SIGTARP SURVEY DEMONSTRATES THAT BANKS CAN PROVIDE MEANINGFUL INFORMATION ON THEIR USE OF TARP FUNDS

SIGTARP-09-001
JULY 20, 2009

SIGTARP

Office of the Special Inspector General for the Troubled Asset Relief Program

Summary of Report: SIGTARP-09-001

Why SIGTARP Did This Study

The Troubled Asset Relief Program ("TARP") was created by the Emergency Economic Stabilization Act ("EESA") of 2008, which was enacted on October 3, 2008. TARP provided the Secretary of the Treasury with various authorities to restore the liquidity and stability of the United States financial system and stimulate lending. As of June 15, 2009, the Department of Treasury ("Treasury") has provided about $330 billion of TARP funds to more than 600 financial institutions.

The Congress and the public frequently ask questions about how TARP funds have been used. Accordingly, the objective of this report was to address how TARP recipients have used the funds received.

In February 2009, SIGTARP sent survey letters to more than 360 financial and other institutions that had completed TARP funding agreements through January 2009. The survey instrument provided for open-ended responses. The goal was to elicit as much information as possible while allowing for different conditions at each bank. This report is limited to survey recipients that participated in the Capital Purchase Program. The review and analysis were confined to the survey responses which included supporting documentation as provided, reported, and certified by the TARP recipients. SIGTARP plans additional work to further assess the actual use of funds. SIGTARP's work was performed in accordance with generally accepted government auditing standards.

What SIGTARP Recommends

SIGTARP is renewing and expanding on a recommendation previously made that Treasury require TARP recipients to submit periodic reports to Treasury on the uses of TARP funds, including what actions they were able to take that they would not have taken otherwise. The full text of the recommendation is included in the body of the report.

In commenting on a draft of this report, Treasury did not agree with the recommendation. SIGTARP's response to Treasury's position is included in the management comments section of this report.

July 20, 2009

Survey Demonstrates that Banks Can Provide Meaningful Information on Their Use of TARP Funds

What SIGTARP Found

Although most banks reported that they did not segregate or track TARP fund usage on a dollar-for-dollar basis, most banks were able to provide insights into their actual or planned use of TARP funds. Over 98% of survey recipients reported their actual uses of TARP funds.

Many banks reported that TARP funds allowed them to increase lending for residential and commercial loans, small business loans, credit card loans, and other types of lending. Most firms reported multiple and sometimes interrelated uses; a majority of respondents' reported that they used the funds primarily for lending, building capital reserves and investing, as highlighted below.

- **More than 80 percent of the respondents cited the use of funds for lending or how it helped them avoid reduced lending. Many banks reported that lending would have been lower without TARP funds or would have come to a standstill.**

- **More than 40 percent of the respondents reported that they used some TARP funds to help maintain the capital cushions and reserves required by their banking regulators to be able to absorb unanticipated losses.**

- **Nearly a third of the respondents reported that they used some TARP funds to invest in agency-mortgage backed securities. These actions provided immediate support of the lending and borrowing activities of other banks and positioned the banks for increased lending later.**

- **A smaller number reported using some TARP funds to repay outstanding loans–some because the TARP funds were a more cost-effective source of funds than their outstanding debt, and some because of pressure from a creditor to use the funds for that purpose.**

- **Several banks reported using some TARP funds to buy other banks. One reported that this was a cost-effective way to acquire additional deposits that, in turn, would facilitate an even greater amount of lending.**

- **Some banks reported that they had not yet allocated funds for lending and other activities due to the short time elapsed since the receipt of funds, the weak demand for credit, and the uncertain economic environment.**

Although the respondents reported that lending was an important use of funds, their responses generally did not quantify the amount of new lending or the incremental difference in lending based on use of TARP funds. Moreover, their responses represented their use or planned use at a single point in time and could be subject to change depending on economic conditions.

Special Inspector General for the Troubled Asset Relief Program

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Introduction

The Emergency Economic Stabilization Act of 2008 ("EESA")[1] was enacted on October 3, 2008, authorizing the Secretary of the Treasury to establish the Troubled Asset Relief Program ("TARP") to purchase non-performing or troubled assets from financial institutions. However, given the rapid deterioration of the financial markets in the fall of 2008, Treasury believed it needed to move more swiftly. The result was the decision to inject equity capital into financial institutions under its Capital Purchase Program ("CPP") as it sought to stabilize financial institutions and markets and to stimulate lending. Subsequently, a number of other initiatives were undertaken. As of June 15, 2009, the Department of Treasury has provided about $330 billion to more than 600 financial institutions using funds authorized under EESA. Nearly $200 billion has been devoted to the CPP.

The Congress and the public frequently ask two questions regarding the investments made by the Department of Treasury:

- What have program recipients done with the money they received from Treasury?

- Have the recipients complied with the executive compensation requirements as a condition of receiving the funds?

To address these questions, beginning on February 5, 2009, SIGTARP sent survey letters to 364 financial institutions that had completed TARP funding agreements through January 31, 2009. This report addresses the responses of CPP recipients on the use of funds portion of the survey. SIGTARP will issue a separate report on executive compensation compliance.

Background

The dramatic correction in the U.S. housing market in recent years precipitated a decline in the price of financial assets that were associated with housing, in particular mortgage-backed securities based on subprime loans.[2] As 2008 progressed, this led to an escalating crisis in the financial markets. Some institutions found themselves so exposed that they were threatened with failure—and some failed—because they were unable to raise needed capital as the value of their portfolios declined. Other financial institutions– ranging from government-sponsored enterprises to the largest of the Wall Street firms–were left holding "toxic" mortgages and/or securities that became increasingly difficult to value, were illiquid, and potentially had little worth. Moreover, investors stopped buying securities backed by mortgages and became reluctant to buy securities backed by many other types of assets. Because of the uncertainty about the financial condition

[1] P.L. 110-343, October 3, 2008.

[2] Subprime loans are designed for borrowers who do not qualify for prime interest rates, such as borrowers who have one or more of the following characteristics: weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, or bankruptcies; low credit scores; high debt-burden ratios; or high loan-to-value ratios. These loans were often not supported by documentation and carried less favorable terms to the borrower such as higher interest rates. Many of these loans were often bundled into residential mortgage-backed securities ("RMBS") that were sold to investors including banks, hedge funds, insurance companies and retirement fund systems.

and the solvency of financial entities, the fees banks charge each other to borrow money rose dramatically, and inter-bank lending effectively came to a halt.[3] By late Summer 2008, the potential ramifications of the financial crisis included failure of systemically significant financial institutions; increased losses of individual savings; diminished corporate investments; and further tightening of credit that would exacerbate the emerging global economic slowdown.

In response to the financial crisis, ESSA was enacted on October 3, 2008. EESA authorizes Treasury to purchase and insure certain types of troubled assets to provide stability and prevent disruptions in the economy and financial system, and to protect taxpayers. The purpose of EESA was to give Treasury authority and facilities to restore liquidity and stability to the U.S. financial system and to ensure that these activities were consistent with protecting home values, college funds, retirement accounts, and life savings; preserving homeownership and promoting jobs and economic growth; maximizing overall returns to U.S. taxpayers; and providing public accountability for the exercise of authority under the act.

EESA gave the Secretary of the Treasury considerable discretion in determining both the type of financial instrument purchased and the institution from which it would be bought. Accordingly, within two weeks of EESA's enactment, as the financial markets and credit markets continued to deteriorate rapidly, Treasury's initial strategy quickly evolved from purchasing troubled assets to injecting capital into financial institutions to encourage them to build capital, increasing the flow of financing to businesses and consumers and supporting the economy. Accordingly, Treasury created the Capital Purchase Program ("CPP") and subsequently expanded the scope of its efforts under EESA to include a number of other program initiatives, such as support to Systemically Significant Failing Institutions, the Targeted Investment Program, and the Automotive Industry Financing Program. This audit report focuses on participants in Treasury's CPP.

The CPP funds were a primary source of new Tier 1 capital available to financial institutions when credit losses were rapidly eating away at the existing capital of many firms and the ability to raise private capital was severely constrained. Given the nationwide decline in real estate values, many banks faced losing the stream of income they had enjoyed from homeowner payments on mortgages. Moreover, they also faced being forced to recognize losses as they foreclosed on properties and found that the resale value of the properties was often dramatically lower than the amount of the loan. Similarly, the market for the mortgage-related securities had also declined, and many of the securities the banks held could no longer be sold in the open market for more than a fraction of what the banks had paid for them.[4]

Banks use their capital funds for multiple purposes. With respect to lending and investing, capital can also have a multiplier effect; one dollar in capital may generate multiple dollars in loans and investments. It can seed lending and investments by combining with and leveraging other sources of funds, such as relatively inexpensive bank deposits. One added dollar of Tier 1 capital can generate the potential for the bank to then issue an additional $10 in loans, because, based on regulatory rules, a healthy bank that receives $1 million in TARP funds can then

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[3] Without the ability to readily borrow funds, banks were more concerned about retaining cash and somewhat reluctant to lend out funds.
[4] SIGTARP, "Quarterly Report to Congress," April 21, 2009.

borrow up to $10 million to make new loans to consumers or businesses and still be deemed to be adequately capitalized, as long as the regulator finds that overall capital is sufficient and that the bank is able to absorb losses such as loan defaults. The bank could also leverage capital by using the new capital to buy deposits from other banks, further increasing their ability to issue new loans. For a more complete discussion regarding how banks use capital, see Appendix B.

Objectives

The audit and survey of TARP recipients was intended to obtain information from the recipients regarding their use of TARP funds. Thus, our specific objective was to determine how TARP recipients have used the funds received.

Scope

SIGTARP sent the survey to 364 financial institutions that had completed TARP funding agreements through January 31, 2009. The recipients had been approved for funding through the CPP, the Targeted Investment Program ("TIP"), the Systemically Significant Failing Institutions ("SSFI") program, and the Auto Industry Financing Program ("AIFP"). Over 73 percent of the funding went to eight institutions, as is reflected below in Table 1.

Table 1: Recipients of SIGTARP Survey by Funding Received

Amount of TARP Funds Received	Number of Firms	Funding Amount (billions)	Percentage of funding
Greater than $10 billion	8	$219.3	73
$1 billion to $9.9 billion	19	$58.3	20
$100 million to $999 million	54	$14.6	5
Less than $100 million	283	$6.6	2
Total	**364**	**$298.8**	**100**

Source: SIGTARP "Quarterly Report to Congress," April 21, 2009.

Of the 364 firms surveyed, 360 (99 percent) were under the CPP program and directly concentrated on banking; the other four included AIFP or SSFI recipients.[5] Accordingly, for ease of presentation, this report focuses on the 360 CPP recipients. For a list of the 360 banks that SIGTARP surveyed, see Appendix D.

We confined our review and analysis to the survey responses and supporting documentation as provided, reported, and certified by the TARP recipients. Because of the goal to provide insights into the use of funds as quickly as possible, SIGTARP generally did not review information or

[5] The other four firms were AIG, GM, GMAC, and Chrysler. These firms used TARP funds in various ways, such as repaying loans, funding ongoing operations, improving capital ratios to acceptable regulatory levels and continued lending. These firms will be the subject of a future SIGTARP report on the use of funds.

documentation beyond that provided by the respondents.[6] We did not attempt to verify independently the accuracy of the statements made by the banks. Information on lending was provided, but most of the responses did not quantify, on a dollar basis, the amount of lending or the incremental difference in lending resulting from the TARP investment. This report does not encompass or inquire about funds received from other government or non-government sources or the extent to which such funding may have influenced the use of TARP funding.

The survey instrument primarily provided for open-ended responses to elicit in-depth data. This was necessary because the institutions are widely diverse in terms of asset size, geography, institution type, and institution-specific economic factors. As such, this approach permitted a wide range of responses and flexibility with regard to the specific information and supporting documentation provided. This data is not sufficient for statistical inferences; it should be interpreted as more reflective of directional insights rather than statistically valid characterizations of the TARP recipient's use of funds. Because the objective of this report is broad, the open-ended survey elicited differing levels of detail.

Many banks were concerned about business-sensitive information and requested confidentiality of individual survey responses. Accordingly, pursuant to our legal obligations, SIGTARP is unable in this report to attribute any results or comments to a specific institution. However, SIGTARP is in the process of evaluating recipients' claims of confidentiality and will provide copies of the individual responses that will include information provided by the banks to the maximum permitted by law. SIGTARP plans to post the responses, redacted as necessary, on its website within 30 days.

For a more complete discussion of the audit scope and methodology, see Appendix A. For a discussion of how banks use capital, see Appendix B. For a copy of the letter sent to recipients of TARP funds through January 31, 2009, see Appendix C. For a list of TARP CPP recipients, see Appendix D. For tables on reported use of funds by month of disbursement, asset sizes, and amount of funding, see Appendix E. For reported broad benefits of receiving CPP funds, see Appendix F. For the audit team members, see Appendix G. For a copy of comments from the Department of Treasury, see Appendix H.

[6] SIGTARP plans additional work in this area.

Banks Were Able To Provide Meaningful Information on Their Use of TARP Funds

Although most banks reported that they did not segregate or track TARP fund usage on a dollar-for-dollar basis, most banks were able to provide insights into their actual or planned use of TARP funds. Over 98 percent of survey recipients reported their actual uses of TARP funds.[7] The banks reported that TARP funds were primarily used for lending, capital reserves, and investments, often citing multiple benefits. However, some banks reported that they had not yet allocated funds for lending or other activities due to the short time that elapsed since the receipt of funds, weakened demand for credit, and the uncertain economic environment. Other firms reported more broadly on the overall benefits of the TARP funding, including actions they were able to undertake or avoid, such as freezing or reducing lending. Nearly 30 percent of respondents reported that their lending levels would have been lower without TARP funds. Table 2 highlights the major uses of funds as reported by the recipients.

Table 2: Reported Use of CPP Funds

Category of Use	Number of Institutions	Percentage of Institutions
Lending	300	83
Capital Cushion, other reserves	156	43
Investments	110	31
Debt Repayments	52	14
Acquisitions	15	4

Source: SIGTARP analysis of 360 survey responses.
Note: Numbers and percentages do not total because respondents reported multiple uses of funds.

The responses reflect the multiple uses of funds cited by individual TARP recipients. It is important to note, however, that the numbers shown in Table 2 represent only the uses specifically reported by banks; others may have made similar uses without specifically reporting it. Respondents reported investment activities across all bank asset sizes and amounts of funding received, as outlined in more detail in Appendix E.

Most Recipients Did Not Segregate TARP Funds from Other Bank Capital

Under the terms of CPP, banks receiving TARP funds were not required to segregate TARP funds or report on their use of such funds. Forty-four respondents, nonetheless, reported that they segregated TARP funds from other bank funds. Approximately half of those respondents recorded the TARP investment on the balance sheet as a discrete component of each bank's

[7] Only six institutions did not report actual uses of TARP funds. Five of those six received TARP funds in January 2009 and reported expected future uses of TARP funds. One intends to return the funds but has not yet done so as of June 15, 2009.

capital. Others cited efforts to segregate physically the funds in a separate account and to manage them separately. One bank stated:

- "[A] separate checking account was established at [the Bank] in to which the TARP funds were deposited. This account is tracked individually on the parent's books via a specific general ledger account. Thus, all activity is isolated and tracked for dispersals. On a monthly basis, the general ledger balance is reconciled to the account statement."

More than half of the banks that reported physical segregation of funds, however, stated that segregation was only a temporary measure pending future deployment of the funds.

The majority of recipients reported that they did not segregate TARP funds. They noted that, in accordance with typical banking industry practices, they commingled the TARP funds with their other capital and leveraged the funds to increase lending and/or make investments. Several banks focused on what they perceived to be the impracticality of segregation. However, this did not preclude respondents from providing information on the use of TARP funds. With regard to segregation, one bank stated that it deposited the TARP funds into its Federal Reserve Bank account, which it used to meet general funding needs. The bank noted that from a capital perspective, the TARP preferred shares and related common warrants were clearly visible as discrete components of their overall capital. At the same time, it also noted that, once received, the cash associated with the TARP funding became indistinguishable from any other cash sources. The following quotes provide context on the reasons that some banks did not segregate TARP funds from other bank capital.

- "The capital we received from the U.S. Treasury was not segregated from other funds. We manage from a total balance sheet perspective, and capital investments are typically not segregated. We do not believe that such segregation is common practice in the industry, nor was it required pursuant to the agreements governing the Treasury's capital purchase."

- "Upon receipt of the TARP proceeds, [the Bank] did not segregate those funds from other capital funds. We did not and do not believe that earmarking the specific funds is in the best interest of our shareholders and/or borrowing customer. Instead, by adding the TARP funds to our existing, already strong capital base, [the Bank] could effectively deliver on its mission of growing its balance sheet by providing retail and commercial depositors and borrowers in our market competitive financial products and services that foster appropriate, rational growth."

The majority of recipients did not report any specific actions taken to track use of TARP funds. They reported bank activities that were supported by TARP funds, but did not specify the portion that represented TARP fund investment. Nearly 90 percent of banks reported some activities in this manner. Some banks that reported in this regard were quite general in their responses, such as the following bank comment: "…our actual use of TARP funds to date has been…to make loans to credit worthy customers, and to facilitate resolution of problem assets on our books." Others provided more details about company activities, but did not give a dollar amount of TARP funds spent or specify the portion of the activity that represented TARP fund investment.

A few respondents, however, tracked actual lending figures as such. However, one bank, in a far more typical response, described the difficulty in tracking lending as follows:

- "Although banks do use capital to lend, it is more precise to say that banks use capital to *support* their lending…it is a cushion against losses, and it is there to support and enable other borrowing in the form of deposit gathering and capital markets borrowing. In this regard,…banks actually lend *more* than just the amount of their total capital and their TARP capital investment amounts…it is also important to understand that because TARP CPP funds are commingled with other capital, deposits and funds from other sources, it is difficult to state categorically what specific funds are actually being used for, except to say…that they are being used for and in support of lending."

Generally speaking, although there were exceptions, the information provided by the survey respondents regarding the use of funds did not vary significantly among those who reported that they segregated TARP funds from other funding sources and those who reported that they did not segregate TARP funds.

Lending

Most recipients reported leveraging the TARP funds to support lending activities by continuing lending or renewing and/or modifying existing loans. Some institutions reported that, without TARP funds, lending activities would have come to a standstill or would have been curtailed. For example, one respondent stated that "had we not received the TARP funds, we may not have been able to fund as many residential loans or our liquidity would have been strained which would have hampered our ability to make future loans." Although some firms reported general lending efforts and the preservation of lending levels, many institutions further subcategorized their lending initiatives by residential lending, small business loans, credit cards, and other categories, as shown in Table 3. However, the survey and responses did not result in sufficient information to develop an overall aggregate amount of actual lending.

Table 3: Reported Lending Activities Supported by TARP Funds

Lending Activity	Number of Institutions	Percentage of Institutions
Residential Mortgage Activities	103	29
Commercial Mortgages	66	18
Other Consumer Lending	61	17
Small Business Loans	45	13
Other Business Loans	48	13
Loan Modification	34	9
Credit Cards	8	2
Student Loans	6	2

Source: SIGTARP analysis of 360 survey responses.
Note: Numbers and percentages do not total because respondents reported multiple uses of funds.

The respondents most frequently cited using TARP funds to support origination of residential mortgages, commercial mortgages, and small business loans. About 29 percent of the respondents reported a focus on using TARP funds to support residential mortgages. Additionally, another 9 percent stated that they have used TARP funds for mortgage loan modification initiatives. Various responses cited using TARP funds for commercial mortgage lending (18 percent) and small business lending (13 percent). These are some of SIGTARP's observations related to the categories of lending activities listed in Table 3:

- **Residential lending**: The incidence of residential mortgage lending was even greater when combined with reported loan modifications. Some institutions reported direct use of TARP funds for residential mortgage activities and for bolstering mortgage modification programs. For example, one bank commented that "since receiving TARP in December 2008, the bank has modified about $3 million of its existing loans to a structure that is sustainable and affordable for troubled borrowers." Another bank reported that it was going to implement a home equity loan program designed to help customers remain in their homes and avoid foreclosure.

- **Commercial lending**: Nearly 20 percent of respondents reported that they used TARP funding for commercial lending activities. Commercial lending, the second most frequently cited category of lending, was broadly distributed across institutions of various sizes. Most often, firms provided general information related to commercial real estate. A few however, provided exact figures; for example, one firm reported funding two loans from TARP proceeds, including a commercial real estate loan for $820,000.

- **Other consumer lending**: Almost 17 percent of respondents reported deploying TARP funds for other consumer lending activities. When these consumer lending activities were reported more descriptively, the loans were often reported as auto loans, personal loans, or other lines of credit. One recipient reported a renewed focus on consumer lending, stating that they have "reentered the [state] market to expand our consumer automobile lending...and have increased our budgeted 2009 automobile loan production [by $90 million]. We expect to use the remaining TARP funds to continue to increase our automobile loan production...".

- **Small business lending**: About 13 percent of the institutions–of various sizes and types–reported using some TARP funds to support small business lending. One smaller firm reported that it had used all the CPP funds for various lending activities, including $500,000 related to small business loans. A larger institution reported lending over $20 billion in new credit extensions, including commitments and renewals to 8,000 small and mid-sized businesses, governments, and non-profits. Another institution responded more generally, that it is using the TARP capital funds to renew and originate quality SBA loans, in addition to other lending.

Capital Cushion or Other Reserves

Regulators require banks to maintain certain capital cushion levels to be able to absorb unanticipated losses and to protect against the risk of insolvency. Beyond that, banks may leverage excess capital to engage in lending and investing to serve their customers and generate more income. Many survey responses highlighted the importance of the TARP funds to the bank's capital base, and, by extension, the impact of the funds on lending.

As noted earlier in Table 2, more than 40 percent of banks reported using some TARP funds to generate capital reserves to help the institution remain well-capitalized from a regulatory capital perspective. In citing the use for capital purposes, various recipients emphasized the need to retain capital as a buffer or cushion against loan losses or other unforeseen events in light of the economic instability facing U.S. and international markets. For example, one institution reported that "while some policymakers are encouraging banks to lend more, regulators have announced that they expect banks to maintain significantly higher capital ratios as a buffer against a potentially severe and prolonged recession."

In addition, the respondents also disclosed a variety of other reasons for focusing on strengthening capital. These reasons included concerns about the recessionary economic environment, the anticipation of potential increases in regulatory capital requirements, the need to better position themselves to absorb future credit losses, and preparing for the possibility of continued capital availability constraints in the future. The following responses provide some insights into the importance of having TARP funds to bolster capital reserves:

- **Retain strong capital ratios**: "During the second half of 2008, management became concerned about being able to retain its well capitalized risk based ratios because of the dramatic reduction in expected repayments."

- **Cushion against future losses**: "[I]t was in the best interest of [the Bank's] shareholders for the company to gain additional liquidity and a further capital cushion against the economic uncertainties that lay ahead."

- **Raise new capital otherwise not available in the market**: "Absent an infusion of capital [the Bank] was unable to continue to meet the needs of its retail and commercial customer base. Opportunities to raise capital through private sources are virtually non-existent. Consequently, participating in the TARP enabled [the Bank] to continue to meet its customer needs." Another bank noted that "none of this new lending would have been possible without the additional TARP capital, which helped us maintain our well capitalized rating while continuing our important lending programs."

Some institutions listed measurable impacts of TARP funds on their capital ratios, while others reported in general terms on how the direct infusion of TARP funds bolstered their reserve positions.

Investments

Some recipients chose to support lending by investing in relatively safe and liquid securities or debt, primarily Government Sponsored Enterprises (GSE), mortgage-backed securities (MBS), agency debt, and municipal securities, as seen in Table 4. According to the banks, these investments provided immediate support of the lending and borrowing activities of other institutions, as described below.

Table 4: Reported Investment Activities Supported by TARP Funds

Investment Activity	Number of Institutions	Percentage of Institutions
Mortgage-backed Securities (Agency) [8]	88	24
Municipal Securities	19	5
Agency Debt	10	3
Mortgage-backed Securities (Non-agency)	8	2
Corporate Debt	6	2

Source: SIGTARP analysis of 360 survey responses.
Note: Numbers and percentages do not total because respondents reported multiple uses of funds.

Those that invested TARP funds in MBS tended to invest in the so-called "agency" securities–those backed by Ginnie Mae, Fannie Mae, and Freddie Mac; only a few invested in private-label MBS or corporate debt. Many characterized these investments in "agency" MBS and debt as short-term. The recipient rationale for investing in these instruments included:

- the consideration of safety and liquidity
- the reasonableness of the return on the investment
- the favorable regulatory capital treatment of those assets
- the flexibility to use the securities as collateral to secure future loans
- the opportunity to redeploy the cash flows generated from these investments over time to support direct lending and other investment opportunities

One large entity reported that its multi-billion dollar investment in Fannie Mae MBS "helped to provide liquidity to the secondary [mortgage] market[9] when Fannie Mae's funding costs had

[8] In some cases, the respondent did not report which types of mortgage-backed securities were purchased. In these cases, we captured the response as an agency MBS because those were the most common, and the market for non-agency MBS was virtually frozen during the time period covered by the survey.

increased significantly." Another recipient that purchased more than $2 billion of MBS expressed the belief that these purchases assisted in the recovery and stabilization of the MBS market. Many other recipients who expressed similar sentiments stated that investments in MBS help to replenish funds to other lenders so that those lenders, in theory, could continue to originate additional mortgage loans. Others sought to use the cash flows from these investments to support lending. For example, one regional bank that used TARP funds to purchase more than $80 million in MBS stated that "the intention of this initial use of funds was to invest in high quality, low risk securities issued by [GSEs] to assure a reasonable return on these funds and to establish a series of cash flows that could quickly and easily be redeployed into customer-based commercial, mortgage and consumer loans as local economic conditions warrant."

Although most recipients that reported investments deployed the TARP funds into mortgage–related investments, a few reported investments in municipal securities with the intent of helping local communities. One recipient strongly emphasized municipal bonds by investing around 14 percent of the TARP funds received in this manner, explaining that investing in municipal bonds will provide much-needed funding for municipalities currently strained by the recession.

Debt Repayment

About 14 percent of TARP recipients reported using some of the funds to repay outstanding debt obligations. More specifically, the respondents used the funds to reduce short-term borrowing, repay loans to other financial institutions, retire or reduce letters of credit, and/or as replacement financing for higher cost loans. Banks noted these reasons for repaying outstanding debt:

- improving the balance sheet while mitigating their liquidity risk
- external pressure to retire their outstanding debt obligations
- instructed by their creditors to use the TARP funds to pay off their loans
- lack of demand for lending
- to replace their outstanding debt with new, cheaper debt

Many banks were able to provide specific dollar amounts of TARP funds used for this purpose. One bank reported using $75 million of TARP funds to reduce its short-term borrowings; another used $55 million to pay down a revolving credit facility.

Acquisitions

Only 4 percent of institutions reported that they used TARP funds to complete acquisitions. The most common theme emerging from responses related to acquisitions was that they were often completed at FDIC's encouragement or that the assets were acquired from FDIC. The majority of the responding institutions shared perspectives similar to these:

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[9] A secondary market is created when a bank sells a portion of their loans to a dealer, who pools the loans together and sells portions of the loan pools as securities to investors. The secondary market serves as a source of cash for banks, providing them money to make new loans.

- “We have also cooperated with the FDIC who asked us to commit resources to take on another failed bank…and continue to provide uninterrupted service to 6,400 customers.”

- “Included in the deposit growth is our…purchase of approximately $180 million of deposits from the FDIC.”

- “Without TARP funds, it is unlikely that the Bank could have assisted the FDIC with the transaction while still meeting credit needs of existing customers.”

Only two institutions reported that their capital levels would have been sufficient to support acquisitions without the TARP injection. One of them planned to acquire a number of bank branches and was specific as to the investment costs and the benefit. Although noting that the acquisitions would have occurred without the TARP funds, this institution expressed the view that the acquisitions were an excellent use of the TARP funds because the additional deposits acquired with the branches would (through leveraging) allow the bank to increase future lending many times over the expected acquisition cost.

Reported Future Uses of TARP Funds

Nearly 78 percent of recipients reported future plans for deployment of TARP funds. They most frequently cited lending and capital accumulation activities. Recipients that reported plans for future deployment of TARP funds typically expected that lending activity would increase; almost all of those institutions stated that they deployed or intend to deploy a portion of TARP funds to support lending. Banks also indicated that they were less likely to use TARP funds for investment in securities, debt repayments, and capital reserves in the future. Furthermore, more respondents reported that they were actually considering using TARP funds to acquire another bank than those who reported they already have done so.

Other banks reported that they had not yet allocated funds for lending and other activities because of the short time elapsed since the receipt of funds, the demand for credit, and the uncertain economic environment. In January 2009, 147 survey recipients received TARP funds, sometimes only weeks before receiving the survey request. Accordingly, many of these recipients had only a limited amount of time to deploy TARP funds fully. Some recipients provided responses with perspectives on the timing of the survey and the time passed since the receipt of funds, including a firm that made this request:

- “Because this transaction closed only three weeks ago, we would respectfully ask that in reviewing our response, you do so in light of the very limited period of time that has passed between January 30, 2009 and the date of this letter.”

Other institutions provided insight into their initial limited ability to deploy TARP funds due to the weakened demand for credit and the broader economy. One such bank stated that “our liquid assets created by the capital injection are being invested nightly with the Federal Reserve until such time as the economy and demand for loans within our markets returns and the capital can be effectively employed.”

Overall Benefits

Beyond specific details on their use of funds, banks also provided insights into the overall benefit of the TARP funding, some of which were previously noted. Importantly, many recipients addressed these questions:

- What actions were they were able to take that they could not have taken without receiving the TARP funds?

- Conversely, what actions were they able to avoid because of the infusion of TARP funds?

For example, approximately two-thirds of those who addressed this question reported that, without TARP funds, their lending levels would have been lower than levels they were able to achieve with TARP funds.[10] A more complete summary of the broad impact of receiving TARP funds—the actions that were possible to be taken, as well as the actions avoided—is provided in Appendix F.

The importance of each of the benefits in terms of actions that could be taken or avoided in return for receiving TARP funds is well summarized by the comments of one respondent:

> "At the outset TARP capital was viewed as providing three core elements. First, it would enhance the liquidity position as a source of long-term committed funding. Second, it would strengthen the balance sheet by bolstering the capital position, thus giving all key stakeholders (regulators, investors, debt investors, customers, employees) confidence in [the bank's] ability to weather the current 'economic storm.' The final element is achieved only through satisfying the first two, and that is the ability to continue executing our strategic business model through serving customers and growing our core lending business."

[10] 106 respondents indicated at least one of the following categories reflected in Appendix F: Grow Lending, Enhance Lending Activity, Reduce Loan Terms, Reduce Lending, Freezing Lending, or Exiting the Banking Business.

Conclusions and Recommendations

Although most banks reported that they did not segregate or track TARP fund usage on a dollar-for-dollar basis, they were able to report on actual or planned activities that were supported by TARP funds as well as macro benefits associated with having the funds. These responses demonstrate that banks can provide useful information to improve transparency over how they use the TARP funds. The uses of funds identified in this report are as of a particular point in time and that use could vary somewhat over time depending on changing economic circumstances. Because of time constraints, many of the survey respondents had not yet allocated all of their TARP funds as of the March 2009 response date. Furthermore, more than 250 institutions have received TARP funds since the survey was issued, including a $3.4 billion dollar investment in insurance company through the Capital Purchase Program.

Treasury has engaged in ongoing efforts to obtain lending data from each TARP recipient, but this tells only a small part of the story. It fails to recognize that TARP recipients do far more with their TARP funds than simply originating loans: they have also used these funds in a broader array of interrelated activities, as demonstrated in this audit, such as making investments, acquiring other financial institutions, and simply maintaining the capital as a cushion against future losses. SIGTARP has previously recommended that Treasury require all TARP recipients to report on their use of TARP funds, but, with limited exceptions, Treasury has not done so. Based on the survey responses, SIGTARP believes that this recommendation continues to be essential to meet Treasury's stated goal of bringing transparency to the TARP program and informing the American people and their representatives in Congress on what is being done with their investment.

To improve transparency over the use of funds, SIGTARP recommends that the Secretary of the Treasury require TARP recipients to submit periodic reports to the Department of Treasury on their uses of TARP funds, such as lending, investments, acquisitions and other activities, including a description of what actions they were able to take that they would not have taken without TARP funding.

SIGTARP also recommends that the Secretary of the Treasury require TARP recipients to retain all supporting documentation in conjunction with any reporting requirement that Treasury may impose.

Management Comments and Audit Response

In written comments on a draft of this report, Treasury's Assistant Secretary for Financial Stability did not express concurrence with the report's recommendation but raised questions regarding the information provided; this response was consistent with the Department's previous opposition to this recommendation as noted in SIGTARP's Quarterly reports to the Congress. For a copy of Treasury comments on a draft of this report, see Appendix H.

In commenting on this report, the Assistant Secretary recognized that the report illustrated the broad range of uses to which capital may be put, including building capital reserves and supporting lending and making investments. Yet, at the same time, the Secretary suggested caution in drawing conclusions from this data noting that "although it might be tempting to do so, it is not possible to say that investment of TARP dollars resulted in particular loans, investments or other activities by the recipient. " He went on to use selectively a quote in the report that most TARP recipients did not segregate TARP funds and that, once received, the cash associated with the TARP funding became indistinguishable from any other case sources. He further stated that "even if TARP investments could be traced to particular uses, those uses cannot be said to be attributable to the TARP investment if the same expenditures would have been made from other sources even in the absence of TARP funding."

SIGTARP's report clearly points out the diverse views of respondents regarding the fungibility of TARP funds received and the difficulty of saying precisely which dollar was used for which purpose. Nonetheless, SIGTARP's report provides significant information on the use of funds and notes that, with limited exceptions, the information provided by the survey respondents on their use of funds did not vary significantly between those banks that reported they segregated TARP funds from other funding sources and those that did not segregate TARP funds. Both groups provided meaningful responses indicating their actual and planned use of funds. SIGTARP finds it compelling that it received a 100 percent response rate to its survey and 98 percent of the respondents were able to describe wide ranging uses of their funds, typical of the range of actions that banks would be expected to take in having received the funds at a time of financial crisis in the country where the need to stabilize financial institutions and foster lending was paramount. Moreover, they were able to speak broadly about the benefits of having received the funds—both actions they were able to take as a result of receiving the funds as well as actions avoided.

For Treasury to discount wholly SIGTARP's results because a particular bank may not be able to say which dollar was used for a specific purpose substantially underestimates a bank's capacity — on a practical level — to know how its resources are being utilized. Take the example of an American family with a checking account. Because all of the family income goes into the same account, the family cannot say with any precision which paycheck paid for which particular bill. That does not mean, however, that the family cannot give meaningful information about what it did with the sizeable bonus that the wife received at the end of the year. Such infusions of money can be budgeted; such infusions can be used to do things that would not have been possible without such infusion. Banks are no different, and indeed should be in a better position to plan, and to track, how it will use a sizeable capital infusion. Stated another way, if a bank is receiving an infusion of tens of millions, if not billions, of TARP dollars, that bank is very likely to budget how it will be put to work and can likely give at least a general indication of what the bank was able to do that it would not have but for that sizeable infusion. Treasury's decision to reject this information just because the bank may not be able to trace the exact dollars ignores this common sense view.

It also ignores the data that was collected in this audit. Many of the banks' responses revealed uses to which the banks put the TARP funds that can be readily tested. If a bank reports that it was able to repay a specific loan with TARP funds that it would not have been able to repay but for TARP funds, that is a use that can be tested. If a bank reports that it took the TARP funds and purchased agency MBS, that, too can be verified. If a bank states that it put the TARP funds into its account at the Federal Reserve to save for future potential losses that too can be checked. In sum, the fact that there may be some limitations on the precision of the data that could be collected by requiring use of funds reporting does not mean that such reporting could not generate meaningful information, including meaningful information that will not be captured by Treasury's lending snapshots.

Appendix A—Scope and Methodology

SIGTARP performed this audit under the authority of Public Law 110-343, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. This audit reports on the use of TARP funds by 360 institutions that participated in TARP's Capital Purchase Program. Our specific objective was to determine how TARP recipients have used the funds received.

We conducted this audit from February to June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Within the limitations noted below, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We contracted with Concentrance Consulting Group, Inc. (Concentrance) to help us review and analyze the responses we received. We interacted and worked with the Concentrance team at least weekly from April through June 2009 to help develop the analysis and produce the report.

We developed a narrative survey letter that provided for open-ended responses to elicit in-depth information. We chose this approach because the institutions are so wide in diversity in terms of asset size, institution type, and institution-specific economic factors. Regarding the use of funds, we asked each recipient to provide a narrative response that outlined:

- whether they segregated TARP funds from other institutional funds
- their actual use of TARP funds to date
- their expected future use of unspent TARP funds

We also asked recipients to consider their anticipated use of TARP funds when they applied for such funds, as well as any actions they have taken that they could not have taken without the infusion of TARP funds. Furthermore, we encouraged recipients to make reference to any statements to the media, shareholders, or others concerning their intended or actual use of TARP funds, as well as any internal email, budgets, or memoranda describing anticipated use of funds. Additionally, we asked recipients to segregate and preserve all documents referencing the use or anticipated use of TARP funds–such as any internal email, budgets, or memoranda regarding anticipated or actual use of TARP funds–and to provide copies of pertinent supporting documentation (financial or otherwise) to support their response. We also asked each institution to sign a statement attesting to the accuracy of the data. To determine the extent to which firms segregated and tracked TARP funds, we analyzed the survey responses to determine the extent to which the respondents reported that they segregated the TARP funds from other bank capital and established a process for tracking specific uses of funds.

To determine how recipients reported their use or plans to use TARP funds, we identified a number of common response categories and analyzed the various actions associated with the use of TARP funds, including general activities (such as general lending) and associated subcategories (such as residential lending and small business lending). Similarly, we identified investment categories, such as agency MBS, agency debt, and corporate debt. We took a number of steps to ensure the consistency of our analysis. We developed a checklist for analysts to review each survey response. If an analyst had questions related to a survey response, another analyst reviewed the response; then they discussed these cases collectively until they reached consensus agreement in interpreting the response relative to other responses. In addition, a quality control team that was not involved in the analytical process reviewed all of the data entries.

Limitations on Data

SIGTARP's review and analysis was confined to the survey responses and supporting documentation, as provided, reported, and certified by the TARP recipients. These data are not sufficient for statistical inferences. They should be interpreted only as directional insights, not as definitive characterizations of the TARP recipients' use of funds. The survey did not encompass or inquire about funds received from other government or non-government sources and the extent to which such funding influenced the use of TARP funding.

Appendix B—How Banks Use Capital

Capital is an essential component of a bank's financial capacity to sustain itself, grow, and serve its customers.[11] Regulators and market participants recognize the critical role that capital plays in supporting confidence in the health of banks and of the financial system.[12] Capital generally provides at least three broad benefits:

- enabling the banks to absorb current and future losses while further protecting the interests of the bank's creditors
- strengthening the bank's capacity and willingness to lend
- providing added liquidity by injecting cash into the firm, thereby making funds available to address a variety of corporate funding needs, such as repayment of maturing debt

Federal banking regulators[13] have established minimum capital adequacy ratios to ensure that banks can absorb a reasonable level of losses before becoming insolvent.[14] Therefore, maintaining acceptable capital ratios protects depositors and other senior creditors while enhancing the stability and efficiency of the U.S. financial system, especially during recessionary times.

Federal banking regulators have traditionally focused upon "Tier 1" capital**.** Tier 1 capital includes common stock, disclosed retained earnings, and qualifying perpetual preferred stock. Additionally, Treasury and the banking regulators determined that qualifying U.S.-controlled banks, savings associations, and certain savings and loan holding companies that issued senior preferred stock to the Treasury under the CPP could include such capital instruments in meeting their Tier 1 capital requirements.[15] Banks must consider a number of key factors in prudently allocating Tier 1 capital. When considering deploying excess capital above the minimum regulatory capital adequacy levels, a bank must balance two critical factors:

1. Prior to issuing any dividend distributions or stock repurchases, the bank needs to maintain a capital cushion that can absorb unanticipated losses and protect against the risk of insolvency.

2. The bank needs to leverage the excess capital to provide more lending and investing, potentially generating more income.

With respect to lending and investing, capital can have a multiplier effect; one dollar in capital can generate multiple dollars in loans and investments. It can seed lending and investments by combining with and leveraging other sources of funds, such as relatively inexpensive bank

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[11] A bank's capital is also referred to as equity.
[12] Treasury, White Paper, "The Capital Assistance Program and Its Role in the Financial Stability Plan"
[13] The federal banking regulators are the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Reserve Board, and the Federal Deposit Insurance Corporation.
[14] Capital adequacy ratios are a quantification of the amount of a bank's capital presented as a percentage of its risk-weighted credit exposures and are key measures of a bank's financial strength.
[15] Treasury Announces TARP Capital Purchase Program Description, October 14, 2008- HP-1207.

deposits. One added dollar of Tier 1 capital might generate the potential for the bank to then issue an additional $10 in loans. That is because based on regulatory rules, a healthy bank that receives $1 million in TARP funds can then borrow up to $10 million to make new loans to consumers or businesses and still be deemed to be adequately capitalized, as long as the regulator finds that overall capital is sufficient and that the bank is able to absorb losses such as loan defaults. The bank could also leverage capital by using new capital to buy deposits from other banks further increasing their ability to issue new loans.

The CPP funds were a primary source of new Tier 1 capital available to financial institutions when credit losses were rapidly eroding the existing capital of many firms and the ability to raise private capital was severely constrained. Given the nationwide decline in real estate values, many banks faced losing the stream of income they had enjoyed from homeowner payments on mortgages. Moreover, as they foreclosed on properties, they found that resale value of the properties was often dramatically lower than the amount of the loan. Similarly, the market for the mortgage-related securities had also declined, and many of the securities the banks held could no longer be sold in the open market for more than a fraction of what the bank had paid for them.[16]

The injection of new funding can strengthen the capital base of the recipient banks and provide for added liquidity. Generally, a bank has sufficient liquidity if it can easily meet its needs for funds by having readily available cash, loans, and securities that can be easily sold, or if it has the ability to otherwise raise or borrow funds. Prior to the current recession, banks generally were able to raise cash easily by borrowing and selling a wide array of assets without government support. Banks used short-term and long-term secured (collateralized) loans and unsecured debt funding, as well as securitization,[17] to generate and maintain liquidity, and thus had more funds available for lending.

Securitization entails packaging loans into asset-backed securities, and the sale of these securities provided a source of funds to banks. In the past, the ability to sell these loans as securities freed up capital and funds for more lending. The failure of securitized assets, which include consumer and business loans, has played a prominent role in the current credit crisis. The weakness in the securitized asset market substantially can be traced back to the individual subprime borrowers whose loans had been securitized. As the subprime borrowers began to miss their monthly loan payments, the value of the securities backed by the borrowers' loans began to lose value. Throughout 2008, investors were losing confidence in these securities and therefore stopped buying them. Many banks were dependent on the cash they received from selling their loans to securities issuers or investors; when this market essentially disappeared, they were unable to generate enough money to continue making new loans.[18]

Consequently, the onset of the current credit contraction was also accompanied by a general weakening of balance sheets of U.S. banks. A balance sheet provides a summary of a firm's financial position reflecting its assets, liabilities, and equity at a specific date. A number of key factors contributed to balance sheet weaknesses, including

[16] SIGTARP, "Quarterly Report to Congress," 4/21/2009.
[17] The process by which new securities are created by combining or bundling other financial assets together, including loans, and selling the resulting financial instrument, usually in pieces, to investors.
[18] SIGTARP, "Quarterly Report to Congress," 4/21/2009.

- the erosion of capital levels because of losses
- the inability of banks to sell many of the securities they held in the open market for more than a fraction of what they had paid [19]

Accordingly, these securities remained on the balance sheets as investments, thereby tying up precious capital and liquidity.

Under normal market conditions, bank capital fuels lending, and strong earnings give the firm the opportunity to distribute dividends and repurchase shares. Dividend distribution and share repurchases return capital to shareholders. However, the current recessionary environment, future macroeconomic uncertainties, and continued credit losses made the distribution of capital to shareholders and allocation to lending activities more challenging. To conserve capital, banks may curtail dividends distribution to their common shareholders and stop repurchasing their common shares. Additionally, firms were likely to reduce lending and investments.

[19] SIGTARP, "Quarterly Report to Congress," 4/21/2009.

Appendix C—Survey Letter

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

February 5, 2009

(Addressee)

The Emergency Economic Stabilization Act of 2008 ("EESA") that established the Troubled Asset Relief Program (TARP) also created the Office of the Special Inspector General Troubled Asset Relief Program (SIGTARP). SIGTARP is responsible for coordinating and conducting audits and investigations of any program established by the Secretary of the Treasury under the act. As part of an audit into TARP recipients' use of funds and their compliance with EESA's executive compensation requirements,

I am requesting that you provide my office, within 30 days of this request, the following information:

(1) A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that you have taken that you would not have been able to take absent the infusion of TARP funds.

(2) Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.

In connection with this request:

(1) We anticipate that responses might well be quantitative as well as qualitative in nature regarding the impact of having the funds, and we encourage you to make reference to such sources as statements to the media, shareholders, or others concerning your intended or actual use of TARP funds, as well as any internal email, budgets, or memoranda describing your anticipated use of funds. We ask that you segregate and preserve all documents referencing your use or anticipated use of TARP funds such as any internal email, budgets, or memoranda regarding your anticipated or actual use of TARP funds.

(2) Your response should include copies of pertinent supporting documentation (financial or otherwise) to support your response.

(3) Further, I request that, your response be signed by a duly authorized senior executive officer of your company, including a statement certifying the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

(4) Responses should be provided electronically within 30 days to SIGTARP at SIGTARP.response@do.treas.gov with an original signed certification and any other supporting documentation mailed to: Special Inspector General – TARP; 1500 Pennsylvania Avenue, NW; Suite 1064; Washington, D.C. 20220.

We think this initiative is vital to providing transparency of the TARP program, and to the ability of SIGTARP and others to assess the effectiveness of TARP programs over time. If you have any questions regarding this initiative, please feel free to contact Mr. Barry W. Holman, my Deputy Inspector General for Audit at [redacted].

Very truly yours,

Neil M. Barofsky
Special Inspector General

OMB Control No. 1505-0212
(Expires August 2009)

An agency is not authorized to conduct, and persons are not required to respond to, an information collection request unless it displays a valid control number. Response is mandatory for all selected participants in the TARP program.

Appendix D—CPP Survey Recipients

Table 5 provides information on the 360 CPP recipients that responded to the survey.

Table 5: CPP Recipient Respondents, Funds Received and Date

Institution Name	Funding (millions)	TARP Agreement Date
1st Constitution Bancorp	$12.00	12/23/2008
1st FS Corporation/ Mountain 1st Bank & Trust	$16.00	11/14/2008
Alliance Financial Corporation[20]	$27.00	12/19/2008
American Express Company[21]	$3,389.00	1/9/2009
American State Bancshares	$6.00	1/9/2009
Ameris Bancorp/ Ameris Bank	$52.00	11/21/2008
AmeriServ Financial, Inc	$21.00	12/19/2008
Associated Banc-Corp	$525.00	11/21/2008
Bancorp Rhode Island, Inc./Bank Rhode Island	$30.00	12/19/2008
BancTrust Financial Group, Inc./Bank Trust	$50.00	12/19/2008
Bank of America[22]	$25,000.00	10/28/2008
Bank of Commerce	$3.00	1/16/2009
Bank of Commerce Holdings	$17.00	11/14/2008
Bank of Marin Bancorp[23]	$28.00	12/5/2008
Bank of New York Mellon Corp[24]	$3,000.00	10/28/2008
BNC Bancorp/Bank of North Carolina	$31.00	12/5/2008
Bank of the Ozarks, Inc.	$75.00	12/12/2008
Banner Corporation/Banner Bank	$124.00	11/21/2008
Bar Harbor Bankshares/Bar Harbor Bank & Trust	$19.00	1/16/2009
BB&T Corp.[25]	$3,134.00	11/14/2008
BCSB Bancorp, Inc.	$11.00	12/23/2008
Berkshire Hills Bancorp, Inc.[26]	$40.00	12/19/2008
Blue Valley Ban Corp	$22.00	12/5/2008
BNCCORP, Inc.	$20.00	1/16/2009
Boston Private Financial Holdings Inc.	$154.00	11/21/2008
Bridge Capital Holdings	$24.00	12/23/2008
Bridgeview Bancorp, Inc./ Bridgeview Bank Group	$38.00	12/19/2008
Broadway Financial Corporation/ Broadway Federal Bank	$9.00	11/14/2008
C&F Financial Corporation	$20.00	1/9/2009
Cache Valley Banking Company	$5.00	12/23/2008

[20] Repaid Treasury on May13, 2009.
[21] Repaid Treasury on June 17, 2009.
[22] Bank of America received $15 billion on October 28, 2008, and $10 billion on January 9, 2009.
[23] Repaid Treasury on March 31, 2009.
[24] Repaid Treasury on June 17, 2009.
[25] Repaid Treasury on June 17, 2009.
[26] Repaid Treasury on May 27, 2009.
Note: Funding numbers provided reflect some rounding.

Institution Name	Funding (millions)	TARP Agreement Date
Cadence Financial Corporation	$44.00	1/9/2009
Capital Bancorp, Inc.	$5.00	12/23/2008
Capital Bank	$41.00	12/12/2008
Capital One Financial Corporation[27]	$3,555.00	11/14/2008
Capital Pacific Bancorp	$4.00	12/23/2008
Carolina Bank Holdings, Inc.	$16.00	1/9/2009
Carver Bancorp, Inc.	$19.00	1/16/2009
Cascade Financial Corporation	$39.00	11/21/2008
Cathay General Bancorp/ Cathay Bank	$258.00	12/5/2008
Cecil Bancorp, Inc.	$12.00	12/23/2008
Center Bancorp, Inc.	$10.00	1/9/2009
Center Financial Corporation/Center Bank	$55.00	12/12/2008
Centerstate Banks of Florida Inc.	$28.00	11/21/2008
Centra Financial Holdings, Inc./Centra Bank, Inc.[28]	$15.00	1/16/2009
Central Bancorp, Inc./Central Co-operative Bank	$10.00	12/5/2008
Central Federal Corporation	$7.00	12/5/2008
Central Jersey Bancorp	$11.00	12/23/2008
Central Pacific Financial Corp.	$135.00	1/9/2009
Centrue Financial Corporation	$33.00	1/9/2009
CIT Group Inc.	$2,330.00	12/31/2008
Citigroup Inc./Citibank National Association	$25,000.00	10/28/2008
Citizens & Northern Corporation	$26.00	1/16/2009
Citizens Bancorp	$10.00	12/23/2008
Citizens Community Bank	$3.00	12/23/2008
Citizens First Corporation	$9.00	12/19/2008
Citizens Republic Bancorp, Inc.	$300.00	12/12/2008
Citizens South Bank	$21.00	12/12/2008
City National Corporation	$400.00	11/21/2008
Coastal Banking Company, Inc.	$10.00	12/5/2008
CoBiz Financial Inc.	$64.00	12/19/2008
Codorus Valley Bancorp, Inc.	$17.00	1/9/2009
Colony Bankcorp, Inc./Colony Bank	$28.00	1/9/2009
Columbia Banking System Inc.	$77.00	11/21/2008
Comerica Inc.	$2,250.00	11/14/2008
Commerce National Bank	$5.00	1/9/2009
Community 1st Bank	$3.00	1/16/2009
Community Bank of the Bay	$2.00	1/16/2009
Community Bankers Trust Corporation	$18.00	12/19/2008
Community Financial Corporation/Community Bank	$12.64	12/19/2008
Community Investors Bancorp, Inc.	$3.00	12/23/2008
Community Trust Financial Corporation	$24.00	1/9/2009
Community West Bancshares	$16.00	12/19/2008
Congaree Bancshares, Inc.	$3.00	1/9/2009

[27] Repaid Treasury on June 17, 2009.
[28] Repaid Treasury on March 31, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
Crescent Financial Corporation	$25.00	1/9/2009
Crossroads Bank (FFW Corporation)	$7.29	12/19/2008
CVB Financial Corp	$130.00	12/5/2008
Dickinson Financial Corporation II	$146.00	1/16/2009
Eagle Bancorp, Inc.	$38.00	12/5/2008
East West Bancorp	$307.00	12/5/2008
Eastern Virginia Bankshares, Inc.	$24.00	1/9/2009
ECB Bancorp, Inc./East Carolina Bank	$18.00	1/16/2009
Emclaire Financial Corp./The Farmers National Bank of Emlenton	$8.00	12/23/2008
Encore Bancshares Inc.	$34.00	12/5/2008
Enterprise Financial Services Corp./ Enterprise Bank & Trust	$35.00	12/19/2008
Exchange Bank	$43.00	12/19/2008
F.N.B. Corporation	$100.00	1/9/2009
Farmers Capital Bank Corporation	$30.00	1/9/2009
FCB Bancorp, Inc.	$9.00	12/19/2008
Fidelity Bancorp, Inc.	$7.00	12/12/2008
Fidelity Financial Corporation	$36.00	12/19/2008
Fidelity Southern Corporation	$48.00	12/19/2008
Fifth Third Bancorp	$3,408.00	12/31/2008
Financial Institutions, Inc.	$38.00	12/23/2008
First Bancorp, North Carolina	$65.00	1/9/2009
First BanCorp, Puerto Rico	$400.00	1/16/2009
First Bankers Trustshares, Inc.	$10.00	1/16/2009
First Banks, Inc.	$295.00	12/31/2008
First California Financial Group, Inc	$25.00	12/19/2008
First Community Bancshares Inc.	$42.00	11/21/2008
First Community Bank Corporation	$11.00	12/23/2008
First Community Corporation	$11.00	11/21/2008
First Defiance Financial Corp.	$37.00	12/5/2008
First Financial Bancorp	$80.00	12/23/2008
First Financial Holdings Inc.	$65.00	12/5/2008
First Financial Service Corporation	$20.00	1/9/2009
First Horizon National Corporation	$867.00	11/14/2008
First Litchfield Financial Corporation	$10.00	12/12/2008
First Manitowoc Bancorp, Inc.[29]	$12.00	1/16/2009
First Midwest Bancorp, Inc.	$193.00	12/5/2008
First Niagara Financial Group[30]	$184.00	11/21/2008
First PacTrust Bancorp, Inc.	$19.00	11/21/2008
First Security Group, Inc.	$33.00	1/9/2009
First Sound Bank	$7.00	12/23/2008
Firstmerit Corporation[31]	$125.00	1/9/2009

[29] Repaid Treasury on May 27, 2009.
[30] Repaid Treasury on May 27, 2009.
[31] Repaid Treasury on April 22, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
Flushing Financial Corporation	$70.00	12/19/2008
FPB Bancorp, Inc.	$6.00	12/5/2008
Fulton Financial Corporation	$377.00	12/23/2008
Goldman Sachs & Co.[32]	$10,000.00	10/28/2008
GrandSouth Bancorporation	$9.00	1/9/2009
Great Southern Bancorp/ Great Southern Bank	$58.00	12/5/2008
Green Bankshares, Inc.	$72.00	12/23/2008
Hampton Roads Bankshares, Inc.	$80.00	12/31/2008
Hawthorn Bancshares, Inc.	$30.00	12/19/2008
Heartland Financial USA, Inc.	$82.00	12/19/2008
Heritage Commerce Corp.	$40.00	11/21/2008
Heritage Financial Corporation	$24.00	11/21/2008
HF Financial Corp[33]	$25.00	11/21/2008
HMN Financial, Inc.	$26.00	12/23/2008
Home Bancshares, Inc.	$50.00	1/16/2009
HopFed Bancorp	$18.00	12/12/2008
Horizon Bancorp	$25.00	12/19/2008
Huntington Bancshares	$1,398.00	11/14/2008
Iberiabank Corporation[34]	$90.00	12/5/2008
Idaho Bancorp	$7.00	1/16/2009
Independence Bank	$1.00	1/9/2009
Independent Bank Corp.[35]	$78.00	1/9/2009
Independent Bank Corporation	$72.00	12/12/2008
Indiana Community Bancorp	$22.00	12/12/2008
Intermountain Community Bancorp/Panhandle State Bank	$27.00	12/19/2008
International Bancshares Corporation/ International Bank of Commerce	$216.00	12/23/2008
Intervest Bancshares Corporation	$25.00	12/23/2008
JP Morgan Chase & Co.[36]	$25,000.00	10/28/2008
KeyCorp/Keybank National Association	$2,500.00	11/14/2008
LCNB Corp.	$13.00	1/9/2009
Leader Bancorp, Inc./Leader Bank, National Association	$6.00	12/23/2008
LNB Bancorp Inc.	$25.00	12/12/2008
LSB Corporation	$15.00	12/12/2008
M&T Bank Corporation	$600.00	12/23/2008
Magna Bank	$14.00	12/23/2008
MainSource Financial Group, Inc.	$57.00	1/16/2009
Manhattan Bancorp	$2.00	12/5/2008
Marquette National Corporation	$36.00	12/19/2008
Marshall & Ilsley Corporation	$1,715.00	11/14/2008

[32] Repaid Treasury on June 17, 2009.
[33] Repaid Treasury on June 3, 2009.
[34] Repaid Treasury on March 31, 2009.
[35] Repaid Treasury on April 22, 2009.
[36] Repaid Treasury on June 17, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
MB Financial Inc.	$196.00	12/5/2008
MetroCorp Bancshares, Inc.	$45.00	1/16/2009
Mid Penn Bancorp, Inc.	$10.00	12/19/2008
MidSouth Bancorp, Inc.	$20.00	1/9/2009
Midwest Banc Holdings, Inc.	$85.00	12/5/2008
Mission Community Bancorp/Mission Community Bank	$5.00	1/9/2009
Mission Valley Bancorp/ Mission Valley Bank	$6.00	12/23/2008
Monadnock Bancorp, Inc.	$2.00	12/19/2008
Monarch Financial Holdings, Inc.	$15.00	12/19/2008
Morgan Stanley[37]	$10,000.00	10/28/2008
Morrill Bancshares, Inc.	$13.00	1/16/2009
MutualFirst Financial, Inc.	$32.00	12/23/2008
Nara Bancorp, Inc.	$67.00	11/21/2008
National Penn Bancshares, Inc.	$150.00	12/12/2008
NCAL Bancorp	$10.00	12/19/2008
New Hampshire Thrift Bancshares, Inc.	$10.00	1/16/2009
New York Private Bank & Trust Corp. / Emigrant Bank	$267.00	1/9/2009
NewBridge Bancorp/New Bridge Bank	$52.00	12/12/2008
Nicolet Bankshares, Inc./Nicolet National Bank	$15.00	12/23/2008
North Central Bancshares, Inc.	$10.00	1/9/2009
Northeast Bancorp	$4.00	12/12/2008
Northern Trust Corporation[38]	$1,576.00	11/14/2008
Oak Valley Bancorp	$14.00	12/5/2008
OceanFirst Financial Corporation	$38.00	1/16/2009
Old Line Bancshares, Inc.	$7.00	12/5/2008
Old National Bancorp[39]	$100.00	12/12/2008
Old Second Bancorp, Inc.	$73.00	1/16/2009
One United Bank	$12.00	12/19/2008
Pacific Capital Bancorp	$181.00	11/21/2008
Pacific City Financial Corporation/ Pacific City Bank	$16.00	12/19/2008
Pacific Coast Bankers' Bancshares	$12.00	12/23/2008
Pacific Coast National Bancorp	$4.00	1/16/2009
Pacific Commerce Bank	$4.00	12/23/2008
Pacific International Bancorp	$7.00	12/12/2008
Park National Corporation	$100.00	12/23/2008
Parkvale Financial Corporation	$32.00	12/23/2008
Patapsco Bancorp, Inc.	$6.00	12/19/2008
Patriot Bancshares, Inc./ Patriot Bank	$26.00	12/19/2008
Peapack-Gladstone Financial Corporation	$29.00	1/9/2009
Peoples Bancorp of North Carolina, Inc.	$25.00	12/23/2008
Pinnacle Financial Partners, Inc.	$95.00	12/12/2008
Plains Capital Corporation	$88.00	12/19/2008

[37] Repaid Treasury on June 17, 2009.
[38] Repaid Treasury on June 17, 2009.
[39] Repaid Treasury on March 31, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
PNC Financial Services Group Inc.	$7,579.00	12/31/2008
Popular, Inc.	$935.00	12/5/2008
Porter Bancorp, Inc.(PBI) Louisville, KY	$35.00	11/21/2008
Provident Banshares Corp.	$152.00	11/14/2008
Puget Sound Bank	$5.00	1/16/2009
Pulaski Financial Corp	$33.00	1/16/2009
Queensborough Company, The	$12.00	1/9/2009
Redwood Capital Bancorp	$4.00	1/16/2009
Redwood Financial, Inc.	$3.00	1/9/2009
Regions Financial Corp./ Regions Bank	$3,500.00	11/14/2008
Rising Sun Bancorp	$6.00	1/9/2009
S&T Bancorp	$109.00	1/16/2009
Saigon National Bank	$2.00	12/23/2008
Sandy Spring Bancorp, Inc.	$83.00	12/5/2008
Santa Lucia Bancorp	$4.00	12/19/2008
SCBT Financial Corporation[40]	$65.00	1/16/2009
Seacoast Banking Corporation of Florida/Seacoast National Bank	$50.00	12/19/2008
Seacoast Commerce Bank	$2.00	12/23/2008
Security Business Bancorp/Security Business Bank of San Diego	$6.00	1/9/2009
Security California Bancorp/ Security Bank of California	$7.00	1/9/2009
Security Federal Corporation	$18.00	12/19/2008
Severn Bancorp, Inc.	$23.00	11/21/2008
Shore Bancshares, Inc.[41]	$25.00	1/9/2009
Signature Bank[42]	$120.00	12/12/2008
Somerset Hills Bancorp[43]	$7.00	1/16/2009
Sound Banking Company	$3.00	1/9/2009
South Financial Group, Inc./ Carolina First Bank	$347.00	12/5/2008
Southern Bancorp, Inc.	$11.00	1/16/2009
Southern Community Financial Corp./ Southern Community Bank & Trust	$43.00	12/5/2008
Southern Missouri Bancorp, Inc./ Southern Missouri Bank & Trust Co.	$10.00	12/5/2008
Southwest Bancorp, Inc.	$70.00	12/5/2008
State Bancorp, Inc./State Bank of Long Island	$37.00	12/5/2008
State Bank & Trust/State Bankshares, Inc.	$50.00	1/16/2009
State Street [44]	$2,000.00	10/28/2008
StellarOne Corporation	$30.00	12/19/2008
Sterling Bancorp	$42.00	12/23/2008
Sterling Bancshares, Inc./Sterling Bank[45]	$125.00	12/12/2008

[40] Repaid Treasury on May 20, 2009.
[41] Repaid Treasury on April 15, 2009.
[42] Repaid Treasury on March 31, 2009.
[43] Repaid Treasury on May 20, 2009.
[44] Repaid Treasury on June 17, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
Sterling Financial Corporation/Sterling Savings Bank	$303.00	12/5/2008
Summit State Bank	$9.00	12/19/2008
Sun Bancorp, Inc[46]	$89.00	1/9/2009
SunTrust Banks, Inc.	$4,850.00	12/31/2008
Superior Bancorp Inc.	$69.00	12/5/2008
Surrey Bancorp/Surrey Bank & Trust	$2.00	1/9/2009
Susquehanna Bancshares, Inc	$300.00	12/12/2008
SVB Financial Group	$235.00	12/12/2008
Synovus Financial Corp./ Columbus Bank & Trust Co.	$968.00	12/19/2008
Syringa Bancorp	$8.00	1/16/2009
Taylor Capital Group	$105.00	11/21/2008
TCB Holding Company, Texas Community Bank	$12.00	1/16/2009
TCF Financial Corporation[47]	$361.00	11/14/2008
TCNB Financial Corp/The Citizens National Bank of Southwestern Ohio	$2.00	12/23/2008
Tennessee Commerce Bancorp, Inc./ Tennessee Commerce Bank	$30.00	12/19/2008
Tennessee Valley Financial Holdings, Inc.	$3.00	12/23/2008
Texas Capital Bancshares, Inc.[48]	$75.00	1/16/2009
Texas National Bancorporation	$4.00	1/9/2009
The Bancorp, Inc./The Bancorp Bank	$45.00	12/12/2008
The Baraboo Bancorporation	$21.00	1/16/2009
The Connecticut Bank and Trust Company	$5.00	12/19/2008
The Elmira Savings Bank, FSB	$9.00	12/19/2008
The First Bancorp, Inc.	$25.00	1/9/2009
The Little Bank, Incorporated	$8.00	12/23/2008
TIB Financial Corp/TIB Bank	$37.00	12/5/2008
Tidelands Bancshares, Inc	$14.00	12/19/2008
Timberland Bancorp, Inc.	$17.00	12/23/2008
TowneBank	$76.00	12/12/2008
Treaty Oak Bankcorp, Inc	$3.27	1/16/2009
Tri-County Financial Corporation	$16.00	12/19/2008
Trustmark Corporation	$215.00	11/21/2008
U.S. Bancorp[49]	$6,599.00	11/14/2008
UCBH Holdings, Inc.	$299.00	11/14/2008
Umpqua Holdings Corp.	$214.00	11/14/2008
Union Bankshares Corporation	$59.00	12/19/2008
United Bancorp, Inc.	$21.00	1/16/2009
United Bancorporation of Alabama, Inc.	$10.00	12/23/2008
United Community Banks, Inc.	$180.00	12/5/2008

[45] Repaid Treasury on May 5, 2009.
[46] Repaid Treasury on April 8, 2009.
[47] Repaid Treasury on April 22, 2009.
[48] Repaid Treasury on May 13, 2009.
[49] Repaid Treasury on June 17, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
United Financial Banking Companies, Inc.	$6.00	1/16/2009
Unity Bancorp, Inc./Unity Bank	$21.00	12/5/2008
Uwharrie Capital Corp/Bank of Stanly	$10.00	12/23/2008
Valley Community Bank	$6.00	1/9/2009
Valley Financial Corporation	$16.00	12/12/2008
Valley National Bancorp[50]	$300.00	11/14/2008
Virginia Commerce Bancorp	$71.00	12/12/2008
VIST Financial Corp./VIST Bank	$25.00	12/19/2008
Wainwright Bank & Trust Company	$22.00	12/19/2008
Washington Banking Company/ Whidbey Island Bank	$26.00	1/16/2009
Washington Federal Inc./ Washington Federal Savings & Loan Association[51]	$200.00	11/14/2008
Webster Financial Corporation	$400.00	11/21/2008
Wells Fargo Bank	$25,000.00	10/28/2008
Wesbanco Bank Inc.	$75.00	12/5/2008
West Bancorporation, Inc.	$36.00	12/31/2008
Western Alliance Bancorporation/Bank of Nevada	$140.00	11/21/2008
Western Community Bancshares, Inc.	$7.00	12/23/2008
Western Illinois Bancshares Inc.	$7.00	12/23/2008
Whitney Holding Corporation	$300.00	12/19/2008
Wilmington Trust Corporation	$330.00	12/12/2008
Wilshire Bancorp, Inc.	$62.00	12/12/2008
Wintrust Financial Corporation	$250.00	12/19/2008
Yadkin Valley Financial Corporation	$36.00	1/16/2009
Zions Bancorporation	$1,400.00	11/14/2008
1st Source Corporation	$111.00	1/23/2009
AB&T Financial Corporation/Alliance Bank & Trust Company	$4.00	1/23/2009
Adbanc, Inc	$12.70	1/29/2009
Alarion Financial Services, Inc.	$7.00	1/23/2009
AMB Financial Corporation	$3.67	1/30/2009
Anchor BanCorp Wisconsin, Inc.	$110.00	1/30/2009
Annapolis Bancorp, Inc.	$81.50	1/30/2009
Bankers' Bank of the West Bancorp, Inc.	$12.64	1/30/2009
BankFirst Capital Corporation	$16.00	1/23/2009
Beach Business Bank	$6.00	1/30/2009
California Oaks State Bank	$3.30	1/23/2009
Calvert Financial Corporation	$1.00	1/23/2009
Calwest Bancorp/South County Bank	$5.00	1/23/2009
Central Bancshares, Inc	$5.80	1/30/2009
Central Valley Community Bancorp	$7.00	1/30/2009
Central Virginia Bankshares, Inc.	$11.39	1/30/2009
Commonwealth Business Bank	$8.00	1/23/2009
Community Partners Bancorp	$9.00	1/30/2009

[50] Repaid Treasury on June 3, 2009.
[51] Repaid Treasury on May 27, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
Country Bank Shares, Inc./Farmers&Merchants Bank	$7.53	1/30/2009
Crosstown Holding Company/21st Century Bank	$11.00	1/23/2009
DNB Financial Corporation	$11.75	1/30/2009
Equity Bancshares	$8.75	1/30/2009
Farmer's and Merchants/F & M Bancshares, Inc.	$4.61	1/30/2009
Farmers Bank	$9.00	1/23/2009
First Citizens Banc Corp	$23.00	1/23/2009
First Resource Bank	$2.60	1/30/2009
First Southern Bancorp, Inc.	$10.90	1/30/2009
First ULB Corp.[52]	$5.00	1/23/2009
First United Corporation	$30.00	1/30/2009
Firstbank Corporation	$33.00	1/30/2009
Flagstar Bancorp, Inc.	$266.66	1/30/2009
FPB Financial Corp	$3.00	1/23/2009
Fresno First Bank	$2.00	1/23/2009
Goldwater Bank, NA	$2.57	1/30/2009
Greer Bancshares Incorporated	$9.99	1/30/2009
Guaranty Federal Bancshares, Inc.	$17.00	1/30/2009
HillTop Community Bancorp,Inc.	$4.00	1/30/2009
Katahdin Bankshares Corp.	$10.45	1/30/2009
Legacy Bancorp, Inc.	$5.50	1/30/2009
Liberty Bancshares, Inc.	$58.00	1/23/2009
Metro City Bank	$7.70	1/30/2009
Middleburg Financial Corporation	$22.00	1/30/2009
Midland States Bancorp, Inc.	$10.00	1/23/2009
Monument Bank	$4.73	1/30/2009
Moscow Bancshares, Inc.	$6.00	1/23/2009
Northway Financial,Inc.	$10.00	1/30/2009
Oak Ridge Financial Services, Inc.	$7.70	1/30/2009
Ojai Community Bank	$2.08	1/30/2009
Parke Bancorp, Inc.	$16.29	1/30/2009
The Private Bank of The Peninsula/Peninsula Bank Holding Co.	$6.00	1/30/2009
Peoples Bancorp, Inc.	$39.00	1/30/2009
Pierce County Bancorp	$7.00	1/23/2009
Plumas Bancorp	$11.95	1/30/2009
Princeton National Bancorp, Inc.	$25.00	1/23/2009
Private Bancorp, Inc.	$243.82	1/30/2009
Metropolitan National Bank/Rogers Bancshares	$25.00	1/30/2009
Seaside National Bank & Trust	$6.00	1/23/2009
Southern Illinois Bancorp, Inc.	$5.00	1/23/2009
Stewardship Financial Corporation	$10.00	1/30/2009
Stone Bridge Financial Corp	$11.00	1/23/2009
The Freeport State Bank[53]	$0.30	2/6/2009

[52] Repaid Treasury on April 22, 2009.

Institution Name	Funding (millions)	TARP Agreement Date
UBT Bancshares, Inc.	$8.95	1/30/2009
Valley Business Bank (Valley Commerce Bancorp)	$7.70	1/30/2009
W. T. B. Financial Corp/Washington Trust Bank	$110.00	1/30/2009
Washington First Bank	$6.63	1/30/2009
WSFS Financial Corporation	$53.00	1/23/2009

[53] The Freeport State Bank was included in our survey, however, their closing date on the TARP funds was delayed until February 6, 2009.

Appendix E—Reported Actual Uses by Month of Disbursement, Asset Size, and Amount of Funding

Table 6 shows the number of banks that reported actual uses of CPP funds for each major category of use, segmented by the month when funds were disbursed.

Table 6: Actual Uses of CPP Funds by Disbursement Month

Month Funds Disbursed	OCT	NOV	DEC	JAN[54]	TOTAL
Number of Banks	8	43	162	147	360
Banks Reporting Uses for:					
Lending	8	38	145	109	300
Investment	5	20	54	31	110
Debt Repayment	0	8	21	23	52
Acquisition	0	5	7	3	15
Capital Cushion or Other Reserves	1	17	69	69	156

Source: SIGTARP analysis of survey responses.
Note: Some percentages may have been rounded beyond 0.5 percentage points in order to add up to 100 percent.

Table 7 shows the number of banks that reported actual uses of CPP funds for each major category of use, segmented by the asset size of the recipient.

Table 7: Actual Uses of CPP Funds by Asset Size

Asset Size	>$100B	$100B - 10B	$10B - $1B	$1B - 100M	<$100M	TOTAL
Number of Banks	14	37	131	110	68	360
***Banks Reporting Uses for*:**						
Lending	14	32	113	87	54	300
Investment	10	17	40	31	12	110
Debt Payoff	0	5	26	10	11	52
Acquisition	3	2	8	1	1	15
Capital Cushion or Other Reserves	2	19	55	48	32	156

Source: SIGTARP analysis of survey responses.
Note: Some percentages may have been rounded more than 0.5 percentage points in order to add up to 100 percent.

[54] One bank that was included in our survey was delayed in closing on its TARP funds until February 6, 2009.

Table 8 shows the number of banks that reported actual uses of CPP funds for each major category of use, segmented by the amount of funds received.

Table 8: Actual Uses of CPP Funds by Amount of Funds Received

Amount of TARP Funds Received	**>$10B**	**$1B - 10B**	**$100M - 1B**	**<$100M**	**TOTAL**
Number of Banks	6	17	54	283	360
Banks Reporting Uses for:					
Lending	6	16	46	232	300
Investment	3	10	24	73	110
Debt Repayment	0	2	7	43	52
Acquisition	0	5	1	9	15
Capital Cushion or Other Reserves	1	5	25	125	156

Source: SIGTARP analysis of survey responses.
Note: Some percentages may have been rounded beyond 0.5 percentage points in order to add up to 100 percent.

Appendix F—Broad Impact of Receiving TARP Funds

To illustrate the broad impact of receiving TARP funds, Table 9 shows the reported actions that recipients would not have been able to achieve without TARP funding, and actions that recipients were able to avoid due to TARP funding. The distribution of firms that addressed these actions (in regards to the date of funding, the amount of funding received, and asset size) was comparable to the distribution of all recipients.

Table 9: Broad Impact of Receiving TARP Funds Summary

Activity	Number of Institutions	Percentage of Institutions[55]
Without TARP funds institutions would not have been able to:		
Grow Lending	34	21
Enhance Lending Activity	21	13
Improve Capital Position	16	10
Conduct Loan Modifications	8	5
Grow Deposits	6	4
Purchase Investments	6	4
Reduce Loan Terms	4	2
Pay Debt	3	2
Complete an Acquisition	3	2
Because of TARP funds institutions were able to avoid:		
Reducing Lending	46	28
Reducing their Loan Portfolio	17	10
Shrinking their Balance Sheet	14	9
Freezing Lending	11	7
Falling Below Well Capitalized Level	5	3
Job Reductions	2	1
Exiting the Banking Business	1	1

Source: SIGTARP analysis of survey responses.
Note: Numbers and percentages do not total since respondents reported multiple uses of funds.

[55] Percentages are based on 163 recipients that responded to this question.

Appendix G—Audit Team Members

This report was prepared and the review was conducted under the direction of Barry W. Holman, Audit Director, Office of the Special Inspector General for the Troubled Asset Relief Program. Other key SIGTARP staff included Michael Kennedy, James Shafer, Anne Blank, Trevor Rudolph, and Kamruz Zaman. The Concentrance staff members who supported SIGTARP in the audit and report development included Karmen Carr, Alex Kangelaris, Darius Grayson, Patricia Taylor, Christopher Laughlin, Matthew Herman, Yusuf Makhkamov, and Mandy Ho.

Appendix H—Management Comments

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

July 15, 2009

Neil M. Barofsky, Esq.
Special Inspector General
for the Troubled Assets Relief Program
United States Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Re: SIGTARP Use of Funds Report

Dear Mr. Barofsky:

Thank you for giving us the opportunity to review and comment on your draft report regarding the use of Troubled Assets Relief Program (TARP) funds by Capital Purchase Program (CPP) recipients. We share your desire to know whether expenditures of funds under the Emergency Economic Stabilization Act of 2008 (EESA) are helping to promote financial stability and liquidity, and ultimately helping consumers and businesses by enabling financial institutions to provide credit and other financial services. It is a responsibility of the Department of the Treasury (Treasury) to determine what types of reporting by TARP recipients are most useful in making that assessment.

In discussing use of TARP funds, it is important to distinguish between Treasury's capital-enhancement programs and its other programs. The CPP, Capital Assistance Program and the programs under which exceptional assistance has been provided to AIG, Citigroup and Bank of America are designed to provide capital to cushion against losses and allow financial institutions to continue operating in the ordinary course of business, including lending to consumers and businesses. In order to serve its purpose, capital must be available for general business purposes. By contrast, Treasury's home ownership preservation programs, Small Business Lending Initiative, Public-Private Investment Program, and Term Asset Backed Securities Loan Facility program impose specific restrictions on the use of TARP funds, and require controls and periodic reports to ensure that those restrictions are respected.

The responses of CPP participants described in your report illustrate the broad range of uses to which capital may be put, including building capital reserves, supporting lending and making investments. While those responses suggest the goals of EESA are being met, we think caution should be exercised in drawing conclusions from this data. Although it might be tempting to do so, it is not possible to say that investment of TARP dollars resulted in particular loans, investments or other activities by the recipient.

This is a function of basic accounting principles. Banks' double-entry bookkeeping systems do not trace the paths from creating liabilities (receiving capital) to investing in assets (such as making loans). As the report notes at page 6, "the majority of recipients reported that they did not segregate TARP funds," and "[m]ore than half of the banks that reported physical segregation of funds . . . stated that segregation was only a temporary measure pending future deployment of the funds." Furthermore, "once received, the cash associated with the TARP funding became indistinguishable from any other cash sources . . . ." In addition, money is fungible, and paying an expense from one source frees up cash to be used for other purposes. Even if TARP investments could be traced to particular uses, those uses cannot be said to be attributable to the TARP investment if the same expenditures would have been made from other sources even in the absence of TARP funding.

Treasury wants to see the investments it has made translate as quickly as possible into additional lending to creditworthy borrowers and increases in other services and benefits to consumers and businesses. We recognize that banks must rebuild their capital in light of the losses they have experienced and may yet experience. They must also maintain appropriate standards for lending and other activities. Treasury does not intend to tell banks how to run their businesses, but we will seek to collect and provide useful information that can help determine if we are making progress toward restoring financial stability. For example, Treasury believes that collecting and publishing data on aggregate lending levels addresses the issue that taxpayers are most concerned about. Accordingly, Treasury has been producing a Monthly Lending and Intermediation Survey and Snapshot, which contains quantitative information on three major categories of lending by the nation's largest CPP banks. We are also producing an expanded CPP Lending Report, which reports on monthly average outstanding balances of consumer loans, commercial loans and total loans of all CPP recipients. Banks that seek capital under the Capital Assistance Program must submit a plan as to how they intend to use the assistance to strengthen lending capacity and must submit monthly reports on lending levels. The Treasury and Federal regulators also collect and publish other types of data on the condition of our financial institutions and the activity in particular financial markets that can contribute to assessing the health of our financial system.

We welcome any additional suggestions you have as to the types of data that Treasury should collect. Thank you again for giving us the opportunity to comment on your survey and please contact us if you have any questions.

Sincerely,

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

SIGTARP Hotline

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline.

By Online Form: www.SIGTARP.gov *By Phone:* Call toll free: (877) SIG-2009

By Fax: (202) 622-4559

By Mail: **Hotline: Office of the Special Inspector General**
For The Troubled Asset Relief Program
1801 L Street
Washington, D.C. 20220

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Obtaining Copies of Testimony and Reports

To obtain copies of testimony and reports please log on to our website at www.sigtarp.gov