United States Government Accountability Office

Report to Congressional Committees

November 2016

TROUBLED ASSET RELIEF PROGRAM

New Effort to Wind Down the Community Development Capital Initiative

GAO-17-96

GAO Highlights

Highlights of GAO-17-96, a report to congressional committees

November 2016

TROUBLED ASSET RELIEF PROGRAM

New Effort to Wind Down the Community Development Capital Initiative

Why GAO Did This Study

Treasury established CDCI under the Troubled Asset Relief Program (TARP) in February 2010 to help banks and credit unions certified as Community Development Financial Institutions (CDFI) maintain services to underserved communities after the 2007–2009 financial crisis. Eighty-four institutions originally participated in CDCI. The program offered favorable terms for raising capital, including a low dividend or interest rate, an important benefit for CDFIs that did not have the same access to capital markets as larger banks. The program's initial dividend or interest rate of 2 percent on investments increases to 9 percent in 2018 for most of the remaining banks and credit unions in the program. The Emergency Economic Stabilization Act of 2008 includes a provision that GAO report at least every 60 days on TARP activities. This report examines the status of CDCI.

To assess the program's status, GAO reviewed Treasury reports on the status of CDCI and documents related to the Early Repurchase Option. GAO also interviewed Treasury officials to examine the agency's early repurchase option for the program and interviewed representatives from four trade associations whose member institutions received CDCI capital.

GAO provided a draft of this report to Treasury for its review and comment. Treasury provided technical comments that GAO incorporated as appropriate.

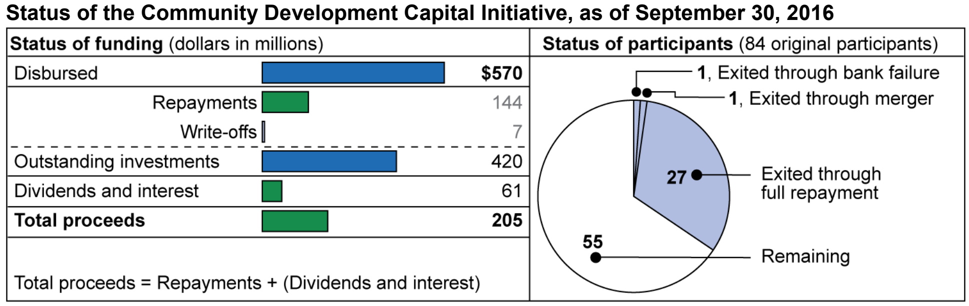
GAO makes no new recommendations in this report.

View GAO-17-96. For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

What GAO Found

As of September 30, 2016, the Department of the Treasury (Treasury) had approximately $420 million, or 75 percent, of the original Community Development Capital Initiative (CDCI) investment of $570 million, outstanding. Of the original 84 participating institutions, 55 remained. Treasury has received about $144 million in principal repayments and about $61 million in dividend and interest payments from program participants. Treasury has written off about $7 million, which came from an investment in one institution whose assets were liquidated when its banking subsidiary entered receivership. Treasury's most recent estimate of the program's lifetime cost was about $104 million (as of September 2016).

Status of the Community Development Capital Initiative, as of September 30, 2016



Source: GAO analysis of Treasury data. | GAO-17-96

As part of its ongoing effort to wind down TARP, Treasury began offering participating CDCI institutions an opportunity to repurchase their outstanding securities owned by Treasury at fair value. According to Treasury, it will only accept repurchase proposals that are at or above Treasury's own determination of fair value. To participate in the early repurchase option, eligible institutions must submit a proposal to Treasury no later than November 18, 2016. Treasury anticipates that all proposed repurchases that are accepted will be completed by December 30, 2016. Representatives from bank and credit union trade associations with CDCI participating members told GAO that the current low interest rate environment and the expected increases in CDCI dividend payments would likely cause some of their members to pursue this early exit option. GAO will continue monitoring Treasury's implementation of this option, including evaluating its valuation methodology.

Contents

Abbreviations

CDCI	Community Development Capital Initiative
CDFI	Community Development Financial Institution
CPP	Capital Purchase Program
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act of 2008
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
TARP	Troubled Asset Relief Program
Treasury	Department of the Treasury

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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November 4, 2016

Congressional Committees

The Department of the Treasury (Treasury) created the Community Development Capital Initiative (CDCI) in February 2010 to help eligible, certified Community Development Financial Institutions (CDFI) and their communities cope with the effects of the 2007–2009 financial crisis.[1] Through CDCI, Treasury provided capital to CDFI banks and credit unions by purchasing preferred equity and subordinated debt from them.[2] Treasury finalized funding through CDCI in September 2010, and it made approximately $570 million in investments in 84 institutions.

CDCI was one of the programs implemented under the Troubled Asset Relief Program (TARP), which gave Treasury the authority to buy or guarantee up to $700 billion, later reduced to $475 billion, of the “troubled assets” believed to be at the heart of the financial crisis. These assets included mortgages, mortgage-backed securities, and certain other

[1]CDFIs provide financing and related services to communities and populations that lack access to credit, capital, and financial services. Treasury’s CDFI Fund provides the designation, which allows CDFIs to apply for the CDFI Fund’s financial assistance. CDFIs include banks, thrifts, credit unions, loan funds, and venture capital funds, but only institutions that have a federal depository institution supervisor (banks, thrifts, and credit unions) could apply for CDCI assistance. The federal supervisors for this program currently are the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (Federal Reserve), the Office of the Comptroller of the Currency (OCC), and the National Credit Union Administration (NCUA). During the application period, the Office of Thrift Supervision was also a federal supervisor, but it was abolished by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). See Pub. L. No. 111-203, § 313, 124 Stat. 1376, 1523 (2010) (codified at 12 U.S.C. § 5413).

[2]In this report, “bank” refers to banks, thrifts, and bank or savings and loan holding companies. Some of the institutions in the CDCI program are S-corporations, and that status designation of some banking institutions affects the form of Treasury’s investment. An S-corporation is taxed under subchapter S of chapter 1 of the Internal Revenue Code and thus does not pay income taxes. Instead, the corporation’s income or losses are divided among and passed through its shareholders.

financial instruments, such as equity investments.[3] CDCI offered CDFI banks and credit unions capital at relatively favorable terms, including a relatively low dividend or interest rate—an important benefit for CDFIs that may not have had the same access to the capital markets as larger financial institutions at the time. For example, approved CDFI banks issued preferred equity or subordinated debentures to Treasury with initial dividend or interest rates of 2 percent and 3.1 percent respectively that would increase to 9 percent and 13.8 percent after 8 years (in 2018).[4] Treasury has continued to oversee its CDCI investments and collect dividend and interest payments. Some participants have redeemed their securities and exited the program with the approval of their primary federal regulators.

The Emergency Economic Stabilization Act of 2008 (EESA) includes a provision that we report at least every 60 days on TARP activities and performance.[5] As a result, we have been monitoring, analyzing, and

[3]TARP was authorized by the Emergency Economic Stabilization Act of 2008 (EESA). Pub. L. No. 110-343, 122 Stat. 3765 (codified at 12 U.S.C. §§ 5201-5261). EESA, which was signed into law on October 3, 2008, established the Office of Financial Stability within Treasury and provided it with broad, flexible authorities to buy or guarantee troubled mortgage-related assets or any other financial instruments necessary to stabilize the financial markets. EESA originally authorized Treasury to purchase or guarantee up to $700 billion in troubled assets. § 115(a), 122 Stat. at 3780 (codified as amended at 12 U.S.C. § 5225(a)). The Dodd-Frank Act reduced Treasury's authority to purchase or insure troubled assets to $475 billion. Pub. L. No. 111-203, § 1302(1)(A), 124 Stat. 1376, 2133.

[4]Preferred equity is shares of stock that give the stockholder priority dividend and liquidation claims over junior preferred and common stockholders. Subordinated debentures are a form of debt security that ranks below other senior claims on assets but has priority over all preferred and common shareholders. The securities that Treasury purchased from S-corporations have a 3.1 percent interest rate until the eighth anniversary of the date on which Treasury made the investment, when the rate will increase to 13.8 percent. However, given the tax treatment of S-corporations, these rates equate to effective after-tax rates of 2 percent and 9 percent, respectively (assuming a 35 percent tax rate)—the same rates applied to securities issued by other classes of institutions participating in CDCI.

[5]Pub. L. No. 110-343, § 116(a)(3), 122 Stat. 3765, 3785 (codified at 12 U.S.C. § 5226(a)(3)).

providing updates on TARP programs, including CDCI.[6] This report examines the status of CDCI, including the early repayment option, repayments and other proceeds, as well as investments outstanding.

To assess the status of the CDCI program, we analyzed data from Treasury. In particular, we used Treasury's September 2016 Monthly Report to Congress and the Investment Program Transaction Report (both published in October 2016) to determine the dollar amounts of outstanding CDCI investments and the number and geographical distribution of remaining participants as of September 30, 2016. We used Treasury's Monthly Reports to Congress to determine when institutions fully redeemed the securities. We used data from Treasury's September 2016 Dividends and Interest report (published in September 2016) to determine the amount of dividends paid and the number of institutions that made full repayments. We determined that the financial information used in these reports is sufficiently reliable to assess the status of the CDCI program based on the results of our audits of TARP financial statements for fiscal years 2009–2015. We reviewed our own annual audit of the Office of Financial Stability's financial statement, which tested Treasury's internal controls over financial reporting.[7] We also consulted our past reports on TARP and interviewed Treasury officials to inform our assessment of the CDCI program. We also interviewed officials from four associations representing banks and credit unions that received CDCI capital to gauge their interest in the CDCI early repurchase option.

We conducted this performance audit from July 2016 to November 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

[6]See GAO, *GAO Troubled Asset Relief Program*: *Most Community Development Capital Initiative Investments Remain Outstanding,* GAO 16-626 (Washington, D.C.: July 5, 2016); *GAO Troubled Asset Relief Program: Status of Remaining Investment Programs,* GAO-16-91R (Washington, D.C.: Nov. 3, 2015); *Community Development Capital Initiative: Status of Program Investments and Participants*, GAO-15-542 (Washington, D.C.: May 5, 2015); *Community Development Capital Initiative: Status of the Program and Financial Health of Remaining Participants*, GAO-14-579 (Washington, D.C.: June 6, 2014); and *Troubled Asset Relief Program: Treasury Sees Some Returns as It Exits Programs and Continues to Fund Mortgage Programs*, GAO-13-192 (Washington, D.C.: Jan. 7, 2013).

[7]See, GAO, *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2015 and 2014 Financial Statements*, GAO-16-147R (Washington, D.C.: Nov. 10, 2015).

findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Created in 2010, CDCI was one of the later TARP programs and was intended to help mitigate the adverse effects of the financial crisis on communities underserved by traditional banks. CDCI is structured much like the TARP Capital Purchase Program (CPP).[8] For example, both programs provide capital to financial institutions by purchasing preferred equity or subordinated debt from them. Institutions are required to make quarterly dividend or interest payments to Treasury until they exit the program. Institutions are expected to repay the investments with the approval of their primary federal bank regulator. However, the CDCI program differs from CPP in several ways. First, whereas CPP provided assistance to a range of banks, CDCI provided financial assistance only to CDFIs. Second, CDCI provided more favorable capital terms than CPP. For example, certain CDCI preferred equity investments had an initial dividend rate of 2 percent, compared with 5 percent under CPP. The dividend rate increases to 9 percent after 8 years (starting in 2018) under the CDCI program compared to after 5 years under CPP. The terms of the rates are specified in the agreements between Treasury and the institutions. Finally, the CDCI program also provided assistance to CDFI credit unions, which were not eligible under CPP.

Treasury finalized the last of its $570 million in CDCI investments in September 2010. The 84 original participating institutions were 36 banks and 48 credit unions. Twenty-eight of the 36 banks were CPP participants in good standing in that program and thus were allowed to exchange their CPP shares for a lower-cost security rate in the CDCI program. Of these 28 banks, 10 received additional capital under CDCI.

CDCI investment terms varied depending on the type of institution receiving the capital (see table 1). In general, banks received capital by issuing to Treasury preferred stock representing not more than 5 percent of their risk-weighted assets. The capital they received in return was generally treated as tier 1 capital for regulatory purposes, with a perpetual term. Federal banking regulators classify capital as tier 1—currently the

[8]See GAO, *Troubled Asset Relief Program: Capital Purchase Program Largely Has Wound Down*, GAO-16-524 (Washington, D.C.: May 6, 2016).

highest-quality form of capital—or tier 2, which is considered weaker in terms of helping institutions absorb losses.[9] Credit unions issued unsecured subordinated debentures totaling not more than 3.5 percent of their total assets. In exchange, Treasury provided participating credit unions with secondary capital that boosted their net worth until 5 years before the maturity date, at which point the debt eligible to be included as secondary capital would be reduced by 20 percent annually.[10]

[9]Tier 1 capital consists primarily of common equity. Tier 2 includes limited amounts of subordinated debt, limited amounts of loan loss reserves, and certain other instruments. Capital regulations issued by the banking regulators in 2013 revise the bank regulatory capital structure and implement higher minimum risk-based capital ratios and a new common equity tier 1 capital requirement, among other things. The new minimum risk-based capital ratios began to apply for certain smaller banking organizations in January 2015. See Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule, 78 Fed. Reg. 55340 (Sept. 10, 2013) (FDIC); 78 Fed. Reg. 62018 (Oct. 11, 2013) (Federal Reserve and OCC).

[10]According to NCUA, the purpose of secondary capital (also called supplemental, alternative, or contributed capital) is to provide a further means—beyond setting aside a portion of earnings—for low-income designated credit unions to build capital to support greater lending and financial services in their communities and absorb losses. As a result, the institutions may be less likely to fail. Secondary capital accounts must have a minimum maturity of 5 years, but subject to written approval of NCUA, low-income designated credit unions may request an early redemption exception for all or part of secondary capital accepted from the federal government or any of its subdivisions at any time after it has been on deposit for 2 years. The accounts must be established as uninsured, nonshare instruments. The uninsured secondary capital funds on deposit (including interest paid into the account) must be available to cover operating losses in excess of the low-income designated credit union’s net available reserves and undivided earnings. Funds used to cover such losses may not be replenished or restored to the uninsured secondary capital accounts.

Table 1: Community Development Capital Initiative Terms by Institution Type

Type of institution	Initial number of institutions	Type of security	Size of offering	Regulatory capital status	Term or maturity (length from date of investment)	Dividend or interest rate
Bank or thrift	27	Preferred stock	Not more than 5 percent of risk-weighted assets	Tier 1 capital	Perpetual	2 percent for the first 8 years (until 2018); 9 percent thereafter
S-corporation	9	Unsecured subordinated debentures[a]	Not more than 5 percent of risk-weighted assets	Tier 2 capital for a bank or savings association; tier 1 capital for a bank holding company	13 years for a bank or savings association; 30 years for a bank holding company or savings and loan holding company	3.1 percent for the first 8 years (until 2018); 13.8 percent thereafter
Credit union	48	Unsecured subordinated debentures	Not more than 3.5 percent of total assets and not more than 50 percent of capital and surplus	Secondary capital[b]	8 or 13 years	2 percent for the first 8 years (until 2018); 9 percent thereafter

Source: GAO analysis of terms for Community Development Capital Initiative. | GAO-17-96

[a]In the event of liquidation of a company, unsecured subordinated debentures are generally paid after other bonds and debt obligations.

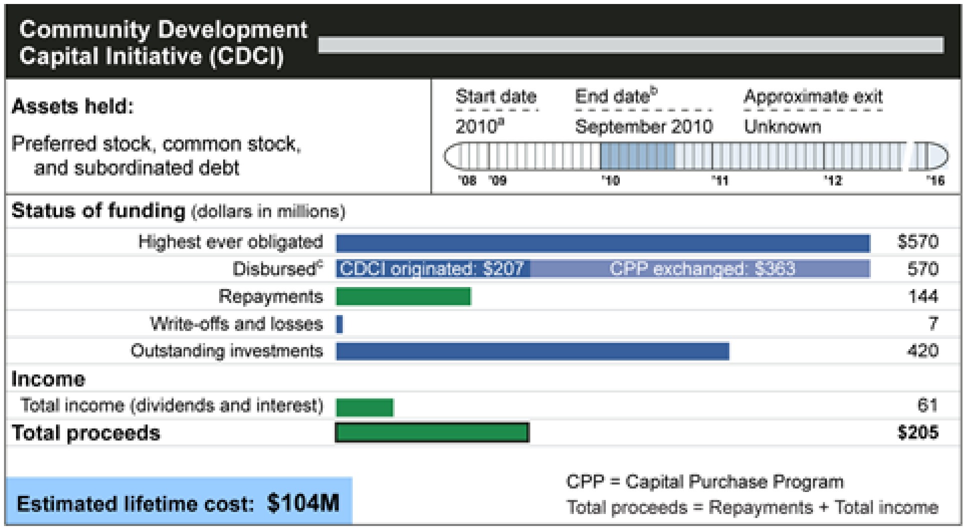
[b]Secondary or supplemental capital is capital beyond that built through retained earnings and provides funding to support lending and other financial services and to absorb losses.

Most of Treasury's CDCI Investments Remain Outstanding

As of September 2016, about 75 percent of Treasury's CDCI investment remained outstanding and 55 out of 84 institutions remained in the program. As previously stated, Treasury's total investment for this program was about $570 million (see fig. 1) of which Treasury disbursed about $207 million through CDCI from July through September 2010 and about $363 million involved exchanges of investments from CPP into CDCI. As of September 30, 2016, Treasury had received approximately $144 million in principal repayments and $61 million in dividend and interest payments from CDCI participants. As of this date, Treasury had written off approximately $7 million, which came from an investment in one institution whose assets were liquidated when its banking subsidiary entered receivership. The program's outstanding investment balance was $420 million.[11]

[11]In October 2016, Treasury closed three transactions in which CDCI entities repurchased their outstanding Treasury securities. The figures in this section of the report do not reflect those transactions, which are discussed later.

Figure 1: Status of the Community Development Capital Initiative, as of September 30, 2016



Source: GAO analysis of Treasury data. | GAO-17-96

[a]Treasury announced CDCI in October 2009. The program provided capital to institutions in 2010.

[b]End date is the date on which the program stopped acquiring new assets and no longer received funding.

[c]A total of 28 CPP banks converted from CPP to CDCI. The total amount exchanged into CDCI was about $363 million.

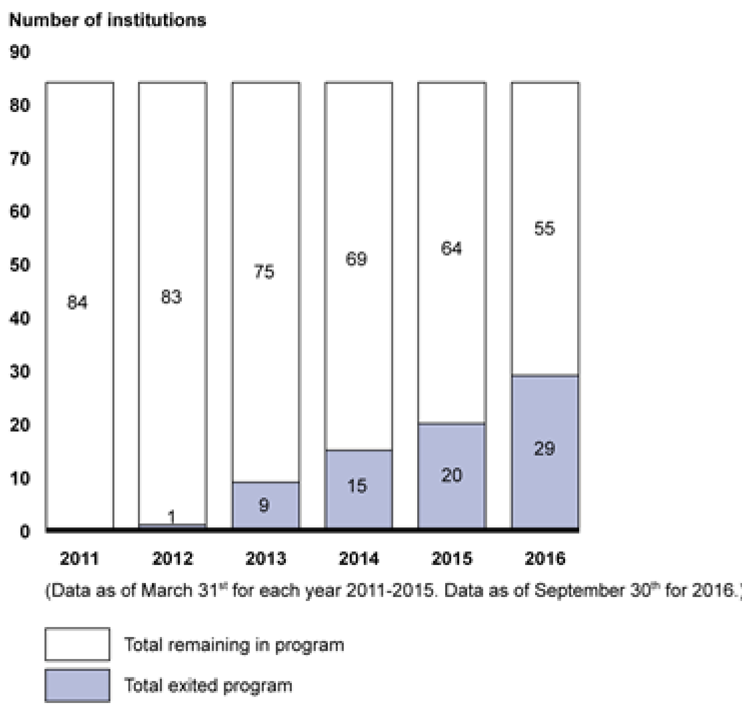
Treasury has lowered its estimates of the program's lifetime cost over the last 4 years as market conditions have improved and institutions have begun to repay their investments. For instance, in November 2010 Treasury estimated the program's lifetime cost at about $287 million, but as of June 30, 2016, estimated lifetime cost was about $104 million.

Of the 55 participants remaining in the CDCI program, 24 are banks, 5 of which are S-corporations, and 31 are credit unions.[12] Among the remaining institutions, 5 credit unions had begun to repay the principal on investments they received. The remaining 50 institutions had paid only dividends and interest. Two institutions exited the program in March and April 2012, respectively—the first through bank failure and the second through redemption. Since then other institutions have gradually exited

[12]For one remaining institution, Treasury converted the original investment into shares of common stock. See Department of the Treasury, *Troubled Asset Relief Program, Monthly Report to Congress, September 2016* (Washington, D.C.: Oct. 11, 2016).

the program (see fig. 2). Of the 29 institutions that exited the program, 27 had done so through repayment, 1 merged with another institution, and 1 left the program as a result of its subsidiary bank's failure. Repayments allow financial institutions, with the approval of their regulators, to redeem their preferred shares in full. Institutions have the contractual right to redeem their shares at any time. However, they must demonstrate to their primary federal regulator that they are financially strong enough to repay the CDCI investments in order to receive their approval to proceed with a repayment exit.

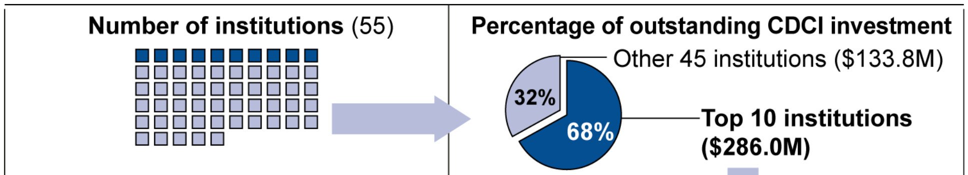
Figure 2: Status of Institutions That Received Community Development Capital Initiative Investments, as of September 30, 2016



Source: GAO analysis of Treasury data. | GAO-17-96

As of September 30, 2016, the 10 largest remaining institutions were banks and accounted for $286 million (68 percent) of the outstanding investments (see fig. 3).[13] The remaining $134 million (32 percent) was spread among the remaining 45 institutions (14 banks and 31 credit unions).[14]

Figure 3: Remaining Community Development Capital Initiative Investments, as of September 30, 2016



Outstanding Community Development Capital Initiative (CDCI) investment by top 10 institutions

	Institution	Location	Investment amount (dollars in millions)	Percentage of total outstanding investment
1	BancPlus Corp.	Ridgeland, MS	$80.91	19%
2	Community Bancshares of Mississippi, Inc.	Brandon, MS	54.60	13
3	Southern Bancorp, Inc.	Arkadelphia, AR	33.80	8
4	Security Federal Corp.	Aiken, SC	22.00	5
5	Carver Bancorp, Inc.	New York, NY	18.98	4
6	The First Bancshares, Inc.	Hattiesburg, MS	17.12	4
7	First American International Corp.	Brooklyn, NY	17.00	4
8	State Capital Corp.	Greenwood, MS	15.75	4
9	Guaranty Capital Corp.[a]	Belzoni, MS	14.00	3
10	Citizens Bancshares Corp.	Atlanta, GA	11.84	3
	Total top 10		**$286.00**	**68%**
	All other CDCI outstanding		$133.80	32%
	All CDCI outstanding		**$419.80**	**100%**

Source: GAO analysis of Treasury data. | GAO-17-96

[a]Institution is an S-corporation.

As we have previously reported, officials of trade associations that represent community development and minority depository institutions whose member institutions received CDCI capital noted that CDCI

[13]For eight banks, the interest rate is scheduled to increase to 9 percent on the eighth anniversary of the date on which Treasury made the investment. For one bank, the rate is scheduled to increase to 13.8 percent because it is an S-corporation. Treasury's interests in one CDCI entity is held in common shares and therefore does not have a preferred dividend or interest rate.

[14]For 10 banks and all 18 credit unions, the interest rate is scheduled to increase to 9 percent on the eighth anniversary of the date on which Treasury made the investment. For 4 banks, the rate is scheduled to increase to 13.8 percent because they are S-corporations. 13 credit union subordinated debentures mature on the eighth anniversary.

institutions have realized several benefits from the CDCI investments.[15] For example, they stated that CDCI capital allowed many institutions to increase lending, meet customer demand, and provide access to services they would otherwise not have been able to provide.[16]

Treasury Recently Offered a New Option for CDCIs to Exit the Program

On August 1, 2016, Treasury began offering participating CDCI institutions an option other than full redemption to exit the program. Under this option, eligible institutions can repurchase the outstanding securities owned by Treasury at fair value for a limited period of time.[17] Institutions can voluntarily participate in the early repurchase option because, under the original terms of the CDCI securities purchase agreements, Treasury cannot require institutions to repurchase their CDCI securities. Treasury believes that this option supports the objectives of winding down the remaining emergency financial crisis programs, recovering taxpayer investments, and helping community banks seek private capital to replace temporary government support.

All CDCI early repurchase proposals must come from the institution with the CDCI securities outstanding and must be for a repurchase of at least 50 percent of outstanding CDCI securities. To participate in the CDCI Early Repurchase Option, eligible institutions must submit a proposal to Treasury no later than November 18, 2016. In addition to the proposal, participating institutions must submit their latest audited annual financial statements, most recent quarterly financial statements, and other

[15]Generally, minority depository institutions must have ownership of at least 51 percent by one or more socially and economically disadvantaged individuals. Under section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Congress established certain minority-ownership goals for regulators, including preserving the number of minority depository institutions, preserving their minority character in cases of merger or acquisition, promoting and encouraging creation of new minority depository institutions, and providing for training, educational programs, and technical assistance to prevent insolvency. Pub. L. No. 101-73, § 308, 103 Stat. 183, 353 (codified at 12 U.S.C. § 1463 note). We met with the Community Development Bankers Association, Credit Union National Association, National Association of Federal Credit Unions, National Federation of Community Development Credit Unions, and National Bankers Association.

[16]GAO-16-626.

[17]Institutions with other TARP or Treasury investments are ineligible to participate in the CDCI early repurchase option.

documentation to Treasury.[18] Once proposals and all accompanying documentation are received, Treasury plans to evaluate each institution's early repurchase proposal against Treasury's determination of fair value of the security. Treasury plans only to accept early repurchase proposals from eligible institutions that are at or above Treasury's determination of fair value. Treasury plans to consult with the CDCI institution's primary regulator prior to the closing of a transaction. Treasury anticipates that all repurchases of CDCI securities under this early repurchase option will be completed by December 30, 2016.

As of October 21, 2016, 3 of the largest 10 CDCI participants have repurchased their Treasury securities under the CDCI early repurchase option. The three participants are BancPlus Corporation, Community Bancshares of Mississippi, and State Capital Corporation. The aggregate amount received from repurchased securities was $140.8 million and Treasury received proceeds totaling $159.1 million over the life of the investments.

We interviewed officials from associations representing banks and credit unions that received CDCI capital to gauge their interest in the CDCI early repurchase option. Representatives from a credit union trade association that has a few CDCI participating members told us that in general the current low interest rate environment and the expected increase in dividend payments under the program would likely pique their members' interest in the early repurchase option. In addition, according to these representatives and others from another credit union trade association, factors such as access to capital markets in the form of qualifying secondary capital and the desire to use existing funds to meet loan demand would also influence an individual credit union's decision to repurchase its outstanding securities. A representative from a banking trade association whose member institutions received CDCI capital told us these members are pleased that Treasury is taking action to help them exit the program more quickly than they otherwise could and most of them would like to submit a proposal for consideration.

[18]Participating institutions must also submit a report on their current capital structure and an explanation of the sources of capital to be used for an early repurchase and a history of any dividends paid on securities junior or pari passu to the CDCI securities since entering the CDCI program and a Pro Forma financial position after the proposed early repurchase to Treasury. To participate in the Early Repurchase Option, institutions also must be current on their dividend and interest payments on their CDCI securities, must agree to maintain their CDFI certification though at least September 30, 2018, and must be in compliance with all provisions of the CDCI securities purchase agreement.

We will continue monitoring Treasury's implementation of the early repurchase option, including evaluating its valuation methodology.

Agency Comments

We provided Treasury with a draft copy of this report for review and comment. Treasury provided technical comments that we have incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Treasury, and other interested parties. In addition, this report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or garciadiazd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Daniel Garcia-Diaz
Director, Financial Markets and Community Investment

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Staff Acknowledgments

In addition to the contact named above, Karen Tremba (Assistant Director), Tarik Carter (Analyst-in-Charge), Bethany Benitez, Lynda Downing, Marc Molino, and Tovah Rom made significant contributions to the report.

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