GAO Highlights

Highlights of GAO-13-458, a report to congressional committees

Why GAO Did This Study

CPP was established as the primary means of restoring stability to the financial system under the Troubled Asset Relief Program (TARP). Under CPP, Treasury invested almost $205 billion in 707 eligible financial institutions between October 2008 and December 2009. CPP recipients have made dividend and interest payments to Treasury on the investments. TARP's authorizing legislation requires GAO to report every 60 days on TARP activities. This report examines (1) the status of CPP; and (2) the financial condition of institutions remaining in the program.

To assess the program's status, GAO reviewed Treasury reports on the status of CPP. GAO also used financial and regulatory data to compare the financial condition of institutions remaining in CPP with those that had exited the program and those that did not participate.

GAO provided a draft of this report to Treasury for its review and comment. Treasury generally concurred with GAO's findings.

View GAO-13-458. For more information, contact A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov.

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CAPITAL PURCHASE PROGRAM

Status of the Program and Financial Health of Remaining Participants

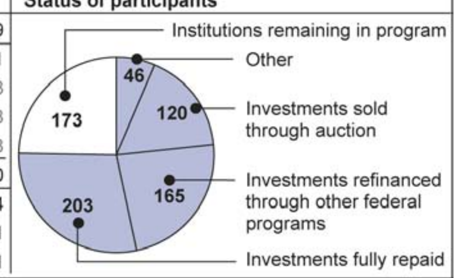
What GAO Found

As of March 31, 2013, the Department of the Treasury (Treasury) had received about $222 billion from its Capital Purchase Program (CPP) investments, exceeding the approximately $205 billion it had disbursed. Treasury estimated at the end of December 2012 that CPP would have an approximate lifetime income of $15 billion after all institutions had exited the program. Treasury's March 2013 data showed that 534 of the original 707 institutions had exited CPP. Most of these institutions exited by repurchasing their preferred shares in full or by refinancing their investments through other federal programs. In March 2012, Treasury began selling its investments in the institutions through auctions, expediting the exit of a number of CPP participants. A relatively small number of the remaining 173 institutions accounted for most of the funds outstanding. Specifically, 25 institutions accounted for $4.2 billion, or 68 percent, of the $6.1 billion in outstanding investments. These investments were relatively widely dispersed throughout the United States, with 39 states having at least one institution with investments outstanding and 12 states having at least 5 such institutions.

Status of Capital Purchase Program Funds and Participants

Status of funding (dollars in billions)	
Disbursed	$204.9
Repayments	193.1
Auction proceeds	2.3
Dividends/interest/other income	18.8
Warrant income	7.8
Total proceeds	222.0
Write-offs and losses	3.4
Outstanding investments	6.1
Estimated lifetime income	15.1

Status of participants



Source: GAO analysis of Treasury data.

Note: "Other" includes institutions that went into bankruptcy or receivership, had their investments sold by Treasury, or merged with another institution.

The institutions remaining in CPP are generally less financially healthy than those that have exited. In particular, most remaining participants have missed scheduled dividend or interest payments. For example, 125 remaining institutions missed their February 2013 payment. Further, 107 remaining CPP institutions were on the Federal Deposit Insurance Corporation's problem bank list in December 2012—that is, they demonstrated financial, operational, or managerial weaknesses that threatened their continued financial viability. Institutions that continue to miss dividend payments or find themselves on the problem bank list may have difficulty fully repaying their CPP investments. GAO's analysis also showed that the remaining CPP institutions were financially weaker than those that had exited the program or had never participated. In particular, the remaining CPP institutions tended to be less profitable, hold riskier assets, and have lower capital levels and reserves.