments could not issue bonds at reasonable rates. The asset-backed securitization markets, which provide financing for credit cards, auto loans, and other consumer financing, had stopped functioning. And where credit was available, it was prohibitively expensive.

Due to the combined actions under TARP and the other government interventions, the cost of credit has fallen dramatically. For businesses, the cost of long-term investment grade borrowing has fallen from a peak of approximately 570 basis points to just 125 basis points over benchmark Treasury securities today.[1] Non-investment grade corporate bond spreads have fallen from approximately 2,200 basis points to 440 basis points over benchmark Treasuries.[2]

American families are spending less on mortgage payments. At the peak of the crisis, a family with an average 30-year, $180,000 mortgage was borrowing at approximately 6.40 percent a year.[3] Today, that family is borrowing at approximately 4.85 percent, saving about $2,100 each year.[4]

The securitization markets have also restarted. Although volumes have not reached pre-crisis levels, auto lending in particular has recovered, with spreads now below pre-crisis levels.

The economy as a whole has made substantial progress since the recession ended last summer. Real GDP has risen for six straight quarters, and GDP growth was stronger in the fourth quarter of 2010 than in the fourth quarter of 2007. Private sector firms have started hiring again. The housing market remains weak, although certain measures are stabilizing.

Although we can never be sure where we would have been today without these emergency policies, one of the most comprehensive independent analyses of the overall impact of our response, by economists Mark Zandi and Alan Blinder, concluded that without the Recovery Act, TARP, and other government actions, GDP would have contracted further in 2010 at the astonishing rate of 3.7 percent, unemployment would have reached 16.5 percent, and we would be experiencing deflation. In short, they say, "this dark scenario constitutes a 1930s-like depression."

Impact of Particular TARP programs

Let me now turn to review the status of the major programs and initiatives taken under TARP.

<u>Support for the Banking System</u>

We have moved very quickly to reduce the dependence of the financial system on emergency support and to return our financial institutions to private hands as quickly as possible. Under the Capital Purchase Program ("CPP") and the Targeted Investment Program ("TIP"), Treasury invested $245 billion in our financial institutions, including $165 billion in eight of the largest financial institutions and an additional $80 billion in another 700 banks. Treasury further committed to guarantee certain assets of Bank of America and Citigroup under the Asset Guarantee Program ("AGP").

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[1] Based upon 10-year Treasury yield and FINRA/Bloomberg Investment Grade U.S. Corporate Bond Index yield as of February 25, 2011 according to Bloomberg LP.
[2] Based upon 10-year Treasury yield and FINRA/Bloomberg High Yield U.S. Corporate Bond Index yield as of February 25, 2011 according to Bloomberg LP.
[3] The U.S. average mortgage balance was $181,225 in 2007 according to the Federal Reserve Bank of Kansas City.
[4] The U.S. 30-year fixed mortgage average rate was 4.85% as of February 25, 2011 according to BankRate (www.bankrate.com).

We have already recovered a total of $243 billion from banks, including $211 billion in repayments and $32 billion in additional income. From today on, practically every dollar we recover from banks will constitute a positive return to the taxpayer—one that we estimate will ultimately total around $20 billion. When President Obama took office, the U.S. government had made investments in financial institutions representing 75 percent of the entire banking system by assets. Today, our remaining investments in banks represent only about 10 percent of the banking system.

The stress test in particular was critical to facilitating this recapitalization. The 19 banks subject to the stress test have raised $150 billion in new equity, and 13 of the institutions that received TARP assistance have fully repaid.

Citigroup was one of the largest recipients of TARP assistance; we invested a total of $45 billion. At the time, many doubted whether Citigroup would survive and be able to repay the government. As of last December, we recovered the entire $45 billion, and we realized a positive return in excess of $12 billion on our overall investment. As a recent report by the Special Inspector General for TARP concluded, the government assistance provided to Citigroup was carefully designed and achieved its primary goal of restoring market confidence.

I want to address in particular the status of the smaller banks which have received TARP funds. While Treasury under the Obama Administration made no further investments in the nation's largest banks, Treasury did invest an additional $11 billion in more than 400 other banks and thrifts, most of which were small and community banks. The Obama Administration focused on small banks not only because EESA required that assistance be made available to financial institutions regardless of size, but also because of the critical role small banks play in our nation's communities. Small banks finance small businesses, which generate a large percentage of our private sector jobs, as well as serve the needs of many families. While it may ultimately take longer for Treasury to recoup its investment in these small banks, the fact remains that without TARP, many more of these institutions, and the communities they serve, would have been in jeopardy.

Today, Treasury maintains investments in 539 small banks and thrifts. Their path to recovery is longer because these institutions have less access to the capital markets and greater exposure to the commercial real estate ("CRE") market. Although these institutions continue to face challenges, there are signs that the sector is strengthening. Over the past year, the CRE market and credit conditions have shown signs of stabilization and, in some areas, modest signs of improvement. With the launch of the Small Business Lending Fund ("SBLF"), which is outside of TARP, Treasury will provide capital to qualified small banks. Treasury has received many applications from small banks across the country including from eligible TARP recipients who wish to refinance into SBLF. Treasury plans to announce the first round of SBLF investments in the coming weeks.

Stabilizing the Auto Industry

The Bush Administration provided loans to old GM and old Chrysler in December 2008 to prevent their uncontrolled liquidations and the loss of as many as one million jobs. The Obama Administration thereafter provided additional assistance, but only on the condition that fundamental changes occur.

These changes involved sacrifices from all stakeholders—shareholders, unions, auto dealers, and creditors—and they enabled the industry to become more competitive. This assistance also helped the many suppliers and ancillary businesses that depend on the automotive industry. Our actions saved jobs across the country—as many as one million, by one estimate—and created many new ones.

Our strategy is helping to restore the domestic auto industry to profitability, and we have already begun to recoup our investments. Recently, General Motors reported net income of $4.7 billion for 2010. Old GM had not reported an annual profit since 2004. Chrysler reported four consecutive quarters of operating profit in 2010 totaling $763 million. Ford's 2010 net income reached $6.6 billion, its best level in more than 10 years.

To date, we have recovered a total of almost $30 billion of the $80 billion invested in the domestic auto industry (including the recently sold Ally securities). We completed a highly successful initial public offering of General Motors in November of last year, and the government has recovered almost half of its $50 billion investment and has reduced its stake in GM from 60.8 percent to 33.3 percent. We now have a pathway for exiting the remaining investment. We also are working to exit our investments in Chrysler and Ally Financial.

Restructuring AIG

One of the most controversial actions taken by the government in response to the crisis in the fall of 2008 was the assistance provided to AIG. That assistance was provided because the failure of AIG, in the circumstances we faced in September of 2008, would have been catastrophic to our financial system and our economy. Many doubted whether we would ever recover those funds. Now, two and a half years later, we have not only helped restructure the company but the government is potentially in position to recover every dollar we invested.

Over the last two years, Treasury and the Federal Reserve have worked with AIG as it has taken aggressive steps to stabilize its business and sell its non-core assets. As part of this effort, Treasury and the Federal Reserve worked with AIG to recruit an almost entirely new board of directors and several new members of senior management, including the Chief Executive Officer. The management team, in turn, has taken a variety of steps to reduce risk and to focus on AIG's core insurance businesses.

In January, AIG, the Treasury, and the Federal Reserve Bank of New York closed a major restructuring plan, which represented the culmination of two years of efforts to resolve AIG. This plan will accelerate the repayment of U.S. taxpayer funds and puts us in a position to recover our entire investment. AIG has since repaid the Federal Reserve $47 billion, converted Treasury's preferred stock investment into common shares, and repaid Treasury $9.1 billion.

Since market prices will fluctuate, there is no guarantee of what the ultimate returns will be. However, if we are able to sell our investments in AIG at current market values, including the AIG shares that Treasury received from the trust established by the Federal Reserve, taxpayers will get back every dollar put into AIG and will realize a positive return. This is a dramatic turnaround, and a result that stands in sharp contrast to what most observers expected in the fall of 2008.

Helping Responsible but Struggling Homeowners

We acknowledge that our housing programs have not been without criticism, and that housing is an area where there is still much work to be done. It should be remembered, however, that the forces that created this housing crisis had been building for nearly a decade. In particular, when the Obama Administration took office in January 2009, home prices had fallen for 30 consecutive months. Home values had fallen by nearly one-third and were expected to fall by another five percent by the end of 2009. Stresses in the financial system had reduced the supply of mortgage credit and crippled the ability of Americans to buy homes. Fannie Mae and Freddie Mac had been in conservatorship for over four months. Millions of American families could not make their monthly mortgage payments—having lost jobs or income—and were unable to sell, refinance, or find meaningful modification assistance.

The Obama Administration took several actions to confront this situation, including: the purchase of agency mortgage backed securities in order to help keep mortgage rates low; efforts to provide refinancing opportunities to homeowners; and the launch, under TARP, of the Making Home Affordable ("MHA") Program to help responsible homeowners avoid foreclosure. The Home Affordable Modification Program ("HAMP"), the largest MHA program, has helped more than 600,000 struggling homeowners secure permanent modifications of their mortgages and stay in their homes. HAMP has reduced these homeowners' mortgage payments by a median of more than $500 each month, bringing their total savings to approximately $5 billion. Currently, an average of 25,000 to 30,000 additional homeowners receive assistance from HAMP permanent modifications each month. Beyond direct assistance, many more homeowners have been helped by the standards that HAMP has catalyzed across mortgage modifications industry-wide.

As the housing crisis evolved, Treasury responded with additional actions, including several at the suggestion of our oversight bodies. The suggestion that we focus more on the problems of unemployed homeowners and negative equity were particularly valuable. We expanded MHA to: address the problem of second liens; provide incentives for other alternatives to foreclosure, such as short sales; provide additional help to the unemployed; and encourage targeted principal reduction. In addition:

- Treasury launched the Housing Finance Agency Hardest Hit Fund to help state housing finance agencies provide additional relief to homeowners in the states hit hardest by unemployment and house price declines.
- Treasury and the Department of Housing and Urban Development created the FHA Short Refinance program to enable homeowners whose mortgages exceed the value of their homes to refinance into more affordable mortgages.

Many have criticized HAMP because it will not achieve 3 million to 4 million permanent modifications. It is important to remember that the program was not intended to prevent all foreclosures. Today, there are approximately 5 million delinquent mortgages. Yet, about 1.4 million seriously-delinquent homeowners are currently eligible for HAMP because the program's eligibility requirements exclude:

- High cost mortgages in excess of $729,750;
- Mortgages on vacation, second homes or investor-owned properties;
- Mortgages on vacant homes;
- Homeowners who can afford to pay their mortgage without government assistance; and
- Homeowners with mortgages that are unsustainable even with government assistance.

To further protect taxpayer resources, HAMP and most of our other housing initiatives have pay-for-success incentives: funds are spent only when transactions are completed and continue only for as long as those modifications remain in place. Accordingly, most of the funds have not yet been disbursed.

Beyond those immediately helped, TARP housing programs also have had a positive impact on mortgage servicing. At the outset of the crisis, we faced a mortgage industry that was ill-equipped and unwilling to respond to the foreclosure crisis. Mortgage servicers lacked sufficient resources to meet the needs of a market reeling from increasing foreclosures. In addition, their servicing expertise and infrastructure were focused on overseeing collections and foreclosing on those who failed to pay. HAMP provided servicers with standards that could be applied to all modifications, such as the need to make modifications affordable for the homeowner. As a result, these standards soon became national, industry-wide models that also have been applied to many servicers' own proprietary modifications.

Over the past two and a half years, we developed policies and procedures in the MHA program to ensure that responsible homeowners who meet the eligibility criteria are offered meaningful modifications, or where appropriate, other alternatives to foreclosure. To address servicer shortcomings, we urged servicers to increase staffing and to improve customer service. We developed specific guidelines and certifications on how and when homeowners must be evaluated for HAMP and other options before foreclosure. We developed a defined process for escalating homeowner complaints to be resolved promptly and fairly. We also have a comprehensive compliance program to ensure that homeowners are fairly evaluated for HAMP, and that servicer operations comply with Treasury guidance.

We faced many challenges in developing and implementing these programs. We often must balance conflicting policy goals—such as how to design programs that encourage the participation of struggling borrowers and help them get back on their feet, while minimizing the cost to the government, moral hazard, adverse selection, and operational and financial risks and complexity. Implementation has been difficult, and much work remains to ease the housing crisis. But that should not obscure the importance of what has been accomplished, nor the fact that these programs can continue to help ease the pain of this terrible crisis. Struggling families from around the country have avoided the intense pain, cost, and disruption of losing their homes because of these programs. Their neighbors and their local communities have also benefited, since a vacant home is dangerous and costly to a neighborhood.

Congress is considering legislation to end HAMP. We strongly oppose any efforts to end our necessary housing programs. Terminating HAMP would prevent us from helping tens of thousands of additional families each month, relax the pressure on mortgage companies to offer better assistance to struggling homeowners, and damage the prospects of recovery in our still-fragile housing market. In addition, the House has already passed bills that would terminate the FHA Refinance Program, and the Emergency Homeowners' Relief Program, and is scheduled to vote on a bill to terminate the Neighborhood Stabilization Program this week. Ending these essential programs would further destabilize an already weak housing market.

Reform

It is important to also take stock of the fact that our financial system is stronger today. The weakest parts no longer exist, the system has substantially higher levels of capital relative to risk than before the crisis, and our financial institutions are better capitalized than their international competitors. Moreover, Congress has enacted a comprehensive overhaul of financial industry regulation. The Dodd-Frank Act provides the government with critical tools that will help us fix the fundamental failures that led to this crisis. These include consolidated supervision of the largest, most inter-connected financial companies and the ability to liquidate in an orderly manner firms that pose a significant threat to our financial system.

TARP Achieves Results at Fraction of Anticipated Costs

In terms of direct financial cost, TARP will rank as one of the most effective crisis response programs ever implemented. Independent observers, such as the CBO, initially estimated that TARP would cost $356 billion or more. Now, because of the success of the program, TARP is likely to cost only a fraction of that amount. Most recently, CBO estimated that the cost of the program would be as little as $25 billion.

The cost of TARP is likely to be roughly equal to the amount spent on the program's housing initiatives—expenditures that were necessary to prevent even greater losses and hardships to American families and local communities and that were never intended to be returned. The remainder of the programs under TARP—the investments in banks, AIG, credit markets, and the auto industry—likely will result in very little or no cost.

Furthermore, the cost of the government's broader response efforts is remarkably low when compared to past systemic crises. An International Monetary Fund study found that the average net fiscal cost of resolving roughly 40 banking crises since 1970 was 13 percent of GDP. The Government Accountability Office ("GAO") estimates that the cost of the U.S. Savings and Loan Crisis was 2.4 percent of GDP. In contrast, the direct fiscal cost of all our interventions, including the actions of the Federal Reserve, the FDIC, and our efforts to support the GSEs, is likely to be less than one percent of GDP. The true cost of this crisis to the economy, however—the jobs, wealth, and growth that it erased—is much higher than previous crises, but that damage would have been far worse without the government's emergency response.

Robust and Effective Oversight

TARP has been subjected to unprecedented oversight since its inception. ESSA established four separate oversight avenues for TARP: the Financial Stability Oversight Board ("FinSOB"); specific responsibilities for the GAO; the Special Inspector General for TARP ("SIGTARP"); and Congressional Oversight Panel ("COP").

Treasury cooperates with each oversight body's efforts to review TARP programs and to produce periodic audits and reports. To date, Treasury has responded to 75 reports from GAO, COP, and SIGTARP; and Treasury has participated in at least 25 Congressional hearings on TARP. Individually and collectively, the work performed by TARP's oversight bodies has made, and continues to make, important contributions to the development, strength, and transparency of TARP programs. Treasury welcomes this oversight and, to date, has adopted more than 120 of the recommendations made by the oversight bodies.

In addition, Treasury has taken many steps that have made TARP one of the most transparent programs in the federal government. Pursuant to EESA, Treasury prepares separate, audited financial statements for TARP. In its first two years of operations, TARP's financial statements received unqualified ("clean") audit opinions from the GAO, and separate reports on internal control over financial reporting were unqualified and found no material weaknesses—unprecedented achievements for a start-up operation with an extraordinary emergency mission. As a result of these efforts, the Office of Financial Stability received a Certificate of Excellence in Accountability Reporting ("CEAR") award from the Association of Government Accountants.

In addition, Treasury has published hundreds of comprehensive reports and other information about TARP, so that the public knows how its money was spent, who received it, and on what terms. This includes:

- 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 housing report containing detailed metrics on the housing programs;
- A quarterly report on the PPIP program that provides detailed information on the funds, their investments, and returns;
- A report on each transaction (such as an investment in or repayment by an institution) within two business days of its completion;
- A quarterly report that details all dividend and interest payments;
- Periodic reports on the sale of warrants, including information on auctions as well as on how the sale price was determined in the case of any repurchase of warrants by a TARP recipient;
- Monthly lending and use-of-capital surveys that contain detailed information on the lending and other activities of banks that have received TARP funds;
- A list of all the institutions participating in TARP programs and of all the investments Treasury has made; and
- Publishing every contract and financial agency agreement it has entered into.

In a further commitment to transparency, Treasury publishes valuations of the TARP investments in its annual financial statements and periodically during the year. Treasury has introduced new disclosures in its monthly reports that make it easier to track TARP funds and the current cost of the programs. These disclosures allow the public to understand the value of the investments that Treasury has made.

Conclusion

TARP succeeded in what it was designed to do: it brought stability to the financial system and laid the foundation for economic recovery. And it did so at a fraction of the expected cost. TARP was not designed to solve all our economic problems. The damage from this financial crisis has not yet been completely repaired, and many American families are still struggling in its aftermath. We will continue to manage our exit from our remaining investments in the interest of the taxpayer and the recovery. Nevertheless, today, thanks to a comprehensive and careful strategy to address the financial crisis, we are in a much stronger position to address remaining economic challenges.