# TROUBLED ASSET RELIEF PROGRAM: Lifetime Cost

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On October 3, 2008, Congress passed the Emergency Economic Stabilization Act of 2008 (EESA) in response to the financial crisis. EESA established the Office of Financial Stability (OFS) within the Department of the Treasury and created the Troubled Asset Relief Program (TARP) to assist financial institutions and markets, businesses, homeowners, and consumers. Over the past 15 years, OFS managed the TARP investments to minimize costs to the taxpayers. With the conclusion of TARP in September 2023, we can now summarize the ultimate cost of the program.

## TARP-Funded Program Costs

EESA originally authorized TARP to purchase or guarantee up to $700 billion in assets. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 reduced that amount to $475 billion. Taken as a whole, the final cost of TARP was significantly less than its original authorization. As of September 30, 2023, the total amount disbursed under TARP-funded programs was $443.5 billion. However, after repayments, sales, dividends, interest, and other income, the lifetime cost of TARP-funded programs was $31.1 billion. While there will be no impact to the net cost, TARP has over $14.2 billion in unused funds that it will return to Treasury at the end of fiscal year 2025. Figure 1 summarizes the lifetime cost of TARP by program.

**Figure 1: Lifetime Cost of TARP-Funded Programs**

| Capital Purchase Program | Community Development Capital Initiative | Automotive Industry Financing Program |
|---|---|---|
| ↑ $16.3 Billion | ↓ $0.1 Billion | ↓ $12.1 Billion |
| **American International Group, Inc. (AIG) Investment Program[a]** | **TARP Housing Programs** | **Other TARP Programs** |
| ↓ $15.2 Billion | ↓ $31.4 Billion | ↑ $11.4 Billion |
| | | **Total: ↓ $31.1 Billion** |

Source: GAO analysis of Department of the Treasury data. | GAO-24-107033

Note: These program costs do not include cumulative Office of Financial Stability (OFS) administrative costs totaling $2.1 billion from inception through September 30, 2023. OFS will continue to incur costs in fiscal year 2024 as it winds down all remaining administrative matters.

[a]The AIG Investment Program cost only reflects the Troubled Asset Relief Program (TARP) cost and does not include $17.5 billion in proceeds from the sale of AIG common stock held by the Department of the Treasury outside of TARP.

## TARP's Major Programs

OFS established several programs under TARP to help stabilize the U.S. financial system, restart economic growth, and prevent avoidable foreclosures. Below is a brief summary of the TARP-funded programs and costs.

### Capital Purchase Program (CPP)

CPP was launched in October 2008 to help stabilize the financial system by providing capital to viable financial institutions of all sizes nationwide. Under CPP, OFS received preferred stock or debt, as well as stock warrants, in return for its investment. According to program terms, participating financial institutions were to repay the funds they received, subject to the approval of their regulators. Through CPP, Treasury disbursed a total of $204.9 billion to 707 institutions in 48 states, Puerto Rico, and the District of Columbia. After repayments, sales, dividends, and interest, however, the program resulted in a net gain of $16.3 billion.

### Community Development Capital Initiative (CDCI)

CDCI was created in February 2010 to help viable certified community development financial institutions and the communities they serve cope with the effects of the financial crisis. Under CDCI, 84 financial institutions received investments with an initial dividend or interest rate of 2 percent. To encourage repayment while recognizing the unique circumstances these institutions faced, the program's terms stated that the dividend rate would increase to 9 percent after 8 years. Though CDCI disbursed a total of $570.1 million, the final cost of the program—after repayments, sales, dividends, and interest—was $67.5 million.

## Automotive Industry Financing Program (AIFP)

AIFP was launched in December 2008 to help prevent the collapse of General Motors (GM) and Chrysler, which would have significantly disrupted the U.S. auto industry. The program disbursed $79.7 billion in loans and equity investments to GM, Chrysler, and General Motors Acceptance Corporation (now known as Ally Financial). After repayments, sales, dividends, and interest, AIFP cost a total of $12.1 billion.

## American International Group, Inc. (AIG) Investment Program

The U.S. government acted to prevent the disorderly failure of AIG, after concluding that such a failure would have caused catastrophic damage to the financial system and the economy. Treasury, the Federal Reserve Bank of New York, and AIG completed a restructuring plan for AIG that enabled the company to restore its financial condition and fully repay taxpayers. Starting in November 2008, Treasury used TARP funds to invest $67.8 billion in AIG, helping to secure its liquidity. After repayments, sales, dividends, interest, and other income related to AIG, TARP's ultimate cost was $15.2 billion. Treasury also received non-TARP shares of AIG. As such, the TARP cost was offset by $17.5 billion in proceeds from the sale of additional non-TARP shares of AIG held by Treasury, resulting in a net gain for Treasury as a whole.

## TARP Housing Programs

OFS launched two housing programs—Making Home Affordable and the Hardest Hit Fund—to help struggling homeowners avoid foreclosure and stabilize the housing market. In addition, TARP provided support to the Federal Housing Administration Refinance Program, designed to assist borrowers whose homes were worth less than the remaining amounts due on their mortgage loans (negative equity). Recipients were not required to repay the government for funds they received. In total, these programs assisted more than 3.3 million homeowners and supported neighborhood improvement efforts at a final cost of $31.4 billion.

## Other TARP-Funded Programs

Additional TARP-funded programs included the Targeted Investment Program, Asset Guarantee Program, Supervisory Capital Assessment Program, Public-Private Investment Program, Term Asset-Backed Securities Loan Facility, and Small Business Administration 7(a) Securities Purchase Program. Together, these programs disbursed $59.1 billion and resulted in a net gain of $11.4 billion.

## TARP Administrative Costs

The administrative costs of running these programs are not reflected in the amounts above. As of September 30, 2023, total administrative costs since the inception of TARP were $2.1 billion. OFS will continue to incur costs in fiscal year 2024 as it winds down all remaining administrative matters.

## TARP Oversight

We have audited TARP's financial statements annually, including the costs of the individual programs, since the program's inception. For the entire 15-year duration of TARP, we issued unmodified (clean) opinions on its financial statements. In addition, we performed many other audits of TARP-funded programs and made over 70 recommendations for corrective action, most of which Treasury implemented. The Financial Stability Oversight Board and the Special Inspector General for TARP also performed oversight of the TARP-funded programs. For more information on TARP, see the fiscal year 2023 *OFS Agency Financial Report*, including our opinion on the financial statements, in GAO-24-106814 and on Treasury's TARP website.

## Agency Comments

We provided a draft of this report to OFS for review and comment. OFS management thanked us for our audit work on TARP over the years. OFS also emphasized the benefits that taxpayers received from TARP, including the stabilization of the financial sector, the rescue of the domestic auto industry, and the prevention and mitigation of millions of foreclosures.



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We conducted our work from September 2023 to December 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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