



## CONGRESSIONAL OVERSIGHT PANEL

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# Congressional Oversight Panel Releases Third Monthly Oversight Report: Valuing Treasury Acquisitions

February 6, 2009

## The report concludes Treasury Department received far less value in stocks and warrants than the money it injected into financial institutions

WASHINGTON, D.C.—TODAY, February 6th, 2009, the Congressional Oversight Panel released its February Oversight Report, in which the Panel presents the results of a detailed, technical analysis of the value of Treasury's largest transactions under the Troubled Asset Relief Program (TARP). The report, entitled Valuing Treasury Acquisitions, concludes that Treasury paid substantially more for the assets it purchased under the TARP than the market value of those assets at the time the deal was announced. The Panel's analysis revealed that in the ten largest transactions made with TARP funds, for every \$100 spent by Treasury, it received assets worth, on average, only \$66. This disparity translates into a \$78 billion shortfall for the first \$254 billion in TARP funds that were spent.

The report acknowledges that Treasury may have had valid policy reasons for making these transactions, and that it is possible that the value of the investments may eventually be worth more than the amount Treasury paid—or they may be worth much less. The report does not take a position on whether Treasury pursued the correct strategy, instead focusing on the contrast between the quantitative results of the study and the statements made by Secretary Paulson last year.

"Last fall, Treasury sold the American public on the TARP program by claiming that it would help banks while protecting taxpayers. Secretary Paulson described the transactions as 'at or near par'—that the value the assets Treasury received was roughly equal to the money being spent. But that didn't happen. Treasury got less than it spent." said Elizabeth Warren, the Chair of the Oversight Panel. "Treasury should have leveled with the American people about the purpose of the program. It's time to explain what's happened so that we can have a good, old-fashioned debate about whether this is the smartest way to spend our money."

The report reaches its conclusions by reviewing ten of the largest TARP investments the Treasury made during 2008. The analysis revealed that:

- In the eight deals made under the Capital Purchase Program—which is the program designed for so-called healthy banks—Treasury received \$78 for every \$100 spent.
- In the two deals made under the programs designed to provide aid to important financial institutions that pose a higher risk of failure, Treasury spent \$100 to get back

assets worth only \$41.

Using the same valuation techniques to analyze three large transactions made by private investors during the same time period, the report reveals that, unlike Treasury, private investors received securities worth as much or more than they invested.

Additionally, the February report also provides an update on the Panel's previous work, and a review of the key actions and changes at Treasury since the Panel's last report.

The full report can be found at [COP.Senate.gov](http://COP.Senate.gov).

In March, The Congressional Oversight Panel will release its fourth monthly report which will focus on home mortgage foreclosures.

The Congressional Oversight Panel was created to oversee the expenditure of Troubled Asset Relief Program (TARP) funds authorized by Congress in the Emergency Economic Stabilization Act of 2008 (EESA) and to provide recommendations on regulatory reform. The Panel members are: Congressman Jeb Hensarling (R-TX), Richard H. Neiman, Superintendent of Banks for the State of New York, Damon Silvers, Associate General Counsel of the AFL-CIO, former US Senator John E. Sununu (R-NH), and Elizabeth Warren, Leo Gottlieb Professor of Law at Harvard Law School.

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