Congressional Committees

Troubled Asset Relief Program

Capital Purchase Program

Accessible Version

Background

The Capital Purchase Program (CPP) was created to help stabilize the financial markets and banking system by providing capital to financially viable and regulated financial institutions. It was the largest investment program initiated under the Troubled Asset Relief Program (TARP).

The program started in October 2008; it was closed to new participants in December 2009.

Qualified financial institutions that have participated in the program were eligible to receive an investment of 1 percent to 3 percent of their risk-weighted assets, up to a maximum of $25 billion. In exchange for the investment, the Department of the Treasury (Treasury) generally received senior preferred shares that would pay dividends and warrants to purchase shares of common or preferred stock. Since the end of 2014, all of the institutions with outstanding preferred share investments have been required to pay dividends at a rate of 9 percent, rather than the 5 percent rate that had been in place for the previous 5 years. Institutions are allowed to repay CPP investments with the approval of their primary federal bank regulator and repurchase warrants afterward.

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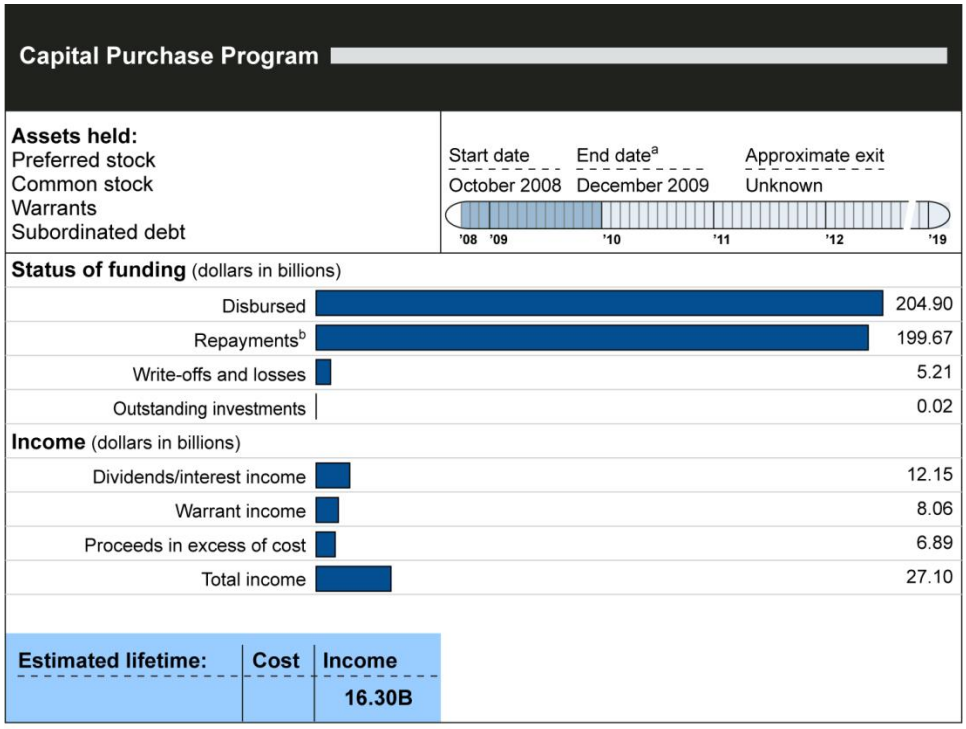
Status

Treasury has largely wound down CPP. Treasury disbursed $204.90 billion to 707 financial institutions nationwide from October 2008 through December 2009. As of September 30, 2019, it had received $226.77 billion in repayments and income, exceeding the total original outlays by $21.87 billion. Those repayments and income sources include:

- $199.67 billion in repayments and sales of original CPP investments;
- $12.15 billion in dividends and interest;
- $6.89 billion in proceeds in excess of costs; and
- $8.06 billion from the sale of warrants (see fig.1).

After accounting for write-offs and realized losses from sales totaling $5.21 billion, the original outstanding balance of CPP investments was $17 million as of September 30, 2019. Treasury estimated a lifetime income of $16.30 billion for CPP as of September 30, 2019.

Figure 1: Status of the Capital Purchase Program, as of September 30, 2019



Source: GAO analysis of Department of the Treasury data. | GAO-20-218R

[a]End date is the date on which the program stopped acquiring new assets and receiving funding.

[b]Includes $363 million from institutions that transferred to the Community Development Capital Initiative and $2.2 billion from institutions that transferred to the Small Business Lending Fund.

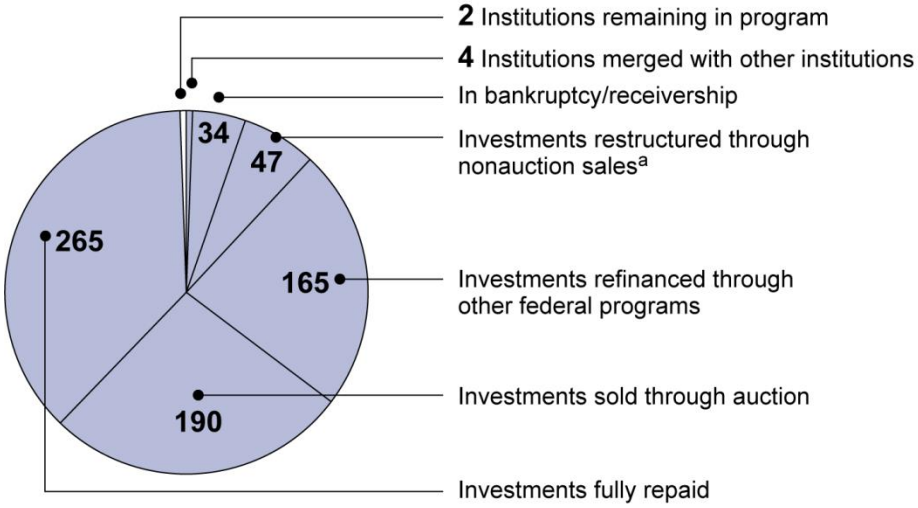
Accessible Data for Figure 1: Status of the Capital Purchase Program, as of September 30, 2019

Funding	Dollars in billions
Disbursed	204.90
Repayments	199.67
Write-offs and losses	5.21
Outstanding investments	0.02
Dividends/interest income	12.15
Warrant income	8.06
Proceeds in excess of cost	6.89
Total income	27.10
Estimated lifetime income	16.30

As shown in figure 2, as of September 30, 2019, all but two of the original 707 institutions that participated in CPP had exited the program by:

- repurchasing their preferred shares or subordinated debentures in full;
- refinacing their shares through other federal programs, including the Community Development Capital Initiative and the Small Business Lending Fund—a Treasury fund that is separate from TARP;
- having their shares sold through auction;
- going into bankruptcy or receivership; or
- merging with other institutions.

Figure 2: Status of Institutions that Received Capital Purchase Program Investments, as of September 30, 2019



Source: GAO analysis of Department of the Treasury data. | GAO-20-218R

[a]When investments are restructured, Treasury receives cash or other securities that can generally be sold more easily than preferred stock, but Treasury's investments are sometimes sold at a discount.

Accessible Data for Figure 2: Status of Institutions that Received Capital Purchase Program Investments, as of September 30, 2019

Category	Category total
Institutions remaining in program	2
Institutions merged with other institutions	4
In bankruptcy/receivership	34
Investments restructured through non-auction sales	47
Investments refinanced through other federal programs	165
Investments sold through auction	190
Full Repayments:	265

As shown in table 1, as of September 30, 2019, the remaining $17.37 million in outstanding CPP investments was distributed among two institutions. The institutions remaining in CPP showed improvement in their financial ratios, including their ratio of tangible equity and loss reserves to nonperforming assets plus loans 90 or more days past due (Texas ratio) from 2011 to 2018.

Table 1: Remaining Capital Purchase Program Investments, as of September 30, 2019

Institution	Location	Investment amount (dollars in millions)	Percentage of total outstanding investment (percentage)
OneUnited Bank	Boston, MA	12.06	69.43
Harbor Bankshares Corporation	Baltimore, MD	5.31	30.57
All outstanding		**17.37**	**100**

Source: GAO analysis of Department of the Treasury data. | GAO-20-218R