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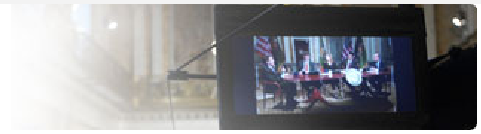

Treasury Issues Status Report on Financial Stabilization Efforts

9/14/2009

For the full report, visit link.

The U.S. Treasury Department on Monday issued a report describing the next phase of the government's financial stabilization and rehabilitation policies to provide the public with a status update on these programs and an explanation of the Administration's strategy going forward.

"We are now in a position to adjust our strategy as we move from crisis response to recovery, from rescuing the economy to repairing and rebuilding the foundation for future growth," said Treasury Secretary Tim Geithner. "The critical imperative we face as a country is making sure that the same vulnerabilities in our system which gave rise to this recession are not allowed to trigger another. To do that, we must pass comprehensive regulatory reform legislation by the end of the year."

At the beginning of the year, the incoming Obama Administration faced a combination of acute economic and financial challenges. The viability of many major financial institutions remained in doubt, vital aspects of the financial system were deeply impaired, and the economy was deteriorating rapidly. President-Elect Obama made the key decision to make major commitments to both fiscal stimulus and financial stability.

The Administration's financial policies were designed to achieve four broad objectives. First, the Administration made an unequivocal commitment to ensure that the financial system continued its core functions in support of the broader economy without interruption. Second, the Administration sought to ensure that the financial system had enough capital to provide new credit to the economy by reducing uncertainty and mobilizing private sources of new capital for financial institutions. Third, the Administration sought to restart key non-bank channels of credit intermediation that had been effectively shut down by the crisis. Finally, the Administration sought to moderate the impact of the adjustment in the real estate sector on households by making new mortgage credit more available and by reducing the number of unnecessary foreclosures.

The Financial Stability Plan announced in February laid out the Administration's comprehensive, forceful and sustained Strategy to meet those objectives. That plan, in conjunction with fiscal stimulus, has helped to stabilize financial markets and the nation's economy, and to pull the financial system back from the brink of systemic collapse.

The Administration is now moving into a new phase of our strategy to stabilize and rehabilitate financial markets. Utilization of the extraordinary government programs put in place to contain the financial crisis has already declined substantially. Most of these programs were designed to become unattractive once financial markets normalized.

But the process of terminating crisis-related programs must be done in a measured way that does not derail the nascent economic recovery. Unemployment remains elevated, output has fallen significantly, foreclosures continue to rise, and credit to households and businesses remains constrained. The Administration must continue to provide support where it is still needed to rehabilitate disrupted markets that provide critical credit to households and businesses. It would be a mistake to withdraw abruptly from programs supporting these channels for new credit before a self-sustaining economic recovery has taken hold.

As we all move further away from acute crisis, we must not forget the lessons we have learned from this period. Rebuilding our regulatory system in a way that is stronger and better-suited to manage risk and ensure safety and soundness must be our highest priority.

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