To provide authority for the Federal Government to purchase certain types of troubled assets for the purposes of providing stability or preventing disruption to the financial markets and banking system and protecting taxpayers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

introduced the following bill; which was read twice and referred to the Committee on

A BILL

To provide authority for the Federal Government to purchase certain types of troubled assets for the purposes of providing stability or preventing disruption to the financial markets and banking system and protecting taxpayers, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Act of 2008”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Authority to purchase troubled assets.

Sec. 3. Considerations.

Sec. 4. Oversight.

Sec. 5. Rights; management; sale of troubled assets.

Sec. 6. Maximum amount of authorized purchases.

Sec. 7. Funding.

Sec. 8. Limits on review.

Sec. 9. Assistance to homeowners and localities.

Sec. 10. Maintaining insurance parity.

Sec. 11. Minimizing foreclosures.

Sec. 12. Termination of authority.

Sec. 13. Increase in statutory limit on the public debt.

Sec. 14. Credit reform.

Sec. 15. Annual financial reports and audits.

Sec. 16. Conflicts of interest.

Sec. 17. Executive compensation.

Sec. 18. Studies and reports.

Sec. 19. Disclosures on exercise of loan authority.

Sec. 20. Special inspector general for the troubled asset program.

Sec. 21. Definitions.

**SEC. 2. AUTHORITY TO PURCHASE TROUBLED ASSETS.**

(a) **OFFICES; AUTHORITY.—**

(1) **AUTHORITY.—** The Secretary is authorized to establish a program to purchase, and to make and fund commitments to purchase troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary, and in accordance with policies and procedures developed by the Secretary.

(2) **ESTABLISHMENT OF TREASURY OFFICE.—** The Secretary shall implement any program under paragraph (1) through an Office of Financial Stability, established for such purpose within the Office of Domestic Finance of the Department of the
Treasury, which office shall be headed by an Assistant Secretary of the Treasury.

(b) NECESSARY ACTIONS.—The Secretary is authorized to take such actions as the Secretary deems necessary to carry out a program established under subsection (a), including, without limitation—

(1) appointing such employees as may be required for such purpose and defining their duties;

(2) entering into contracts, including contracts for services authorized by section 3109 of title 5, United States Code;

(3) designating appropriate entities as financial agents of the Federal Government, authorized to perform in such capacity all such reasonable duties related to this Act as may be required;

(4) establishing vehicles that are authorized to purchase troubled assets and issue obligations, subject to approval and supervision by the Secretary; and

(5) issuing such regulations and other guidance as may be necessary or appropriate to define terms or carry out this Act.

(e) LIMITATION ON AUTHORITY.—

(1) IN GENERAL.—The Secretary may not purchase, or make any commitment to purchase, any
troubled asset unless the Secretary receives contingent shares in the financial institution from which such assets are to be purchased equal in value to the purchase price of the assets to be purchased.

(2) Shares to be received.—

(A) Contingent shares.—

(i) In general.—The contingent shares to be received by the Secretary under paragraph (1) may, at the determination of the Secretary, include shares of the financial institution, its parent company, its holding company, any of its subsidiaries, or any other entity which is owned, controlled, or managed by such institution.

(ii) Debt instruments.—In the event that the equity of the financial institution from which such troubled assets were purchased is not publicly traded on a national securities exchange, the Secretary shall acquire a senior contingent debt instrument in lieu of contingent shares, which shall automatically vest to the Secretary on behalf of the United States Treasury in an amount equal to 125 per-
cent of the dollar amount of the difference between the amount the Secretary paid for the troubled assets and the disposition price of such assets. The Secretary may demand payment of such contingent debt instrument under such terms and conditions as determined appropriate by the Secretary.

(B) MULTIPLE CLASS OF SHARES.—If the financial institution from which troubled assets are to be purchased has more than 1 class of shares, the contingent shares to be received by the Secretary shall be that class of shares with the highest trading price during the 14 business days prior to the date of the purchase of such assets.

(C) CONTENT.—The instrument representing the contingent shares shall contain anti-dilution provisions of the type employed in capital market transactions, as determined by the Secretary, to protect the Secretary from transactions such as stock splits, stock distributions, dividends, and other distributions, mergers, and other reorganizations and recapitalizations.
(3) Vesting of Shares.—If, after the purchase of troubled assets from a financial institution, the amount the Secretary receives in disposing of such assets is less than the amount that the Secretary paid for such assets, the contingent shares received by the Secretary under paragraph (1) shall automatically vest to the Secretary on behalf of the United States Treasury in an amount equal to—

(A) 125 percent of the dollar amount of the difference between the amount that the Secretary paid for the troubled assets and the disposition price of such assets; divided by

(B) the amount of the average share price of the financial institution from which such assets were purchased during the 14 business days prior to the date of such purchase.

(4) Definition.—As used in this subsection, the term “contingent share” means any equity security traded on a national securities exchange.

SEC. 3. FINDINGS.

Before establishing a program under this Act, the Secretary shall make a finding that such program is necessary—

(1) to provide stability or preventing disruption to the financial markets or banking system; and
(2) to protect the taxpayer.

SEC. 4. OVERSIGHT.

(a) EMERGENCY OVERSIGHT BOARD.—

(1) ESTABLISHMENT.—There is established the Emergency Oversight Board, which shall be responsible for—

(A) reviewing the exercise of authority under a program developed in accordance with this Act, including—

(i) all actions taken by the Secretary and the office created under section 2, including the appointment of financial agents, the designation of asset classes to be purchased, and plans for the structure of vehicles used to purchase troubled assets; and

(ii) the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers; and

(B) making recommendations, as appropriate, to the Secretary regarding use of the authority under this Act.

(2) MEMBERSHIP.—The Emergency Oversight Board shall be comprised of—
(A) the Chairman of the Board of Governors of the Federal Reserve System, who shall serve as the chairperson of the Emergency Oversight Board;

(B) the chairperson of the Board of Directors of the Federal Deposit Insurance Corporation;

(C) the chairperson of the Securities and Exchange Commission;

(D) one member who is not a government employee, having appropriate financial expertise in both the public and private sectors, appointed jointly by the Majority leadership of the Senate and the House of Representatives; and

(E) one member who is not a government employee, having appropriate financial expertise in both the public and private sectors, appointed jointly by the Minority leadership of the Senate and the House of Representatives.

(3) MEETINGS.—The Emergency Oversight Board shall meet 2 weeks after the first exercise of the purchase authority of the Secretary under this Act and monthly thereafter.

(4) CREDIT REVIEW COMMITTEE.—The Emergency Oversight Board may appoint a credit review
committee for the purpose of evaluating the exercise of the purchase authority provided under and the assets acquired through such exercise, as the Oversight Board determines appropriate, and the employees of such credit review committee shall be employees of the Federal Government.

(5) Costs.—The costs of the Emergency Oversight Board and a credit review committee appointed by the Emergency Oversight Board shall be reimbursed by the Secretary.

(b) Reports by the Secretary.—

(1) Monthly reports to Congress.—Not later than one month after the date of the first exercise of the authority granted in section 2(a)(2), and monthly thereafter, the Secretary shall provide to the Committee on Banking, Housing, and Urban Affairs, the Committee on the Budget, and the Committee on Finance of the Senate and the Committee on Financial Services, the Committee on the Budget, and the Committee on Ways and Means of the House of Representatives a written explanation of the overall actions taken by the Secretary during the reporting period and a detailed financial statement with respect to the exercise of authority under this Act, including—
(A) all agreements made or renewed;

(B) all transactions occurring during the month, including the parties involved;

(C) the nature of the assets purchased;

(D) all projected costs and liabilities;

(E) operating expenses, including compensation for financial agents;

(F) the valuation method used for each transaction; and

(G) a description of the vehicles established to exercise such authority.

(2) **Weekly Public Reports.**—On a weekly basis, every Friday, the Secretary shall make public the total value of assets held and the total amount of assets purchased and sold during that week under the authority of this Act.

**SEC. 5. RIGHTS; MANAGEMENT; SALE OF TROUBLED ASSETS.**

(a) **Exercise of Rights.**—The Secretary may, at any time, exercise any rights received in connection with troubled assets purchased under this Act.

(b) **Management of Troubled Assets.**—

(1) **In General.**—Except as provided in paragraph (2), the Secretary shall have authority to
manage troubled assets purchased under this Act, including revenues and portfolio risks there from.

(2) CORPORATION AUTHORITY.—

(A) IN GENERAL.—The Corporation, shall
manage all residential mortgages and residen-
tial mortgage-backed securities purchased by
the Secretary under this Act.

(B) REIMBURSEMENT OF COSTS.—All
costs and expenses of the Corporation in car-
rying out this paragraph shall be reimbursed to
the Corporation by the Secretary.

(C) SYSTEMATIC APPROACH.—In carrying
out this paragraph, the Corporation shall utilize
a systematic approach for preventing fore-
closures and ensuring long-term, sustainable
homeownership through loan modifications and
use of the HOPE for Homeowners Program es-
established under section 257 of the National
Housing Act and any other programs that may
be available for such purposes.

(D) REPORTS TO CONGRESS.—The Cor-
poration shall provide to Congress a monthly
report on its activities under this paragraph
during the reporting period, including specific
information on the number and types of loan
modifications made and the number of actual
foreclosures occurring with respect to such
loans during the reporting period.

(E) Sale of Troubled Assets.—The
Corporation may, at any time, upon terms and
conditions and at prices determined by the Sec-
retary, sell, or enter into securities loans, repur-
chase transactions, or other financial trans-
actions in regard to any troubled asset man-
aged by the Corporation under this paragraph.

(3) Acquisition of Securitization Pools
and Mortgage Loans.—The Secretary shall, to the
extent practicable, acquire—

(A) sufficient ownership or control of
pooled residential mortgage loans, or a
securitization vehicle for such loans so that the
Corporation has authority to modify the under-
lying residential mortgage loans, either directly
or through a designee; and

(B) whole residential mortgage loans, so
that the Corporation may use its authority to
modify the underlying residential mortgage
loans, either directly or through a designee.

(c) Sale of Troubled Assets.—The Secretary
may, at any time, upon terms and conditions and at prices
determined by the Secretary, sell, or enter into securities
loans, repurchase transactions, or other financial trans-
actions in regard to any troubled asset purchased under
this Act.

(d) TRANSFER OF A PERCENTAGE OF PROFITS.—

(1) DEPOSITS.—Not less than 20 percent of
any profit realized on the sale of each troubled asset
purchased under this Act shall be deposited as pro-
vided in paragraph (2).

(2) USE OF DEPOSITS.—Of the amount referred
to in paragraph (1)—

(A) 65 percent shall be deposited into the
Housing Trust Fund established under section
1338 of the Federal Housing Enterprises Regu-
latory Reform Act of 1992 (12 U.S.C. 4568);
and

(B) 35 percent shall be deposited into the
Capital Magnet Fund established under section

(3) REMAINDER DEPOSITED IN THE TREAS-
URY.—All amounts remaining after payments under
paragraph (1) shall be paid into the General Fund
of the Treasury for reduction of the public debt.
SEC. 6. MAXIMUM AMOUNT OF AUTHORIZED PURCHASES.

The authority of the Secretary to purchase troubled assets under this Act shall be limited to $700,000,000,000 outstanding at any one time, by aggregating the purchase prices of all troubled assets held and any expenditures made under section 10(a).

SEC. 7. FUNDING.

For the purpose of the authorities granted under this Act, and for the costs of administering such authorities, the Secretary may use the proceeds of the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under chapter 31 of title 31, United States Code, are extended to include actions authorized by this Act, including the payment of administrative expenses. Any funds expended for actions authorized by this Act, including the payment of administrative expenses, shall be deemed appropriated at the time of such expenditure.

SEC. 8. LIMITS ON REVIEW.

(a) IN GENERAL.—Any determination of the Secretary with regard to any particular troubled asset pursuant to this Act shall be final, and shall not be set aside unless such determination is found to be arbitrary, capricious, an abuse of discretion, or not in accordance with the law.
(b) EXCEPTION.—Notwithstanding subsection (a), the terms of a residential mortgage loan that is part of any purchase by the Secretary under this Act shall remain subject to all claims and defenses that would otherwise apply notwithstanding the exercise of authority by the Secretary or the Corporation under this Act.

SEC. 9. ASSISTANCE TO HOMEOWNERS AND LOCALITIES.

(a) DEFINITIONS.—As used in this section—

(1) the term “Federal property manager” means—

(A) the Federal Housing Finance Agency, in its capacity as conservator of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;

(B) the Corporation, in its capacity as conservator or receiver of an insured depository institution; and

(C) the Board of Governors of the Federal Reserve System, with respect to any mortgage or mortgage-backed securities or pool of securities held, owned, or controlled by or on behalf of a Federal reserve bank;

(2) the term “consumer” has the same meaning as in section 103 of the Truth in Lending Act (15 U.S.C. 1602);
(3) the term “insured depository institution” has the same meaning as in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(4) the term “servicer” has the same meaning as in section 6(i)(2) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605(i)(2)).

(b) **SYSTEMATIC HOMEOWNER ASSISTANCE BY AGENCIES.**—

(1) IN GENERAL.—Each Federal property manager shall, with respect to any residential mortgage loans and any mortgage-backed securities that it holds, owns, or controls on or after the date of enactment of this Act, develop a program that is designated to provide a systematic approach for preventing foreclosure on the properties securing such loans and securities, and ensuring long-term, sustainable homeownership through loan modifications and use of the HOPE for Homeowners Program established under section 257 of the National Housing Act and any other programs that may be available for such purposes.

(2) MODIFICATIONS.—In the case of a residential mortgage loan, modifications made under paragraph (1) may include—

(A) reduction in interest rates;
(B) reduction of loan principal; and

(C) other similar modifications.

(3) TIMING.—Each Federal property manager shall develop and begin implementation of the program required by this subsection not later than 60 days after the date of enactment of this Act.

(4) REPORTS TO CONGRESS.—Each Federal property manager shall, 60 days after the date of enactment of this Act and every 30 days thereafter, report to Congress specific information on the number and types of loan modifications made and the number of actual foreclosures occurring during the reporting period in accordance with this section.

(5) CONSULTATION.—In developing the program required by this subsection, the Federal property managers shall consult with one another and, to the extent possible, utilize consistent approaches to implement the requirements of this subsection.

(c) AVAILABILITY OF FORECLOSED PROPERTIES TO STATES AND LOCALITIES.—

(1) IN GENERAL.—Each Federal property manager shall make available to any State or local government that is receiving emergency assistance under section 2301 of the Foreclosure Prevention Act of 2008 (Public Law 110-289) for purchase at
a discount, any properties that it owns through fore-
closure in that State or locality, in order to facilitate
the sale of such properties and to stabilize neighbor-
hoods affected by foreclosures.

(2) INFORMATION CLEARINGHOUSE.—

(A) PROVISION OF INFORMATION TO THE
SECRETARY.—Each Federal property manager
shall make available to the Secretary of Hous-
ing and Urban Development (in this section re-
ferred to as the “Secretary”) information on
properties available for purchase under this
subsection.

(B) CLEARINGHOUSE.—The Secretary and
the Federal property managers shall develop a
clearinghouse for the information compiled
under this paragraph, and make such clearing-
house easily accessible by States and local gov-
ernments described in paragraph (1).

(d) ACTIONS WITH RESPECT TO SERVICERS.—In any
case in which an Federal property manager is not the
owner of a residential mortgage loan, but holds an interest
in obligations or pools of obligations secured by residential
mortgage loans, the Federal property manager shall—
(1) encourage implementation by the loan
servicers of loan modifications developed under sub-
section (b);

(2) encourage the loan servicers to make fore-
closed properties available for sale to State and local
governments at a discount, as described in sub-
section (c); and

(3) assist in facilitating any such modifications
or sales, to the extent possible.

(e) LIMITATION.—The requirements of this section
shall not supersede any other duty or requirement imposed
on the Federal property managers under otherwise appli-
cable law.

SEC. 10. MAINTAINING INSURANCE PARITY.

(a) REIMBURSEMENT.—The Secretary shall reim-
burse the Exchange Stabilization Fund established under
section 5302 of title 31, United States Code, for any funds
used for the temporary guaranty program for the United
States money market mutual fund industry during the pe-
riod when the Exchange Stabilization Fund was used as
the source for the guarantee.

(b) LIMITATION ON USE OF FUND.—The Secretary
is prohibited from using the Exchange Stabilization Fund
for the establishment of any guaranty programs for the
United States money market mutual fund industry.
(c) Money Market Fund Authority.—

(1) In General.—The Secretary is authorized to establish an insurance or guarantee program for money market mutual funds in connection with the program authorized by this Act.

(2) Applicability.—The authority of this subsection shall remain in effect—

(A) for 120 days following the date of enactment of this Act; or

(B) such longer period, not to exceed 365 days after the date of enactment of this Act, as the Secretary certifies in writing to Congress is necessary to continue the insurance or guarantee program for money market mutual funds.

(d) Limitation on Insured Amounts.—

(1) Deposit Insurance Model.—Any action by the Secretary or a program to provide guarantees or insurance to the money market mutual fund industry shall not provide insurance in excess of the amount of insurance provided to any depositor under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.).

(2) Premiums.—In exchange for providing such a guarantee or insurance, the Secretary shall charge premiums to those money market funds
which receive the insurance. The rate charged by the Secretary shall be equivalent to the rate charged by the Corporation to deposit insurance providers, respectively, for such insurance.

(e) Consultations.—In carrying out the duties of the Secretary under this section, the Secretary shall consult with the Board of Directors of the Corporation and the Securities and Exchange Commission.

SEC. 11. MINIMIZING FORECLOSURES.

(a) Special Rules for Modification of Loans Secured by Residences.—

(1) In general.—Section 1322(b) of title 11, United States Code, is amended—

(A) in paragraph (10), by striking “and” at the end;

(B) by redesignating paragraph (11) as paragraph (12); and

(C) by inserting after paragraph (10) the following:

“(11) notwithstanding paragraph (2) and otherwise applicable nonbankruptcy law—

“(A) modify an allowed secured claim for a debt secured by the principal residence of the debtor, as described in subparagraph (B), if, after deduction from the debtor’s current
monthly income of the expenses permitted for
debtors described in section 1325(b)(3) of this
title (other than amounts contractually due to
creditors holding such allowed secured claims
and additional payments necessary to maintain
possession of that residence), the debtor has in-
sufficient remaining income to retain possession
of the residence by curing a default and main-
taining payments while the case is pending, as
provided under paragraph (5); and

“(B) provide for payment of such claim—

“(i) in an amount equal to the
amount of the allowed secured claim;

“(ii) for a period that is not longer
than 40 years; and

“(iii) at a rate of interest accruing
after such date calculated at a fixed an-
ual percentage rate, in an amount equal
to the most recently published annual yield
on conventional mortgages published by
the Board of Governors of the Federal Re-
serve System, as of the applicable time set
forth in the rules of the Board, plus a rea-
sonable premium for risk; and”.
(2) CONFORMING AMENDMENT.—Section 1325(a)(5) of title 11, United States Code, is amended by inserting before “with respect” the following: “except as otherwise provided in section 1322(b)(11) of this title,”.

(b) WAIVER OF COUNSELING REQUIREMENT WHEN HOMES ARE IN FORECLOSURE.—Section 109(h) of title 11, United States Code, is amended by adding at the end the following:

“(5) Paragraph (1) shall not apply with respect to a debtor who files with the court a certification that a foreclosure sale of the debtor’s principal residence has been scheduled.”.

(c) COMBATING EXCESSIVE FEES.—Section 1322(c) of title 11, the United States Code, is amended—

(1) in paragraph (1), by striking “and” at the end;

(2) in paragraph (2), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

“(3) the plan need not provide for the payment of, and the debtor, the debtor’s property, and property of the debtor’s estate shall not be liable for, any fee, cost, or charge, notwithstanding section 506(b), that arises in connection with a claim secured by the
debtor’s principal residence, if the event that gives rise to such fee, cost, or charge occurs while the case is pending but before the discharge order, except to the extent that—

“(A) notice of such fees, costs, or charges is filed with the court, and served on the debtor and the trustee, before the expiration of the earlier of—

“(i) 1 year after the event that gives rise to such fee, cost, or charge occurs; or

“(ii) 60 days before the closing of the case; and

“(B) such fees, costs, or charges are lawful, reasonable, and provided for in the agreement under which such claim or security interest arose;

“(4) the failure of a party to give notice described in paragraph (3) shall be deemed a waiver of any claim for fees, costs, or charges described in paragraph (3) for all purposes, and any attempt to collect such fees, costs, or charges shall constitute a violation of section 524(a)(2) of this title or, if the violation occurs before the date of discharge, of section 362(a) of this title; and
“(5) a plan may provide for the waiver of any prepayment penalty on a claim secured by the principal residence of the debtor.”.

(d) Application of Amendments.—The amendments made to title 11, United States Code, by this section shall apply with respect to cases commenced under that title 11 on or after the date of enactment of this Act, or pending on the date of enactment of this Act.

(e) Hope for Homeowner Amendments.—Section 257(e) of the National Housing Act (12 U.S.C. 1715z-23(e)) is amended—

(1) in paragraph (1)(B), by inserting before “a ratio” the following: “, or thereafter is likely to have, due to the terms of the mortgage being reset,”; and

(2) in paragraph (2)(B), by inserting before the period at the end “(or such higher percentage as the Board determines, in the discretion of the Board)”.

SEC. 12. Termination of Authority.

(a) Termination.—

(1) In General.—Except as provided in paragraph (2), the authorities provided under this Act shall terminate on December 31, 2009.
(2) Exception.—Paragraph (1) does not apply to the authorities granted in sections 2(b)(5), 5, and 7.

(b) Extension Upon Certification.—The Secretary, upon submission of a written certification to Congress, may extend the authority provided under this Act to expire not later than 2 years from the date of enactment of this Act. Such certification shall include a justification of why the extension is necessary to assist American families and stabilize financial markets, as well as the expected costs to the taxpayer for such an extension.

(c) Application of Sunset to Troubled Assets.—The authority of the Secretary to hold any troubled asset purchased under this Act before the termination date under this section, or to purchase or fund the purchase of a troubled asset under a commitment entered into before the termination date under this section shall not terminate in accordance with this section.

SEC. 13. INCREASE IN STATUTORY LIMIT ON THE PUBLIC DEBT.

Section 3101(b) of title 31, United States Code, is amended by striking “$10,615,000,000,000” and inserting “$11,315,000,000,000”.

SEC. 14. CREDIT REFORM.

[To Be Supplied by Budget Committee].
SEC. 15. ANNUAL FINANCIAL REPORTS AND AUDITS.

(a) COMPTROLLER GENERAL AUDITS.—

(1) IN GENERAL.—The Secretary shall annually prepare and submit to the Congress, and make available to the public, audited financial statements prepared in accordance with generally accepted accounting principles, such statements to be audited annually by the Comptroller General, in accordance with generally accepted government auditing standards. The Comptroller General shall annually issue an advisory opinion on the adequacy of the internal financial controls of the office established under section 2 (in this section referred to as the “office”). The Secretary shall reimburse the Government Accountability Office for the full cost of any such audit as billed therefor by the Comptroller General.

(2) SCOPE OF AUTHORITY.—The Comptroller General may audit the programs, activities, receipts, expenditures, and financial transactions of the office, and any contractor or agent of the office with respect to any contract with or service performed for the office or the Secretary in carrying out this Act.

(3) PROFESSIONAL SERVICES.—For the purpose of conducting an audit under this subsection, the Comptroller General is authorized in the discretion of the Comptroller General, to employ by con-
tract without regard to section 3709 of the Revised
Statutes of the United States (41 U.S.C. 5), profes-
sional services of firms and organizations of certified
public accountants for temporary periods or for spe-
cial purposes.

(b) COMPTROLLER GENERAL ACCESS.—In order to
counteract audits under subsection (a), representa-
tives of the Comptroller General shall have access, upon request, to
any information, data, schedules, books, accounts, finan-
cial records, reports, files, or other papers, things, or prop-
ergy belonging to or in use by the office or the Secretary,
and to the employees, accountants, financial advisors, and
other agents thereof, all at such reasonable times as the
representatives of the Comptroller General may request.
The representatives of the Comptroller General shall be
afforded full facilities for verifying transactions with the
balances or securities held by depositories, fiscal agents,
and custodians. The representatives of the Comptroller
General may make and retain copies of such books, ac-
counts, and other records as they deem appropriate.

(c) CORRECTIVE RESPONSES TO AUDIT PROB-
LEMS.—The Secretary and the office shall—

(1) take action to address deficiencies identified
by the Comptroller General, any other auditor en-
gaged by the office, and any audit committee; or
(2) certify that no action is necessary or appropriate.

(d) INTERNAL CONTROLS.—

(1) SYSTEM.—The office shall establish and maintain an effective system of internal controls, consistent with the standards prescribed under section 3512(c) of title 31, United States Code, that provides reasonable assurance over—

   (A) the effectiveness and efficiency of operations, including the use of office resources;
   
   (B) the reliability of financial reporting, including financial statements and other reports for internal and external use; and
   
   (C) compliance with applicable laws and regulations.

(2) ANNUAL STATEMENTS.—In conjunction with each annual financial statement issued under subsection (a), the office shall—

   (A) state the responsibility of management for establishing and maintaining adequate internal control over financial reporting; and
   
   (B) state its assessment, as of the end of the most recent year covered by such financial statement of the Office, of the effectiveness of the internal control over financial reporting.
SEC. 16. CONFLICTS OF INTEREST.

(a) Regulations Required.—The Secretary shall promulgate regulations necessary to address and manage or to prohibit conflicts of interest that may arise in connection with the administration and execution of the authorities provided under this Act, including—

(1) conflicts arising in the selection or hiring of contractors or advisors, including asset managers;

(2) the purchase of troubled assets;

(3) the management of the troubled assets held;

(4) post-employment restrictions on employees;

and

(5) any other potential conflict of interest, as the Secretary deems necessary or appropriate in the public interest.

(b) Timing.—Regulations required by this section shall be issued in final form not later than 120 days after the date of enactment of this Act.

SEC. 17. EXECUTIVE COMPENSATION.

The Secretary shall require that all entities seeking to sell assets through a program established under this Act meet appropriate standards for executive compensation and shareholder disclosure in order to be eligible, which standards shall include—
(1) limits on compensation to exclude incentives for executives to take risks that the Secretary deems to be inappropriate or excessive;

(2) a claw-back provision for incentive compensation paid to a senior executive based on earnings, gains, or other criteria that are later proven to be inaccurate; and

(3) such limitations on the entity paying severance compensation to its senior executives as are determined to be appropriate in the public interest in light of the assistance being given to the entity.

SEC. 18. STUDIES AND REPORTS.

(a) MARGIN AUTHORITY.—

(1) STUDY.—The Comptroller General shall undertake a study to determine the extent to which leverage and sudden deleveraging of financial institutions was a factor behind the current financial crisis.

(2) CONTENT.—The study required by this section shall include—

(A) an analysis of the roles and responsibilities of the Board, the Securities and Exchange Commission, the Secretary of the Treasury, and banking regulators with respect to monitoring leverage and acting to curtail excessive leveraging;
(B) an analysis of the authority of the Board to regulate leverage, including by setting margin requirements, and what process the Board used to decide whether or not to use its authority; and

(C) recommendations for the Board and Congress with respect to the existing authority of the Board.

(3) REPORT.—Not later than June 1, 2009, the Comptroller General shall complete and submit to Congress a report on the study required by this subsection.

(b) IMPACT ASSESSMENT.—

(1) STUDY.—The Comptroller General shall conduct a study to assess the impact of the program authorized by this Act, including—

(A) whether it has—

(i) provided stability or prevented disruption to the financial markets or the banking system; and

(ii) protected taxpayers;

(B) with respect to the processes for purchasing, pricing, and disposing of troubled assets.
(2) Submissions to Congress.—Not later than 15 days after the date of enactment of this Act and each 3 months thereafter, the Comptroller General shall submit a report on the study required by this subsection to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.

SEC. 19. DISCLOSURES ON EXERCISE OF LOAN AUTHORITY.

(a) In General.—Not later than 7 days after the date on which the Board exercises its authority under the third paragraph of section 13 of the Federal Reserve Act ((12 U.S.C. 343), relating to discounts for individuals, partnerships, and corporations) the Board shall provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report which includes—

(1) the justification for exercising the authority;

and

(2) the specific terms of the actions of the Board, including the size and duration of the lending, the value of any collateral held with respect to such a loan, the recipient of warrants or any other potential equity in exchange for the loan, and any expected cost to the taxpayer for such exercise.
(b) PERIODIC UPDATES.—The Board shall provide updates to the Committees specified in subsection (a) not less frequently than once every 30 days while the subject loan is outstanding, including—

(1) the status of the loan;
(2) the value of the collateral held by the Federal reserve bank which initiated the loan; and
(3) the projected cost to the taxpayer of the loan.

(c) CONFIDENTIALITY.—The information submitted to the Congress under this section may be kept confidential, upon the written request of the Chairman of the Board, in which case it will made available only to the Chairpersons and Ranking Members of the Committees described in subsection (a).

(d) APPLICABILITY.—The provisions of this section shall be in force for all uses of the authority provided under this Act occurring on or after March 1, 2008, and reports shall be required beginning not later than 30 days after the date of enactment of this Act.

SEC. 20. SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET PROGRAM.

(a) PURPOSES.—The purposes of this section are as follows:
(1) To provide for the independent and objective conduct and supervision of audits and investigations relating to the programs and operations of the program authorized to be established under section 2.

(2) To provide for the independent and objective leadership and coordination of, and recommendations on, policies designed to—

(A) promote economy efficiency, and effectiveness in the administration of such program; and

(B) prevent and detect fraud and abuse in such program.

(3) To provide for an independent and objective means of keeping the Congress fully and currently informed about problems and deficiencies relating to the administration of such program and the necessity for and progress for corrective action.

(b) Office of Inspector General.—There is hereby established the Office of the Special Inspector General for the Troubled Asset Program.

(c) Appointment of Inspector General; Removal.—(1) The head of the Office of the Special Inspector General for the Troubled Asset Program is the Special
Inspector General for the Troubled Asset Program, who shall be appointed by the President. 

(2) The appointment of the Special Inspector General for the Troubled Asset Program shall be made solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.

(3) The nomination of an individual as Special Inspector General for the Troubled Asset Program shall be made not later than 30 days after the establishment of any program under section 2.

(4) The Special Inspector General for the Troubled Asset Program shall be removable from office in accordance with the provisions of section 3(b) of the Inspector General Act of 1978 (5 U.S.C. App.).

(5) For purposes of section 7324 of title 5, United States Code, the Special Inspector General for the Troubled Asset Program shall not be considered an employee who determines policies to be pursued by the United States in the nationwide administration of Federal law.

(6) The annual rate of basic pay of the Special Inspector General for the Troubled Asset Program shall be the annual rate of basic pay provided for positions at level IV of the Executive Schedule under section 5315 of title 5, United States Code.
(d) ASSISTANT INSPECTORS GENERAL.—The Special Inspector General for the Troubled Asset Program shall, in accordance with applicable laws and regulations governing the civil service—

(1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to any program established under section 2; and

(2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such program.

(e) DUTIES.—(1) It shall be the duty of the Special Inspector General for the Troubled Asset Program to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets by the Secretary of the Treasury under any program established by the Secretary under section 2, including by collecting and summarizing the following information:

(A) A description of the categories of troubled assets purchased or otherwise procured by the Secretary.

(B) A listing of the troubled assets purchased in each such category described under subparagraph (A).
(C) An explanation of the reasons the Secretary deemed it necessary to purchase each such troubled asset.

(D) A listing of each financial institution that such troubled assets were purchased from.

(E) A listing of and detailed biographical information on each person or entity hired to manage such troubled assets.

(F) A current estimate of the total amount of troubled assets purchased pursuant to any program established under section 2, the amount of troubled assets on the books of the Treasury, the amount of troubled assets sold, and the profit and loss incurred on each sale or disposition of each such troubled asset.

(2) The Special Inspector General for the Troubled Asset Program shall establish, maintain, and oversee such systems, procedures, and controls as the Special Inspector General considers appropriate to discharge the duty under paragraph (1).

(3) In addition to the duties specified in paragraphs (1) and (2), the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978.
(f) Powers and Authorities.—(1) In carrying out the duties specified in subsection (e), the Special Inspector General for the Troubled Asset Program shall have the authorities provided in section 6 of the Inspector General Act of 1978.


(g) Personnel, Facilities, and Other Resources.—(1) The Special Inspector General for the Troubled Asset Program may select, appoint, and employ such officers and employees as may be necessary for carrying out the duties of the Special Inspector General, subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(2) The Special Inspector General for the Troubled Asset Program may obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS–15 of the General Schedule by section 5332 of such title.
(3) The Special Inspector General for the Troubled Asset Program may enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and make such payments as may be necessary to carry out the duties of the Inspector General.

(4)(A) Upon request of the Special Inspector General for the Troubled Asset Program for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Special Inspector General, or an authorized designee.

(B) Whenever information or assistance requested by the Special Inspector General for the Troubled Asset Program is, in the judgment of the Special Inspector General, unreasonably refused or not provided, the Special Inspector General shall report the circumstances to the appropriate committees of Congress without delay.

(h) REPORTS.—(1) Not later than October 31, 2008, and every calendar quarter thereafter, the Special Inspector General for the Troubled Asset Program shall submit to the appropriate committees of Congress a report summarizing the activities of the Special Inspector General during the 120-day period ending on the date of such re-
Each report shall include, for the period covered by such report, a detailed statement of all purchases, obligations, expenditures, and revenues associated with any program established by the Secretary of the Treasury under section 2, as well as the information collected under subsection (e)(1).

(2) Nothing in this subsection shall be construed to authorize the public disclosure of information that is—

(A) specifically prohibited from disclosure by any other provision of law;

(B) specifically required by Executive order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs; or

(C) a part of an ongoing criminal investigation.

(i) APPROPRIATE COMMITTEES OF CONGRESS DEFINED.—In this section, the term “appropriate committees of Congress” means—

(1) the Committees on Finance, Budget, and Banking, Housing, and Urban Affairs of the Senate; and

(2) the Committees on Ways and Means, Budget, and Financial Services of the House of Representatives.
(j) FUNDING.—(1) Of the amounts made available to the Secretary of the Treasury under section 6, $75,000,000 shall be available to the Special Inspector General for the Troubled Asset Program to carry out this section.

(2) The amount available under paragraph (1) shall remain available until expended.

SEC. 21. DEFINITIONS.

For purposes of this Act, the following definitions shall apply:

(1) BOARD.—The term “Board” means the Board of Governors of the Federal Reserve System.

(2) COMPTROLLER GENERAL.—The term “Comptroller General” means the Comptroller General of the United States.

(3) CORPORATION.—The term “Corporation” means the Federal Deposit Insurance Corporation.

(4) FINANCIAL INSTITUTION.—The term “financial institution” means—

(A) any institution, including banks, savings associations, credit unions, securities broker and dealers, and insurance companies, having significant operations in the United States; and
(B) upon the determination of the Secretary, in consultation with the Chairman of the Board of Governors of the Federal Reserve System, any other institution that the Secretary determines necessary to promote financial market stability.

(5) RESIDENTIAL MORTGAGE LOAN.—The term “residential mortgage loan” means a consumer credit transaction that is secured by the principal residence of a consumer.

(6) SECRETARY.—The term “Secretary” means the Secretary of the Treasury.

(7) TROUBLED ASSETS.—The term “troubled assets” means—

(A) residential or commercial mortgages, and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case were originated or issued on or before March 14, 2008; and

(B) upon the determination of the Secretary, in consultation with the Chairman of the Board of Governors of the Federal Reserve System, any other financial instrument, as the Secretary determines necessary to promote financial market stability.
1 (8) UNITED STATES.—The term “United
2 States” means the States, territories, and posses-
3 sions of the United States and the District of Co-
4 lumbia.