DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 20, 2009

Ms. Elizabeth Warren
Chair
Congressional Oversight Panel
732 North Capitol Street, NW
Rooms C-320 and C-617
Mailstop: COP
Washington, DC 20401

Dear Chair Warren:

I am writing to update you on the current state of funds provided to Treasury under the Emergency Economic Stabilization Act. As you know, Congress released the second half of the $700 billion allocated to Treasury through EESA in January. This letter is intended to ensure you are aware of our current projections concerning the remaining funds available.

When the Obama Administration took office, Treasury had already committed over half of the funds allocated for the Troubled Asset Relief Program. As you can see in Chart 1, Treasury projects that the total usage of the programs announced under the previous administration will be $355.4 billion. This total includes $117.4 billion in exceptional relief committed to AIG, Citigroup, Bank of America, Chrysler and General Motors, $218 billion projected to be disbursed through the Capital Purchase Program (CPP), and $20 billion committed under the original announcement for the Term Asset-Backed Securities Loan Facility (TALF).

Today, Treasury estimates there is at least $109.6 billion in resources authorized under EESA still available, but we anticipate that $25 billion will be paid back under the CPP over the next year – for a total of $134.6 billion. This figure assumes – as reported by the Government Accountability Office – that the projected amount committed to existing programs will be $590.4 billion. Because the most relevant consideration is how much funds will remain available for new programs, we believe that our estimates are conservative for two reasons. First, our estimates assume 100 percent take-up of the $220 billion made available for our housing and liquidity programs, which require significant voluntary participation from financial participants. If any of those programs experience less than full take-up, additional funds will be available. Secondly, our projections anticipate only $25 billion will be paid back under CPP over the next year, a figure lower than many private analysts expect.

As you can see in Chart 2, we have broken down our commitment of EESA funds under four categories:

1) ***Exceptional Relief:*** The first category includes funds already committed for exceptional relief to financial institutions and the auto industry, which have either been disbursed or will – with near certainty – be needed in its entirety. When the Obama administration took office, the Treasury Department had already committed $117.4 billion under this category, including $40 billion to AIG, $52.5 billion to Citigroup and Bank of America and $24.9 billion to Chrysler, General

Motors and their financing companies. Since January 20th, Treasury has committed an additional $30 billion to AIG and $5 billion to auto suppliers, for a total of $152.4 billion.

2) ***Capital Purchase Program:*** The second category consists of the CPP, which was announced at $250 billion under the previous administration. Thus far, $199 billion has been disbursed through the CPP. Although the CPP is still an ongoing program, the deadline for applications for most types of banks has passed, allowing us to estimate projected usage. While there have recently been a significant number of withdrawals from smaller banks in the pipeline, our current estimate – considering future take-up from banks and insurance companies – is that $218 billion will be disbursed.

3) ***Housing and Liquidity Initiatives:*** The third category consists of new initiatives directed towards addressing weaknesses in the housing and credit markets. These programs include:

   - **The Making Home Affordable Program**, with a maximum funding level of $50 billion. (An additional $25 billion commitment will be funded under authority granted by the Housing and Economic Recovery Act.)

   - **The Consumer and Business Lending Initiative**, with a maximum funding level of $95 billion. Currently, our projection is that up to $80 billion will be allocated to the TALF, including:
     - $20 billion announced by the previous administration to support purchases of newly-issued securities backed by credit card loans, auto loans, student loans and SBA loans
     - $35 billion announced in February that will also support purchases of newly-issued securities – but with asset classes expanded to include equipment leases and commercial mortgage-backed securities
     - $25 billion for the purchase of legacy securities through the TALF structure as part of our Public Private Investment Program.

     Additionally, while securities backed by SBA loans are among the asset classes originally included in the TALF, we chose to allocate up to $15 billion from the CBLI toward more direct and immediate efforts to unlock the secondary market for small business loans.

   - **The Public Private Investment Program (PPIP),** with a maximum gross funding level of $100 billion. This program designed to address the problem of legacy securities and legacy loans called for a net increase in funding of $75 billion from the EESA as well as $25 billion devoted towards legacy securities through the TALF that is already counted as part of the CBLI.

   Together, the maximum funding available to these programs is $220 billion. As these are new programs designed to restart illiquid markets and are completely dependent on voluntary private sector participation, it is of course possible that there will be less than 100 percent usage of the maximum amounts available. Yet, in the interest of providing a very conservative estimate of remaining funds, we have currently assumed 100 percent usage of these new programs.

4) ***Paybacks:*** Seven recipients of TARP funds through the CPP have already repaid Treasury and several others have announced their intention to do so in the near future. We have made a conservative estimate of $25 billion in repayments over the next year.

In addition to the programs discussed above, Treasury has stated its intention to provide additional support to the auto industry – contingent on an acceptable restructuring – as well as capital under the Capital Assistance Program. While Treasury has not announced specific commitments to these programs or any other, we believe that even under the conservative estimate of available funds described here, we have the resources to move forward implementing all aspects of our Financial Stability Plan.
Please let me know if you have any other questions on this matter.

Sincerely,

Timothy F. Geithner

Enclosures

Identical letters sent to:

The Honorable Chris Dodd, Chairman
The Honorable Richard Shelby, Ranking Member
The Honorable Barney Frank, Chairman
The Honorable Spencer Bachus, Ranking Member
The Honorable Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program
The Honorable Gene Dodaro, Acting Comptroller General of the United States

Chart 1: Projected Use of TARP/Financial Stability Plan Funds by Administration

Programs Announced Under Previous Administration	
AIG	$40 billion
Citi/Bank of America (Targeted Investment Program and Guarantees)	$52.5 billion
Autos	$24.9 billion
Capital Purchase Program	$218 billion
TALF 1.0	$20 billion
Subtotal	***$355.4 billion***
Programs Announced Under Obama Administration	
Housing	$50 billion
AIG (Second Investment)	$30 billion
Auto Suppliers	$5 billion
Expansion of Consumer and Business Lending Initiative[1]	
TALF Asset Expansion (New Issuance)	$35 billion
TALF for Legacy Securities	$25 billion
Unlocking SBA Lending Markets	$15 billion
Public Private Investment Program	$100 billion ($75 billion net)
Subtotal	***$235 billion***
Conservative Estimate of Paybacks	***-$25 billion***
Total	***$565.4 billion***
Total Remaining	***$134.6 billion***

Additional Funding

Autos

To be determined

Capital Assistance Program

Ability to convert existing preferred stock from CPP, plus mandatory convertible capital to be determined

[1] The Consumer and Business Lending Initiative also includes the $20 billion committed to TALF under the previous administration, amounting to an overall total of $80 billion under TALF and $95 billion under the CBLI.

Chart 2: Projected Use of TARP/Financial Stability Plan Funds by Category

Exceptional Relief		
AIG	$70 billion	
Citi/Bank of America (Targeted Investment Program and Guarantees)	$52.5 billion	
Autos	$24.9 billion	
Auto Suppliers	$5 billion	
Subtotal		***$152.4 billion***
Capital Purchase Program		
Capital Purchase Program	$218 billion	
Subtotal		***$218 billion***
Housing and Liquidity Initiatives		
Housing	$50 billion	
Consumer and Business Lending Initiative		
TALF 1.0	$20 billion	
TALF Asset Expansion (New Issuance)	$35 billion	
TALF for Legacy Securities	$25 billion	
Unlocking SBA Lending Markets	$15 billion	
Public Private Investment Program	$100 billion ($75 billion net)	
Subtotal		***$220 billion***
Conservative Estimate of Paybacks		***-$25 billion***
Total		***$565.4 billion***
Total Remaining		***$134.6 billion***

Additional Funding

Autos

To be determined

Capital Assistance Program

Ability to convert existing preferred stock from CPP, plus mandatory convertible capital to be determined