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CBO

REPORT

Report on the Troubled Asset Relief Program—November 2010

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

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Report on the Troubled Asset Relief Program— November 2010

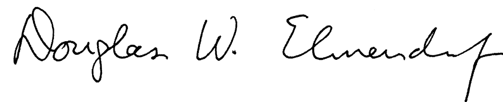
The Congress of the United States ■ Congressional Budget Office

Note

Numbers in the text and tables may not add up to totals because of rounding.

In October 2008, the Emergency Economic Stabilization Act of 2008 established the Troubled Asset Relief Program (TARP) to enable the Department of the Treasury to purchase or insure troubled assets as a way to promote stability in financial markets. Section 202 of that legislation requires the Congressional Budget Office (CBO) to prepare a report on those transactions within 45 days of a report issued by the Office of Management and Budget (OMB) on the TARP's activities. This fourth statutory report from CBO on the TARP's transactions follows the report that OMB submitted to the Congress on October 15, 2010.

Avi Lerner of CBO's Budget Analysis Division prepared the report under the supervision of Peter Fontaine, Theresa Gullo, and Jeffrey Holland. Francesca Castelli, Chad Chirico, Wendy Kiska, and Deborah Lucas contributed significantly to the analysis. Sherry Snyder edited the report, Chris Howlett proofread it, and Jeanine Rees prepared the report for publication. Monte Ruffin oversaw the printing of the report, Linda Schimmel handled the print distribution, and Simone Thomas prepared the electronic versions for CBO's Web site (www.cbo.gov).



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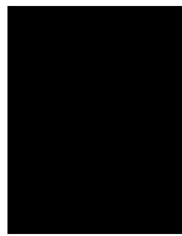
November 2010



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Report on the Troubled Asset Relief Program—November 2010

In October 2008, 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 through the purchase and guarantee of "troubled assets."[1] Section 202 of that legislation requires the Office of Management and Budget (OMB) to submit semiannual reports on the costs of the Treasury's purchases and guarantees of troubled assets.[2] The law also requires the Congressional Budget Office (CBO) to prepare an assessment of each OMB report within 45 days of its issuance. That assessment must discuss three elements:

1. The 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 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."(12 U.S.C. 5202; 122 Stat. 3765, 3767)

2. OMB's most recent report on the TARP, which was submitted on October 15, 2010, analyzes transactions through May 31, 2010; see Office of Management and Budget, *OMB Report Under the Emergency Economic Stabilization Act, Section 202* (October 15, 2010), www.whitehouse.gov/sites/default/files/OMB212Sharp_omb_eop_gov_20101015_175127.pdf.

- The costs of purchases and guarantees of troubled assets,
- The information and valuation methods used to calculate those costs, and
- The impact on the federal budget deficit and debt.

To fulfill its statutory requirement, CBO has prepared this report on transactions completed, outstanding, and anticipated under the TARP as of November 18, 2010. CBO estimates that the cost to the federal government of the TARP's transactions (also referred to as the subsidy cost), including grants that have not been made yet for mortgage programs, will amount to $25 billion (see Table 1). That cost stems largely from assistance to American International Group (AIG), aid to the automotive industry, and grant programs aimed at avoiding foreclosures. Other transactions with financial institutions will, taken together, yield a net gain to the federal government, CBO estimates.

CBO's current estimate of the cost of the TARP's transactions is substantially less than the $66 billion estimate incorporated in the agency's latest baseline budget projections (issued in August 2010) and the $109 billion estimate shown in the agency's previous report on the TARP (issued in March 2010).[3] The reduction in estimated cost over the course of this year stems from several developments: additional repurchases of preferred stock by recipients of TARP funds; a lower estimated cost for assistance to AIG and to the automotive industry; lower

3. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2010), and *Report on the Troubled Asset Relief Program—March 2010* (March 2010).

Table 1.

Activities of the Troubled Asset Relief Program

	Billions of Dollars
Amount of Principal[a]	
Repaid	216
Written off	6
Outstanding	166
Subtotal	389
Additional Disbursements Anticipated	44
Total[b]	**433**
Estimated Subsidy Cost[c]	25

Sources: Congressional Budget Office; Department of the Treasury.

Note: Transactions are as of November 18, 2010, except for the Public-Private Investment Program and the mortgage programs, which reflect transactions as of October 31, 2010.

a. Other funds were made available through asset guarantee programs, but no disbursements were made.

b. Authority for the Troubled Asset Relief Program was originally set at a maximum of $700 billion; however, that total was reduced to $475 billion in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203).

c. The subsidy cost is estimated using procedures similar to those specified in the Federal Credit Reform Act of 1990, but with an adjustment for market risk as directed by the Emergency Economic Stabilization Act (Division A of Public Law 110-343).

expected participation in mortgage programs; and the elimination of the opportunity to use TARP funds for new purposes (because of the passage of time and the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, P.L. 111-203).[4] CBO's current estimate is also well below OMB's latest estimate, $113 billion, because the market value of assets held by the government has increased and several recipients of TARP funds—most notably General Motors and AIG—have significantly restructured the Treasury's investment since May 31, 2010, the date used as the basis for OMB's analysis.

4. "Preferred stock" refers to shares of equity that provide a specific dividend to be paid before any dividends are paid to holders of common stock and that take precedence over common stock in the event of a liquidation. P.L. 111-203 reduced the maximum authority under the TARP to $475 billion, eliminated the Treasury's ability to disburse funds that had been repaid from earlier transactions, and advanced the cutoff date for initiating new programs from October 3, 2010, to June 25, 2010.

Clearly, it was not apparent when the TARP was created two years ago that the cost would turn out to be this low. At that time, the U.S. financial system was in a precarious condition, and the transactions envisioned and ultimately undertaken through the TARP engendered substantial financial risk for the federal government. However, the cost has come out toward the low end of the range of possible outcomes anticipated when the program was launched. Because the financial system stabilized and then improved, the amount of funds used by the TARP was well below the $700 billion initially authorized, and the outcomes of most transactions made through the TARP were favorable for the federal government.

Estimating the Costs of the TARP

CBO values the TARP's asset purchases and guarantees using procedures similar to those specified in the Federal Credit Reform Act of 1990, but with an adjustment for market risk as directed by the Emergency Economic Stabilization Act. The total estimated cost of the TARP reported here is a combination of prospective and realized costs. In brief:

- Projected future cash flows are discounted to a present value using a discount rate that accounts for: (a) the fact that money in hand now is worth more than the same amount received in the future; and (b) the premium that a private investor would require as compensation for the risk of the transaction. The risk premium used by CBO varies depending on the riskiness of the transaction.

- Cash flows that have already occurred—for instance, the Treasury's purchase of assets or its receipt of dividends or debt repayments—are converted to a present value using the rate on Treasury securities that most closely matches the time period for which the transaction was outstanding.

To explain more thoroughly, transactions that have been completed are valued by bringing all cash flows forward to the date of analysis using the Treasury's borrowing rate for the relevant period. For investments the Treasury has written off as uncollectible, the subsidy cost is considered to be 100 percent of the disbursed amount. Thus, CBO's estimate of the value of completed transactions equals the realized gain or loss for the government.

Transactions that are outstanding—that is, transactions that have been initiated by the Treasury but are not yet completed—are valued by converting past cash flows to

present values and combining them with the current values of assets held by the Treasury. For example, the estimated net cost of shares of preferred stock held through the TARP equals what the Treasury paid to acquire the shares (brought forward to the present using the Treasury's borrowing rate) minus the current value of the shares (based on market prices, if available) and any dividend payments already received by the government (also brought forward to the present using the Treasury's borrowing rate).

Transactions that CBO anticipates will occur are valued by discounting future cash flows to the present. For those transactions, such as future purchases made as part of the Public-Private Investment Program (PPIP), the estimated cost equals the difference between what the Treasury is expected to pay and what the Treasury is expected to obtain in return, discounted to the date of the analysis on a risk-adjusted basis.

Transactions of the TARP

The TARP's transactions fall into four broad categories:

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

Capital Purchases and Other Support for Financial Institutions

In support for financial institutions, the federal government has disbursed $293 billion, most of which has already been repaid, and is projected to provide an additional $22 billion (see Table 2). CBO estimates a net gain to the government of $7 billion from those transactions (see Table 3).

Capital Purchase Program. Through the TARP's Capital Purchase Program (CPP), the Treasury purchased $205 billion in shares of preferred stock from 707 financial institutions. As of mid-November, $153 billion in preferred stock had been repurchased by more than 120 of the issuing institutions. CBO estimates a net gain to the government of $15 billion from the CPP.

Preferred stock purchased through the CPP carries a promised dividend equal to 5 percent of the government's investment for the first five years and 9 percent thereafter. The shares of preferred stock are accompanied by warrants that allow the government to purchase common stock equal in cost to 15 percent of the amount invested in preferred stock; the warrants specify that the price at which the government may purchase shares is the average price of the institution's common stock over the 20 trading days preceding the date of the government's investment.[5] Financial institutions that are not publicly owned provided the government with additional shares of preferred stock instead of warrants. Under the terms of the CPP, participating financial institutions are subject to restrictions on the compensation they provide to their executives, the dividends they pay to their shareholders, and the amount of common stock they repurchase.

The net gain estimated for the CPP comprises the following:

- Net gains of nearly $12 billion from transactions with banks that have fully repaid the Treasury's investment. Those gains include dividend payments and proceeds from the sale of warrants.
- Increases in the market value of the Treasury's shares of common stock in Citigroup, which were acquired in exchange for $25 billion of preferred stock that the Treasury had purchased from Citigroup through the CPP. Including proceeds already realized from the sale of some of those shares, CBO estimates a net gain to the government of nearly $7 billion from those transactions with Citigroup.[6]
- Unrecoverable losses of $3 billion from institutions that declared bankruptcy, were taken over by the Federal Deposit Insurance Corporation, or were authorized by the Treasury to renegotiate the terms of the investment.
- A subsidy cost of $1 billion for the program's outstanding investments, including preferred shares and warrants still held by the Treasury.

5. A "warrant" gives the holder the option, but not the obligation, to purchase stock at a fixed price.
6. Through mid-November, the Treasury had sold 4.1 billion of its 7.6 billion shares in Citigroup; the sale of those shares yielded gross proceeds to the Treasury of $16.4 billion.

Table 2.

Actual and Projected Cash Disbursements from the Troubled Asset Relief Program

(Billions of dollars)

	Principal Disbursed	Results to Date for Principal Disbursed			Additional Disbursements Anticipated
		Repaid	Written Off	Outstanding	
Support for Financial Institutions					
Capital Purchase Program	205	153	3	49	0
Additional assistance to Citigroup and Bank of America[a]	40	40	0	0	0
Community Development Capital Initiative	1	0	0	1	0
Assistance to AIG	48	0	0	48	22
Subtotal	293	193	3	97	22
Assistance to the Automotive Industry	80	23	3	53	2
Investment Partnerships					
Term Asset-Backed Securities Loan Facility[b]	*	0	0	*	1
Public-Private Investment Program	15	0	0	15	8
SBA 7(a) Purchase Program	*	0	0	*	0
Subtotal	15	0	0	15	9
Mortgage Programs[c]	1	0	0	1	11
Total	**389**	**216**	**6**	**166**	**44**

Sources: Congressional Budget Office; Department of the Treasury.

Notes: Amounts shown are as of November 18, 2010, except for the Public-Private Investment Program and the mortgage programs, which reflect transactions as of October 31, 2010.

AIG = American International Group; SBA = Small Business Administration; * = between zero and $500 million.

a. The Treasury also agreed to provide $5 billion to cover potential losses on Citigroup assets; however, those losses did not occur and therefore no disbursements were made.

b. The Treasury has currently committed $4 billion to absorb losses on loans made by the Federal Reserve through the Term Asset-Backed Securities Loan Facility. Many of those loans remain outstanding and no losses have occurred to date; however, the Treasury provided $100 million in initial funding.

c. Of the $50 billion initially announced for the Home Affordable Modification Program, which includes funding for state housing finance agencies and the Federal Housing Administration, CBO estimates that $12 billion will eventually be disbursed.

Additional Assistance to Citigroup and Bank of America. In addition to receiving funds from the CPP, two financial institutions—Citigroup and Bank of America—also received supplementary support through the Treasury's Targeted Investment Program (TIP). All of that supplementary support has since been repaid or terminated, resulting in a net gain to the federal government of $7 billion.

Citigroup and Bank of America each received $20 billion in capital through the TIP. Furthermore, the Treasury agreed to absorb up to $5 billion in potential losses on a $301 billion pool of Citigroup's assets, and the Treasury announced plans to guarantee a pool of Bank of America's assets.

On December 23, 2009, Citigroup repaid the $20 billion in financing it received through the TIP and canceled the loss-sharing agreement. In exchange for accepting early termination of that agreement, the Treasury retained over $2 billion of Citigroup preferred stock, which it sold on September 30, 2010. Bank of America also repaid the $20 billion in financing it received through the TIP; the

Table 3.

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

(Billions of dollars)

	Estimated Subsidy Cost or Gain (-)		
	CBO	OMB	Difference
Support for Financial Institutions			
Capital Purchase Program	-15	-3	-11
Additional assistance to Citigroup and Bank of America	-7	-7	*
Community Development Capital Initiative	*	*	*
Assistance to AIG	14	48	-33
Subtotal	-7	38	-45
Assistance to the Automotive Industry	19	30	-11
Investment Partnerships			
Term Asset-Backed Securities Loan Facility	1	-1	2
Public-Private Investment Program	*	1	*
SBA 7(a) Purchase Program	*	*	*
Subtotal	2	*	2
Mortgage Programs	12	46	-34
Total	**25**	**113**	**-88**

Sources: Congressional Budget Office; Office of Management and Budget.

Note: CBO's estimates are derived from data as of November 18, 2010, except for the Public-Private Investment Program and the mortgage programs, which reflect transactions as of October 31, 2010; OMB used data as of May 31, 2010.

AIG = American International Group; SBA = Small Business Administration; * = between -$500 million and $500 million.

plan for the Treasury to guarantee a pool of Bank of America's assets was never implemented.[7]

Community Development Capital Initiative. In July 2010, the Treasury began funding the Community Development Capital Initiative (CDCI). That initiative has a structure similar to that of the CPP, but it invested in "community development financial institutions" rather than financial institutions more broadly.[8] The preferred stock purchased by the Treasury under the CDCI requires only a 2 percent dividend for the first eight years, compared with 5 percent for the first five years under the CPP. After that initial period, the CDCI requires dividend payments at a rate of 9 percent, as does the CPP. CBO estimates a subsidy rate for the CDCI of 27 percent; with investments of $570 million, the net cost to the government is projected to be about $150 million.

Assistance to American International Group. AIG received financial assistance in two forms through the TARP: The Treasury purchased $40 billion in preferred stock from AIG and established a $30 billion line of credit for the company.[9] Through September 30, 2010, all of the preferred stock remained outstanding, and approximately $7.5 billion had been drawn from the line of credit; in addition, the company failed to pay the quarterly cash dividends due on those Treasury investments.

At the end of September, AIG announced that it had reached an agreement with the Treasury to restructure the company's obligations under the TARP: The Treasury agreed to exchange its existing preferred stock for approximately 1.1 billion shares of AIG common stock, and AIG agreed to draw down the remaining $22.5 billion from the line of credit in order to purchase preferred shares in former AIG subsidiaries from the Federal Reserve Bank of New York. On the basis of current market prices for shares of common stock in AIG (adjusted to reflect both the possibility that the transaction will not be completed as announced and the potential effect on the current stock price resulting from the

7. Bank of America paid the Treasury $276 million in connection with terminating the asset guarantee plan. See Department of the Treasury, "Treasury, Federal Reserve and the FDIC Provide Assistance to Bank of America," HP-1356 (press release, January 16, 2009), www.treasury.gov/press/releases/hp1356.htm, and "Summary of Terms: Eligible Asset Guarantee" (January 15, 2009), www.treas.gov/press/releases/reports/011508bofatermsheet.pdf.

8. An eligible "community development financial institution" must be a bank, thrift, or credit union certified by the Treasury as targeting more than 60 percent of its small-business lending and other economic development activities toward underserved communities.

9. The maximum amount that can be borrowed under the line of credit is $30 billion, minus $165 million for retention-bonus payments made to employees of AIG Financial Products Corp. and AIG Trading Group, Inc., in March 2009.

perception among some investors that the federal government may provide additional assistance), CBO estimates the subsidy cost to the Treasury of the assistance to AIG to be $14 billion.

Financial Assistance to the Automotive Industry

General Motors (GM) and Chrysler, along with associated financing intermediaries, received just over $79 billion in TARP funds. In addition, the federal government made $413 million in loans to parts manufacturers for GM and Chrysler, bringing the total assistance to the automotive industry to about $80 billion.[10] In total, CBO estimates a subsidy cost of $19 billion for assistance to the automotive industry.

Following the bankruptcy proceedings of GM and Chrysler, the Treasury agreed to exchange the debt positions it held in the original companies for a blend of debt, equity, and preferred shares in the newly configured companies—"New GM" and "New Chrysler"—that emerged after bankruptcy. Since that time, the companies have repurchased roughly $11 billion in debt.[11] The Treasury holds about 37 percent of New GM's equity following the sale of more than 350 million shares on November 18, 2010, as part of the company's initial public offering; that sale generated nearly $12 billion of gross proceeds to the Treasury. The Treasury also retains $1 billion in debt obligations of "Old GM," which remains in bankruptcy as Motors Liquidation Corporation. The Treasury's investment in New Chrysler, which is a privately held company, consists of debt amounting to $5 billion and ownership of 9.9 percent of the company's equity; CBO expects that New Chrysler will also draw down the remaining $2 billion from its existing line of credit with the Treasury. The Treasury's $17 billion investment in Ally Financial (formerly GMAC) consists of $14 billion in preferred stock and ownership of 56.3 percent of the company's equity.[12]

10. The support program for parts manufacturers closed in April 2010, yielding a small net gain to the Treasury.

11. The government will receive a further $2 billion from GM's initial public offering after the underwriters (on November 26, 2010) exercised their option to purchase an additional 54 million shares from the Treasury. In addition, GM has announced that it will repurchase $2 billion in preferred stock in December 2010.

12. Ally Financial and both New and Old Chrysler are private companies and do not have publicly traded shares.

Investment Partnerships

To encourage private investment in certain financial assets, the Treasury created public-private partnerships for investment in specific sectors. Those initiatives will cost the federal government a total of about $2 billion, CBO estimates.

Term Asset-Backed Securities Loan Facility. The Treasury initially committed $20 billion to cover potential losses on a portfolio of up to $200 billion in the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF), which provided financing to investors who bought highly rated securities backed by assets such as auto loans, credit card loans, student loans, and business loans guaranteed by the Small Business Administration. The TALF is now closed to new loans, and the Federal Reserve provided less financing than originally anticipated; as of October 27, loans totaling about $28 billion remain outstanding. As a result of the lower demand, the Treasury announced that it has reduced its commitment to $4 billion, for which CBO estimates a net subsidy cost of about $1 billion.

Public-Private Investment Program. Through the Public-Private Investment Program, the Treasury agreed to provide "nonrecourse" debt and to match private-sector equity in Public-Private Investment Funds (PPIFs) that purchase illiquid assets from financial institutions.[13] In July 2010, the Treasury reduced the total amount available to the PPIFs from $30 billion to $22 billion. Those partnerships each have three years to draw on TARP funds, and they are scheduled to end eight years from their initiation dates but may be extended for up to two more years.

Through the end of October, the Treasury had disbursed a total of $15 billion through this program—roughly $5 billion of equity capital in the PPIFs, which was fully matched by private-sector investments, and $10 billion in loans. CBO expects that the Treasury will ultimately disburse the entire $22 billion made available to the program, with a subsidy cost of nearly $500 million.

Securities Guaranteed by the Small Business Administration. The Treasury also developed a program to purchase

13. "Nonrecourse" debt refers to a loan that is secured by specifically pledged collateral; that is, if the borrower defaults, the lender has claim only to that collateral and not to any other assets of the borrower. Such debt comprised 50 percent of the total funding.

up to $1 billion of securities guaranteed by the Small Business Administration. When the program closed, the Treasury had purchased $0.4 billion of those securities. CBO estimates a low subsidy rate and a small cost for this program.

Mortgage Programs

The federal government initially committed a total of $75 billion for the Home Affordable Modification Program (HAMP), which was intended to provide direct payments to mortgage servicers to help homeowners avoid foreclosure. Of that total, $50 billion was made available through the TARP, and the remaining $25 billion was to be provided through Fannie Mae and Freddie Mac. Through the end of October, roughly half a million homeowners had received permanent modifications to their mortgages through the HAMP. The Treasury has committed roughly $8 billion of the HAMP funding provided through the TARP for grants to selected state housing finance agencies and another $8 billion for programs of the Federal Housing Administration.[14]

Total disbursements to mortgage programs were only about $710 million through the end of October, but CBO anticipates that the TARP will ultimately disburse a total of $12 billion to those programs. Because payments provided through such programs are direct grants and require no repayments, the government's cost is equal to the full amount of the disbursements (that is, the program has a 100 percent subsidy).

Comparison of CBO's and OMB's Estimates

In its most recent report, OMB used an approach similar to CBO's to value the TARP's asset purchases and guarantees. OMB's estimate of the program's total cost was $88 billion higher than CBO's current estimate (see Table 3 on page 5). That difference stems principally from three factors:

- CBO derived its market-based valuations from information available as of November 18, 2010, whereas OMB used data as of May 31, 2010. Because both agencies estimate subsidy costs using market prices, fluctuations in prices over time lead to different estimates of the program's costs. Since the date of OMB's analysis, market prices for shares of financial institutions have generally increased, which has raised the estimated value of the Treasury's outstanding investments.

- OMB estimated that $46 billion will be disbursed through the Treasury's mortgage programs; CBO anticipates that only $12 billion will be spent. The difference between those two estimates stems primarily from disparate outlooks on the number of eligible households and the participation rate among those households.

- CBO's assessment of the cost of assistance to AIG and GM is significantly lower than that of OMB; however, the two companies' respective restructuring plans were announced after OMB completed its analysis.

Changes from CBO's March 2010 Estimates

In the *Report on the Troubled Asset Relief Program—March 2010,* CBO published a projected cost of the TARP over its lifetime of $109 billion (see Table 1 in that report). In August 2010, in *The Budget and Economic Outlook: An Update*, CBO lowered that estimate to $66 billion (see page 9 in that report). Since the publication of the August projection, the estimated cost has fallen by an additional $41 billion, to $25 billion. Four factors account for most of the reduction in the estimated cost over the course of this year:

- The market value of Treasury's CPP and AIG investments increased;

- The estimated cost of assistance to the automotive industry fell;

- The expected participation in the Treasury's mortgage programs declined; and

- The Treasury's authority to fund new programs under the TARP expired.

With respect to the CPP, CBO increased its estimate of the government's gain from $2 billion in March to

14. The Hardest Hit Fund provides funds to housing finance agencies in states identified by the Treasury as facing the most severe declines in home prices and employment rates. The FHA Short Refinance program makes incentive payments to lenders for refinancing existing loans to borrowers who have negative home equity.

$15 billion currently. That revision results from the earlier-than-anticipated repayment of $10 billion of preferred stock by participating banks and a substantial increase in the market value of the Treasury's holdings of Citigroup common stock. In addition, with the planned conversion of the Treasury's holdings in AIG from preferred stock to common stock, CBO's estimate of the subsidy to AIG decreased from $36 billion to $14 billion.

CBO's estimate of the cost of assistance to the automotive industry dropped from $34 billion to $19 billion because the auto companies have repaid or settled much of their outstanding debt with the Treasury and have continued to demonstrate some measure of financial stability. CBO also reduced its estimate of how many homeowners will receive aid under the Treasury's mortgage initiatives. Accordingly, CBO reduced the total expected expenditure of such programs from $22 billion to $12 billion.

In March, CBO assumed that an additional $45 billion would be disbursed through existing or newly instituted programs under the TARP. Because no details about such programs were available, CBO estimated a 50 percent subsidy rate for those transactions. However, when the Treasury's authority to make investments through the TARP expired, only $1 billion of additional funding had been allocated; therefore, CBO reduced the estimated cost of those programs by $22 billion.