



Report on the Troubled Asset Relief Program—April 2023

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

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

1. That law defines troubled assets as “(A) residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary [of the Treasury] determines promotes financial market stability; and (B) any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, but only upon transmittal of such determination, in writing, to the appropriate committees of Congress” (sec. 3 of P.L. 110-343, 122 Stat. 3767).
2. Originally, the law required OMB and the Congressional Budget Office to submit semiannual reports. That provision was changed to an annual reporting requirement by P.L. 112-204. OMB’s most recent report on the TARP was submitted on March 13, 2023, as part of *Budget of the United States Government, Fiscal Year 2024: Analytical Perspectives* (March 2023), pp. 74–75, www.govinfo.gov/app/details/BUDGET-2024-PER.

To fulfill that requirement, CBO has prepared this report on the TARP’s transactions that were completed, outstanding, or anticipated as of February 28, 2023. By CBO’s estimate, \$444 billion of the \$700 billion initially authorized will be disbursed through the TARP, including \$0.1 billion in projected future disbursements (see Table 1). (About \$410 billion of the total amount was disbursed by March 2011.) CBO estimates that the government’s total subsidy costs—including those already realized and those stemming from outstanding and anticipated transactions—will be \$31 billion (see Table 2).

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

CBO’s assessment of the TARP’s costs is about the same as what the agency last reported in May 2022.³ In addition, CBO’s current estimate is similar to OMB’s latest estimate.

The U.S. financial system was in a precarious condition when the TARP was created, and the transactions envisioned and ultimately undertaken entailed substantial financial risk for the federal government. Nevertheless, the TARP’s net realized costs have proved to be near the low end of the range of possible outcomes anticipated at the program’s outset.

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

Table 1.

Actual and Projected Cash Disbursements of the Troubled Asset Relief Program as of February 28, 2023

Billions of Dollars

	Principal Disbursed	Outstanding	Additional Disbursements Anticipated
Support for Financial Institutions			
Capital Purchase Program	205	0	0
Additional assistance to Citigroup and Bank of America ^a	40	0	0
Community Development Capital Initiative	1	*	0
Assistance to American International Group	68	0	0
Subtotal	313	*	0
Assistance to the Automotive Industry	80	0	0
Investment Partnerships			
Term Asset-Backed Securities Loan Facility ^b	*	0	0
Public-Private Investment Program	19	0	0
SBA 7(a) Securities Purchase Program	*	0	0
Subtotal	19	0	0
Mortgage Programs ^c	32	0	*
Total	444	*	*
Memorandum:			
Estimated Subsidy Cost	31	n.a.	n.a.

Data sources: Congressional Budget Office; Department of the Treasury. See www.cbo.gov/publication/59062#data.

Amounts shown reflect data available as of February 28, 2023.

SBA = Small Business Administration; n.a. = not applicable; * = between zero and \$500 million.

- The Treasury agreed to provide an additional \$5 billion to cover potential losses on Citigroup's assets; however, those losses did not occur, so no disbursements were made.
- The Treasury committed \$4 billion to absorb losses on loans made by the Federal Reserve through the Term Asset-Backed Securities Loan Facility; however, no losses occurred, and the Treasury recouped all of the \$100 million in initial funding.
- Of the \$50 billion initially announced for the mortgage modification programs, which includes funding for state housing finance agencies and the Federal Housing Administration, \$32 billion will eventually be disbursed, CBO estimates.

Estimating the Costs of the TARP

To estimate the value of the TARP's asset purchases and guarantees, CBO uses procedures similar to those specified in the Federal Credit Reform Act of 1990 but with an adjustment to account for market risk, as directed by the Emergency Economic Stabilization Act of 2008. Because nearly all transactions undertaken through the TARP are now completed and many programs have no outstanding investments, CBO's current estimate largely reflects the realized costs or gains as recorded by OMB for past years. CBO converted those costs or gains to a net present value by using as a discount rate the interest rate on the Treasury securities with a maturity that most closely matched the period for which a transaction

was outstanding.⁴ For the few investments that remain, projected cash flows were converted to a present value using a discount rate that included a risk premium—the additional compensation that private investors would require to bear the investment risk.⁵

- A net present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. The present value depends on the rate of interest (the discount rate) that is used to translate future cash flows into current dollars.
- For a detailed explanation of CBO's approach to evaluating the program's investments, see Congressional Budget Office, *Report on the Troubled Asset Relief Program—April 2014* (April 2014), www.cbo.gov/publication/45260.

Table 2.

Estimated Subsidy Cost or Gain Over the Life of the Troubled Asset Relief Program

Billions of Dollars

	CBO	OMB
Support for Financial Institutions		
Capital Purchase Program	-16	-16
Additional assistance to Citigroup and Bank of America	-8	-8
Community Development Capital Initiative	*	*
Assistance to American International Group	15	15
Subtotal	-9	-9
Assistance to the Automotive Industry	12	12
Investment Partnerships		
Term Asset-Backed Securities Loan Facility	-1	-1
Public-Private Investment Program	-3	-3
SBA 7(a) Securities Purchase Program	*	*
Subtotal	-3	-3
Mortgage Programs	31	32
Total	31	31

Data sources: Congressional Budget Office; Office of Management and Budget. See www.cbo.gov/publication/59062#data.

CBO's estimates are based on data available as of February 28, 2023; estimates from OMB are based on data available as of December 31, 2022.

Negative numbers indicate a net gain for the government; positive numbers indicate a net cost.

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

All of the TARP's future disbursements are expected to occur through its mortgage programs in the form of grants to borrowers, servicers, investors, and state housing finance agencies. For those future grant payments, the estimated cost (\$0.1 billion) equals the projected amount of the disbursements.

Transactions of the TARP

The TARP's transactions fall into four broad categories:

- Capital purchases and other support for financial institutions,
- Assistance to the automotive industry,
- Investment partnerships designed to increase liquidity in securitization markets, and
- Mortgage programs.

Most of the support provided by the TARP has been repaid or terminated; currently, only transactions related to mortgage programs are ongoing. Details of those completed transactions—including capital purchases and other support to financial institutions (AIG, Citigroup, and Bank of America, among others) and assistance to the automotive industry—are discussed in previous editions of this report (the most recent of which was published in May 2022). None of the investments the Treasury acquired through the TARP's Capital Purchase Program remain outstanding.

The ongoing mortgage programs stem from an initial commitment by the Treasury of \$50 billion in TARP funds for programs to help homeowners avoid foreclosure. Subsequent legislation reduced that amount, and CBO anticipates that \$32 billion will ultimately be disbursed.⁶

Through February 28, 2023, total disbursements of TARP funds for all mortgage programs were \$31.8 billion. Because most of those funds were in the form of direct grants that do not require repayment, the government's cost is generally equal to the full amount disbursed (which is to say that the program has a 100 percent subsidy rate). CBO's current estimate of the cost for the mortgage programs is largely unchanged from what the agency reported in May 2022.

Comparison of CBO's and OMB's Estimates

CBO has adopted the cost assessments for completed transactions that OMB published in its March 2023 report. CBO and OMB have used similar approaches to evaluate the TARP's ongoing programs for purchasing assets and making grants. OMB's most recent estimate of the program's total cost is \$0.3 billion higher than CBO's current estimate. Specifically, OMB estimates a cost of \$31.8 billion for the Treasury's mortgage programs, whereas CBO anticipates a cost of \$31.5 billion.

Changes in CBO's Estimates Since May 2022

In its *Report on the Troubled Asset Relief Program—May 2022*, CBO projected that the TARP would cost \$31 billion over its lifetime. CBO's current estimate is about the same.

6. Most recently, the Consolidated Appropriations Act, 2016 (P.L. 114-113), lowered the total amount authorized for mortgage programs to \$40 billion.

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

Avi Lerner prepared the report with contributions from Zunara Naeem and guidance from Theresa Gullo and Christina Hawley Anthony. Robert Sunshine reviewed the report, John Skeen edited it, and R. L. Rebach prepared the text for publication. The report is available on CBO's website (www.cbo.gov/publication/59062).

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



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